

Annual Report 2011

New Zealand Defence Force Te Ope Kaatua o Aotearoa

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Section One

Overview by the Chief of Defence Force

The last year was distinguished by the continuation of a high level of operational and organisational activity, and preparing for the Government's intent to ensure New Zealand has a strong and effective defence force.

One of the NZDF's principal tasks is its role in supporting the Government's response to disasters. From the outset, the NZDF has been heavily involved with providing support to the people of Canterbury, following the earthquakes. Units and personnel of all three services continue to deliver timely and efficient assistance to a variety of requests from Civil Defence and the Police. We also provided support to the relief efforts in the wake of the Pike River mine disaster and flooding in Hawke's Bay.

Our operational activities included missions in the Solomon Islands, Timor-Leste, Afghanistan, and the Middle East. Back home, we continued to contribute to the security of New Zealand's border and Exclusive Economic Zone (EEZ), and protecting our natural resources. We also continued our transformation programme to improve efficiency and deliver savings to be reinvested in our frontline military capabilities.

The Government's Defence White Paper, launched in November 2010, clearly set out the direction for the role of the NZDF: the core task of the NZDF is to conduct military operations; operations in New Zealand's maritime zone and the South Pacific are the starting point for choosing military capabilities; and New Zealand must be interoperable with our principal partners. As noted in our recent Statement of Intent, a Reform Campaign provides the blueprint to implement the White Paper.

New Zealanders expect that resources going into defence will provide options for responding to regional crises. This expectation is shared by our partners in the region, including Australia. Our ongoing commitment to the Regional Assistance Mission to Solomon Islands (RAMSI) and the Australian-led International Security Forces in Timor-Leste are examples of this. Building on these joint activities, a Pacific-focused ANZAC Ready Response Force has now been established. This force will respond to short-notice security events, including stabilisation operations, humanitarian assistance, and disaster relief.

In partnership with the Ministry of Defence, we continued our modernisation programme to provide better military capability.

In October last year, we accepted back into service the first C-130 Hercules to have been through the Life Extension Project. Upgrading these aircraft will mean that operations in high-risk areas, such as Afghanistan, will be able to be undertaken with a higher degree of certainty and safety.

In April this year, the first upgraded P-3K2 Orion aircraft returned from the United States. The Orion aircraft will have vastly more capability across its whole range of missions, from military operations through to search and rescue, supporting our Pacific relationships and effective monitoring of our EEZ.

The Air Force also took delivery of the first of the new A-109 light utility helicopters, which have capabilities including air transport, search and rescue, aero-medical evacuation, disaster response and surveillance, and counter terrorism support.

Earlier this year, the second phase of the project to upgrade systems aboard the Navy's frigates *Te Kaha* and *Te Mana* commenced. This upgrade will improve the performance and extend the range of conditions in which the frigates are effective.

Soldiers deploying to Afghanistan are wearing the latest, battle tested survivability gear and have more protected mobility. The Army also now has fully armoured combat tractors, for use by engineers.

We also saw improvements in the way we manage our capabilities. Human resource, logistics, training support, strategy management and capability development functions now all have single points of accountability, with a stronger focus on consolidated and standardised processes.

This high level of operating activity, renewal of our capabilities and reform of our organisation has seen the NZDF make a valuable contribution to the security and welfare of the people of New Zealand throughout the year. The availability and preparedness achieved by our force elements also stands us in good stead to continue to provide a range of military response options for government, and to make meaningful contributions to the achievement of Defence outcomes.



R.R. JONES

Lieutenant General
Chief of Defence Force

Introduction

This report highlights the business of the New Zealand Defence Force (NZDF) for 2010-2011 and illustrates the broad and diverse range of operations and tasks undertaken in meeting government's defence policy. It is a comprehensive overview of the NZDF and how the organisation has utilised the resources and accounts for the appropriations approved by Parliament.

Defence is a significant component of New Zealand's foreign and security policy, and while the NZDF is constitutionally the sole provider of military forces, it is not the sole contributor to strategic outcomes for national security. Rather, the NZDF contributes to the achievement of government goals and outcomes as part of the broader External Sector¹.

On a day by day basis the NZDF conducts operations and trains to be ready, if and when required by government, to ensure New Zealand's security. The capacity to sustain currently approved operational missions, to respond to emergency situations and critical incidents at home and in the region, and to prepare for future undefined operations, wherever and whenever they may be, is the overriding requirement of the Defence Force.

At any given time the NZDF has deployed between 400 – 1,000 personnel, on more than 10 different operational missions around the world in support of New Zealand's security. The most significant recent missions are predominantly Army elements in Timor-Leste, the Solomon Islands and Afghanistan supported by Navy and Air Force personnel. Air Force elements, including C-130 Hercules and Boeing 757 aircraft, provide re-supply and rotation support to deployed forces. Various Navy and Air Force elements are also involved in providing support to multi-agencies in and around New Zealand on an ongoing basis.

Here in New Zealand, the NZDF trains to maintain a level of proficiency that preserves core skills and professional military standards while ensuring New Zealand's security and NZDF's capacity to provide military response options to government for unexpected contingencies at home, in the near region and globally.

The NZDF, through Veterans' Affairs New Zealand, also contributes to the External Sector by ensuring veterans are recognised for their service and that the impacts of service on veterans and their dependents are monitored and addressed. The Government's underpinning policy related to veterans is "*Respecting Veterans, Honouring Service.*"

At the highest level, the NZDF's performance requirements are set out in the Statement of Intent (SOI) for the year under review. The Statement of Service Performance (SSP) therefore commences with the performance targets described in the SOI, and summarises the actual performance achieved during the year under assessment. Supporting detail, as necessary, is set out throughout the report.

The report is presented in five sections that describe: Defence at a glance; NZDF highlights and achievements for the reporting period; annual performance report and preparedness to deliver on government's expected outcomes; Veterans Affairs; and financial statements in support of our service performance.

¹ The External Sector consists of six Votes, which are administered by four departments: the New Zealand Defence Force; the Ministry of Defence; the Ministry of Foreign Affairs and Trade; and the New Zealand Customs Service. These departments are collectively responsible for managing most of New Zealand's official relationships with the rest of the world and protecting its security beyond the border.

Defence at a Glance

Introduction

This section of the report provides a general overview of the NZDF, while more detailed information is available from the websites, publications and libraries listed later in this section.

NZDF Mission

The primary mission of the NZDF is:

“To secure New Zealand against external threat, to protect our sovereign interests, including in the Exclusive Economic Zone (EEZ), and to be able to take action to meet likely contingencies in our strategic area of interest.”

The NZDF is the only agency that maintains disciplined forces available at short notice and that operates large-scale and integrated fleets of vehicles, ships, and aircraft. It is therefore able to undertake or support a range of tasks, including maritime resource protection, humanitarian assistance and disaster relief, and search and rescue, as part of an all-of-government effort directed by civil authorities. Nevertheless, the core task of the NZDF is to conduct military operations.

Currently, there is one main NZDF outcome (“New Zealand secure and protected from external threats now and in the future”) supported by four intermediate outcomes that contribute to national security. In achieving these outcomes, the NZDF makes a range of contributions: it maintains operationally prepared forces for use by the Government and it carries out operational missions in accordance with government direction. In essence, the NZDF contributes to the achievement of Defence outcomes through the creation of impacts (joint military effects) through the delivery of its outputs (see Section 3).

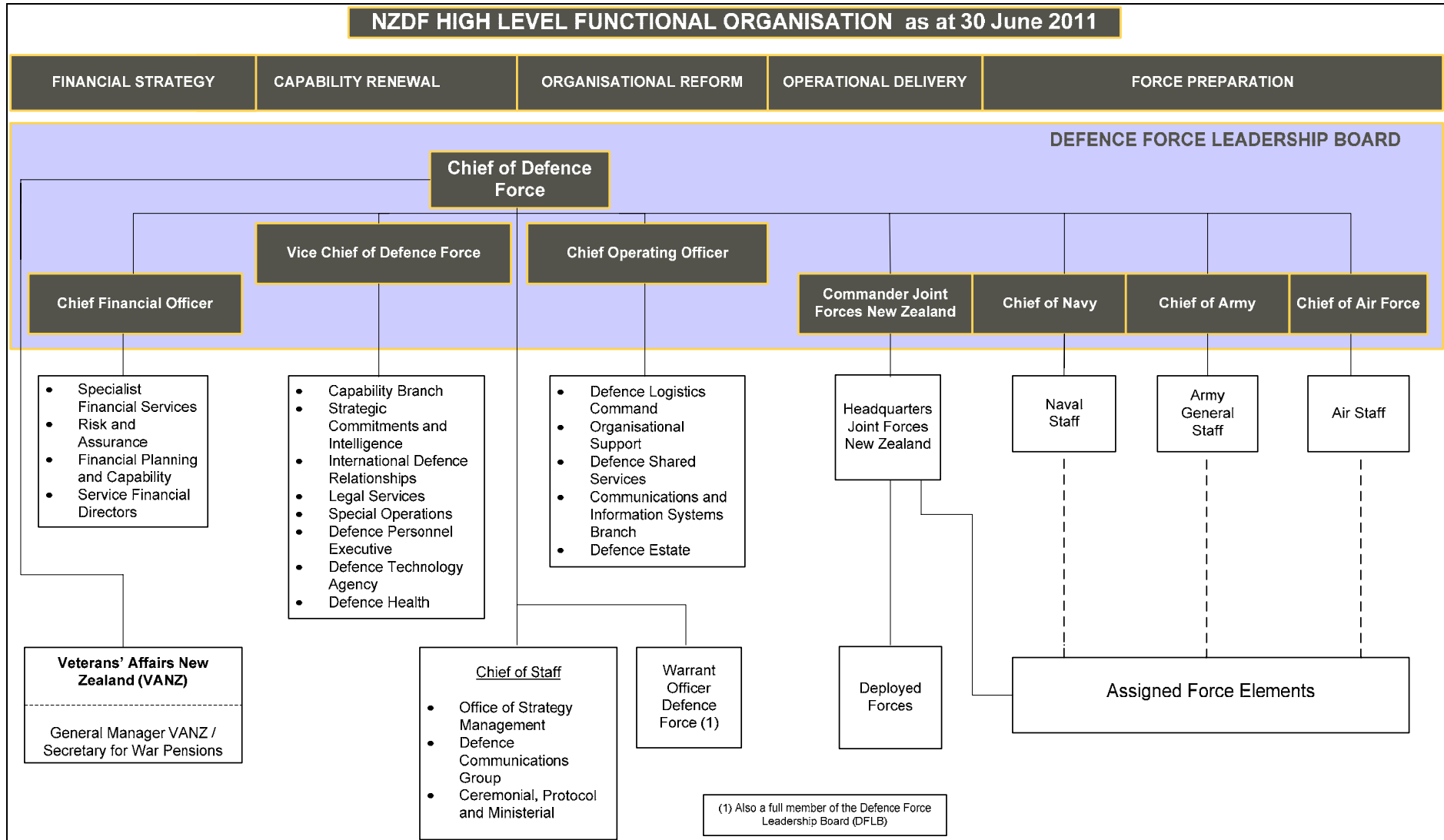
Examples of NZDF contributions to the four intermediate outcomes (and applicable sub outcomes) are shown in the following table. More detail on these contributions is shown in Section 2.

Summary of NZDF Support to Outcomes

NZDF Intermediate Outcomes	Examples of NZDF Contribution	Effects
<p>Intermediate Outcome 1:</p> <p>A secure New Zealand including its people, land, territorial waters, EEZ, natural resources and critical infrastructure.</p> <p>Sub Outcomes:</p> <ul style="list-style-type: none"> Protected from terrorism Protected from transnational illegal activities Protected persons and infrastructure from civil instability and disasters 	<p>Protecting our EEZ resources through coordinated surveillance and interdiction capabilities</p> <p>Supporting other government agencies and the community</p> <p>Explosive disposal response</p> <p>Counter-Terrorist response</p> <p>Civil Defence Assistance</p> <p>Sovereignty protection</p> <p>Aid to civil power, including emergency response</p> <p>Support to youth development initiatives</p> <p>Additional skills via Reserve and Territorial personnel</p> <p>Respecting and honouring veterans</p>	<p>Illegal and unauthorised acts deterred</p> <p>New Zealand seen as a 'hard' target</p> <p>Effective border control</p> <p>Intelligence to inform direction and response</p> <p>Situations prevented, prepared for and mitigated</p> <p>Effective and coordinated responses to situations</p> <p>Assist in maintaining the security and wellbeing of New Zealanders</p>
<p>Intermediate Outcome 2:</p> <p>Reduced risks from regional and global insecurity</p> <p>Sub Outcomes:</p> <ul style="list-style-type: none"> Secure, peaceful and stable South Pacific Secure, peaceful and stable Australia A secure and stable Asia-Pacific region A more secure and stable world 	<p>Humanitarian assistance and disaster relief</p> <p>Non-combatant evacuation operations</p> <p>Helping protect Pacific Island nations' EEZ resource and sovereignty, e.g., Pacific Maritime Surveillance Operations Multi-agency Watchgroup</p> <p>Working with France and Australia (FRANZ), and the Pacific Island Forum</p> <p>Defence Mutual Aid Programme</p> <p>Enacting Closer Defence Relations (CDR)</p> <p>Partnering regional stability operations, e.g., RAMSI and ANZAC Ready Response Force</p> <p>Peace Support Operations</p> <p>Intelligence sharing and technology transfer</p> <p>Protecting New Zealand nationals abroad</p> <p>Protecting maritime trade routes</p> <p>Contributing to Five Power Defence Arrangements (FPDA)</p> <p>Exchanges, visits, combined exercises and readiness training</p>	<p>Effectively assist with deterrence of threats</p> <p>Contributing to a stronger New Zealand economy</p> <p>Effective, collaborative operational responses to assist in mitigating situations</p> <p>Assist development of indigenous capability</p> <p>Professional development for disciplined forces in selected countries</p> <p>New Zealand's interests abroad protected and promoted</p>
<p>Intermediate Outcome 3:</p> <p>NZ security values and interests advanced</p> <p>Sub Outcomes:</p> <ul style="list-style-type: none"> Collaboratively develop and shape the international security order Effective participation in the international security order 	<p>Contribution to UN and other appropriate multilateral peace support and humanitarian relief operations</p> <p>Membership of international security organisations and forums, e.g., UN, ASEAN Regional Forum, Shangri-La Dialogue, Proliferation Security Initiative, and NATO/ISAF Defence Ministers' meetings</p> <p>Wellington Declaration implementation</p> <p>Assignment of defence attachés and defence diplomacy</p> <p>Formal military-to-military talks</p>	<p>Effective contribution to international dialogue</p> <p>Abide by international agreements</p> <p>Building confidence and transparency</p> <p>Effective membership of organisations and cooperative groupings</p> <p>Effective direct defence diplomacy and relationships</p> <p>New Zealand seen as a good international citizen</p>
<p>Intermediate Outcome 4:</p> <p>NZ is able to meet future national security challenges</p>	<p>Dialogue and intelligence exchanges</p> <p>Keeping well informed about defence technology and military doctrinal developments</p> <p>Providing professional development through exercises, exchanges and other interactions</p> <p>Liaison with NZ Defence Industry Committee</p>	<p>Assessment of risks</p> <p>Robust analysis</p> <p>Generation and assessment of future options</p> <p>Having an adequate inter-agency planning and coordinated response</p>

NZDF Operations and Missions Overseas

Region	Contribution
Afghanistan	The NZDF has been actively involved in Afghanistan since 2003. Currently, we provide a Provincial Reconstruction Team (including a National Support Element), training support for leadership training to the Afghan National Army, military advice and interface between the staff of the United Nations Assistance Mission in Afghanistan (UNAMA), HQ International Security Assistance Force (ISAF) and Afghan authorities. In addition, support is provided to HQ Combined Joint Task Force (CJTF) and Combined Forces Command Afghanistan (CFC-A).
Arabian Gulf	The NZDF maintains a team providing operational support to NZDF forces operating in the Arabian Gulf area. Several times a year, a strategic airlift aircraft is provided in support of missions in Afghanistan. Additionally, naval officers have been seconded to assist allied nations that are conducting counter-piracy patrols in the Arabian Gulf and Horn of Africa maritime operating areas.
Iraq	A NZDF Military Advisor is attached to the United Nations Assistance Mission in Iraq (UNAMI) providing liaison between the UN Assistance Mission Iraq (UNAMI), the Multinational Force and Iraqi Security Forces as well as advice on military matters to the UN Special Representative of the Secretary-General.
Israel, Lebanon, Syria	The NZDF has been providing UN Observers to the United Nations Truce and Supervisory Organisation (UNTSO) since 1954. These personnel patrol the area of operations and monitor ceasefires and military activity within the region.
Republic of Korea	The NZDF provides staff support to operations, watch-keeping and corridor control to the United Nations Command Military Armistice Commission in Korea (UNCMAC).
Sinai Peninsula	The NZDF has been providing expertise to the Multinational Force and Observers (MFO) in driver tasking, courses and training since 1982. In addition, NZDF personnel monitor the operation of the Egyptian Border Guard Force. An ex-senior NZDF officer now commands the Force.
Solomon Islands	Since 2003 the NZDF has provided support to the Participating Police Force conducting local and provincial presence patrols and security patrols as part of the military component of RAMSI.
Sudan	The NZDF provides Military Observers and Staff Officer assistance to the UN Mission in Sudan (UNMIS).
Timor-Leste	The NZDF has been supporting various operations in Timor-Leste since 1999. We are involved in the United Nations Mission in Timor-Leste (UNMIT), focussing on contract management, equipment support and development of defence policies for the Timor-Leste Defence Force, along with support elements for civilian/military aid, security and stability tasks.
United States of America	A NZDF National Planning Element and operational support has been based at US CENTCOM in Florida since 2003. They provide a liaison and planning function.



Major NZDF Units within New Zealand

<p><i>Headquarters New Zealand Defence Force</i></p> <p>Wellington HQ NZDF (Strategic Headquarters) Chief of Defence Force Vice Chief of Defence Force Chief Operating Officer Chief of Navy Chief of Army Chief of Air Force Chief Financial Officer</p> <p>Trentham Defence College Defence Shared Services</p> <p>Auckland Defence Technology Agency (located at Devonport Naval Base)</p>	<p><i>New Zealand Army</i></p> <p>Papakura 1 NZ SAS Group Auckland Regional Support Group</p> <p>Waiouru NZ Land Training and Doctrine Group Officer Cadet School Land Operations Training Centre The Army Depot</p> <p>Linton HQ 2ND Land Force Group 1st Battalion 16th Field Regiment (Artillery and Air Defence) 2nd Engineer Regiment 1st NZ Signals Regiment 2nd Logistics Battalion 2nd Health Service Battalion</p>
<p><i>Joint Forces New Zealand</i></p> <p>Trentham Operational Headquarters Joint Forces New Zealand Commander Joint Forces New Zealand</p>	<p>Trentham Trentham Regional Support Battalion 1st NZ Military Intelligence Company 1st NZ Military Police Company 1st NZ Explosive Ordnance Disposal Squadron</p>
<p><i>Royal New Zealand Navy</i></p> <p>Auckland Naval Support Command RNZN Naval College Joint Geospatial Support Facility HMNZ Dockyard</p> <p>Naval Combat Force HMNZS <i>Te Kaha</i> HMNZS <i>Te Mana</i></p> <p>Naval Support Force HMNZS <i>Canterbury</i> (Amphibious Sealift) HMNZS <i>Endeavour</i> (Fleet Replenishment)</p> <p>Hydrographic HMNZS <i>Resolution</i></p> <p>Diving Support HMNZS <i>Manawanui</i></p> <p>Naval Patrol Force HMNZS <i>Otago</i> HMNZS <i>Wellington</i> HMNZS <i>Rotoiti</i> HMNZS <i>Hawea</i> HMNZS <i>Pukaki</i> HMNZS <i>Taupo</i></p>	<p>Burnham HQ 3RD Land Force Group Queen Alexandra's Mounted Rifles (Armoured Reconnaissance) 2nd/1st Battalion (Infantry) 3rd Signals Squadron 3rd Logistics Battalion</p> <p>Tekapo Military Training Area</p> <p><i>Royal New Zealand Air Force</i></p> <p>Auckland No 5 Squadron 6 x Lockheed P-3K/2 Orion No 6 Squadron 5 x SH-2G(NZ) Seasprite No 40 Squadron 2 x Boeing 757-200 5 x Lockheed C-130H Hercules No 209 Squadron (Expeditionary Support Squadron) No 230 Squadron (Mission Support Squadron) Parachute Training Support Unit</p> <p>Ohakea No 3 Squadron 13 x UH-1H Iroquois 5 x Bell 47G-3B-2 Sioux (Retired from basic helo trg in Dec 10) Flying Training Wing 14 x CT-4E Airtrainer 5 x Beech King Air B200</p> <p>Woodbourne Ground Training Wing</p>

NZDF Personnel Strength as at 30 June 2011

	Regular	Reserves	Total
Navy	2,122	322	2,444
Army	4,846	1,841	6,687
Air Force	2,573	187	2,760
Total	9,541	2,350	11,891

Notes:

(1) All regular and reserve force numbers reported on this page are headcounts.

(2) The median length of current regular force service is 5.81 years.

	Regular	Reserves	Total
HQ NZDF	295 ⁽³⁾	10 ⁽³⁾	305 ⁽³⁾
HQ JFNZ	173 ⁽⁴⁾	0 ⁽⁴⁾	173 ⁽⁴⁾
Defence Support Group	58 ⁽⁵⁾	2 ⁽⁵⁾	60 ⁽⁵⁾
Defence Logistics Command	815 ⁽⁶⁾	4 ⁽⁶⁾	819 ⁽⁶⁾
Defence Personnel Executive	469 ⁽⁷⁾	52 ⁽⁷⁾	521 ⁽⁷⁾

Notes:

(3) HQ NZDF military personnel (regular and reserve) are already counted within Service totals.

(4) HQ JFNZ military personnel (regular and reserve) are already counted within Service totals.

(5) Defence Support Group military personnel (regular and reserve) are already counted within Service totals.

(6) Defence Logistics Command military personnel (regular and reserve) are already counted within Service totals.

(7) Defence Personnel Executive military personnel (regular and reserve) are already counted within Service totals.

	Civil Staff ⁽⁸⁾
Navy	170
Army	481
Air Force	240
HQ NZDF	349 ⁽⁹⁾
HQ JFNZ	29 ⁽¹⁰⁾
Defence Support Group	546 ⁽¹¹⁾
Defence Logistics Command	342
Defence Personnel Executive	298
Total	2,455

Notes:

(8) All civil staff numbers reported on this page are full time equivalents.

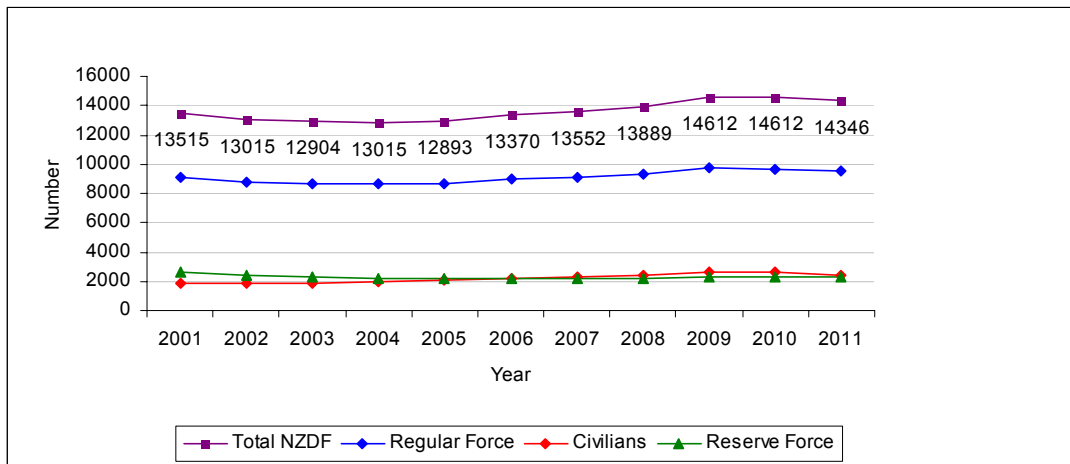
(9) HQ NZDF civil staff total includes Veterans' Affairs New Zealand and *Locally Employed Civilians* (LECs) overseas.

(10) HQ JFNZ civil staff total includes civil staff deployed overseas.

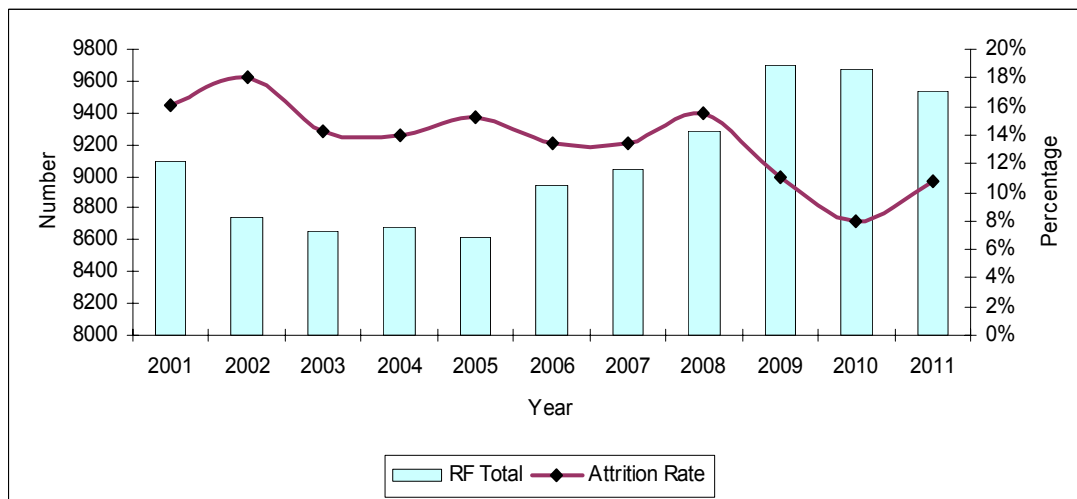
(11) Defence Support Group civil staff total includes the Defence Technology Agency.

Regular Force Gender Ratio	Male	Female	Percent Male	Percent Female
Navy	1,640	482	77.3%	22.7%
Army	4,219	627	87.1%	12.9%
Air Force	2,129	444	82.7%	17.3%
Total	7,988	1,553	83.7%	16.3%

NZDF Personnel Total Number by Year



NZDF Regular Force Attrition by Year (12 month rolling average)



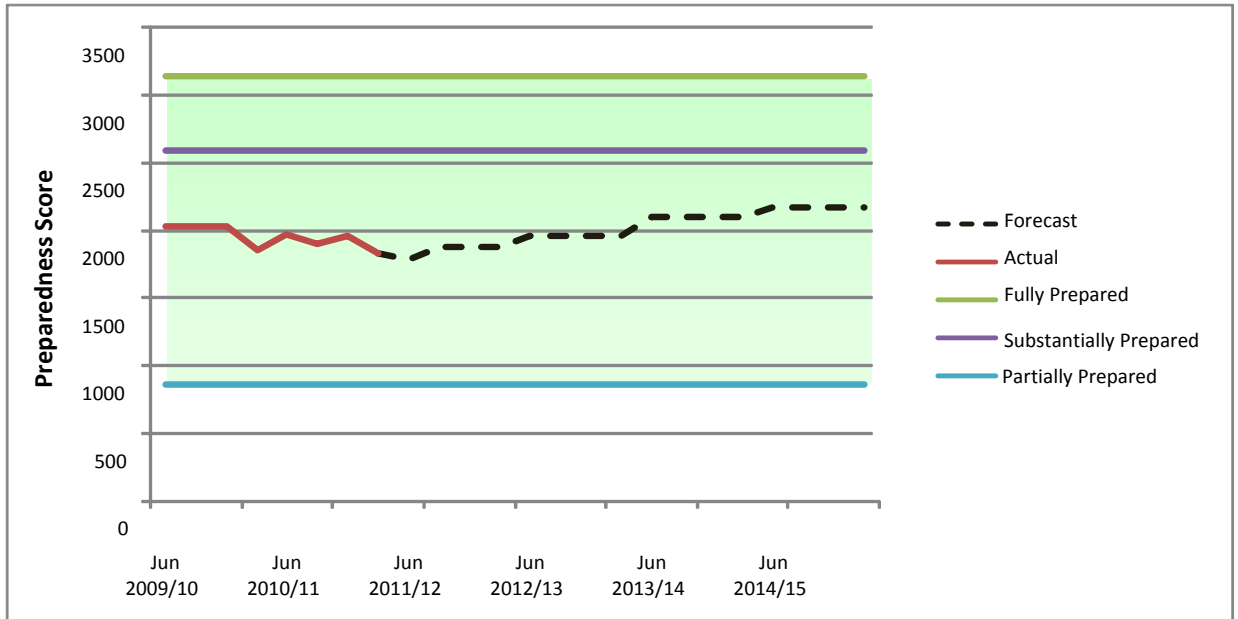
The RF attrition rate (12 month rolling attrition) for the 12 months to 30 June 2011 was 10.74% (excluding Short-Term Employees).

Attitude Survey

Overall, Regular Force (RF) satisfaction has trended downwards over the past 12 months. From July 2010 to June 2011, 55% of all RF respondents rated their overall satisfaction with the NZDF as ‘good’ or ‘excellent’. Research suggests the decline in satisfaction over the reporting period was driven by increasing concern among personnel about potential outcomes of change within the NZDF.

The NZDF Ongoing Attitude Survey continues to provide a valuable source of information to monitor organisational health as an aid to HR policy development. This survey has been reviewed to ensure that it continues to reflect best practice and meet the requirements of the NZDF, with a revised questionnaire implemented from July 2011.

Aggregated Operational Preparedness of NZDF Force Elements

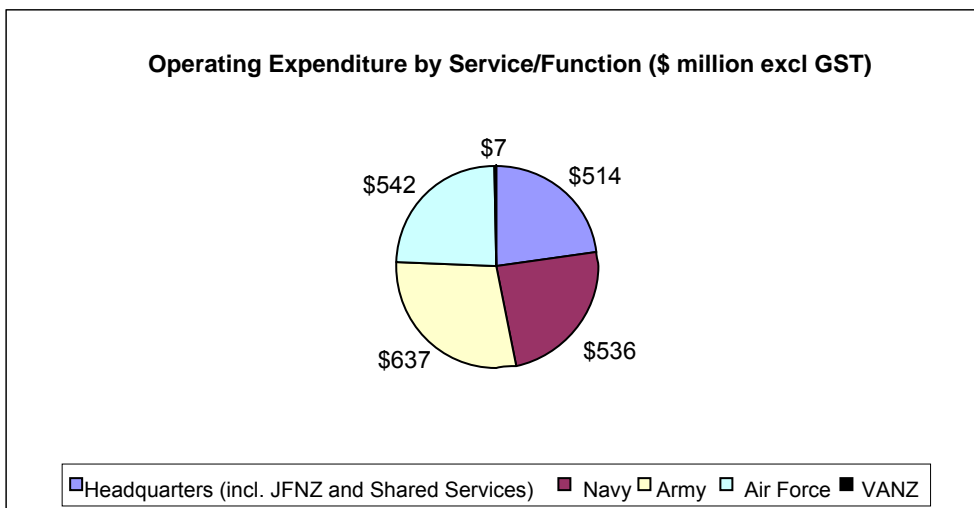
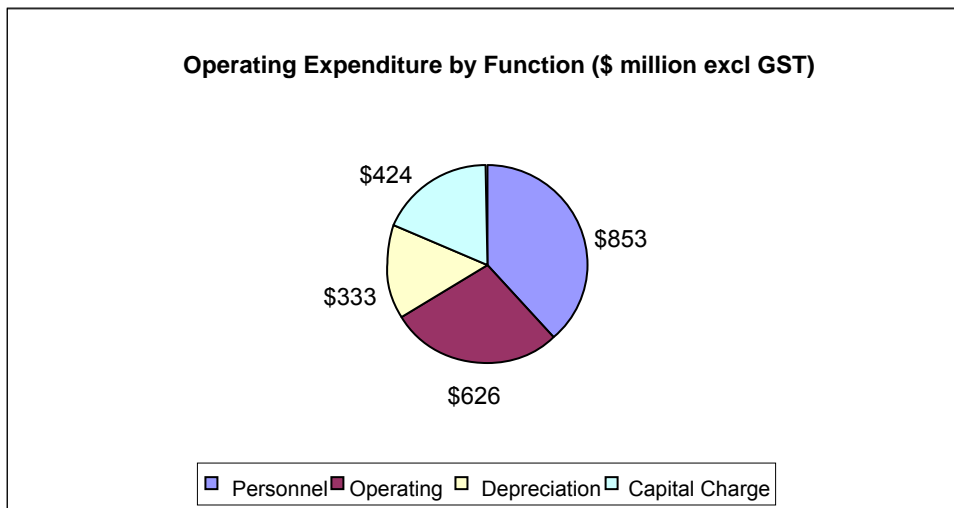


Overall, the aggregate level of preparedness of force elements is in the ‘substantially prepared’ range as shown in the light green shaded area of the graph above. This reflects the intended level of preparedness of the NZDF as a whole, with preparedness being generally held higher for security threats closer to home, and lower for events further afield. The NZDF does not plan, nor is it resourced, to hold force elements at the fully prepared level across all possible security threats at all times. The slight decreases in preparedness during the reporting period reflect the unavailability of platforms at certain times due to the introduction into service of new and modernised capabilities. Another factor is the sustainment of operational commitments overseas, e.g., Solomon Islands, which sometimes meant that personnel and their equipment were unavailable within designated response times to prepare for additional missions. Overall, aggregate preparedness levels are expected to increase over the foreseeable future due to the implementation of the Reform Campaign. (See Section 3 for the preparedness of individual force elements by output expense for the reporting period.)

Summary of Expenditure

NZDF operating expenditure for the year ended 30 June 2011 was \$2.236 billion, exclusive of GST. Of this total, \$424 million (19%) was returned to the Crown as capital charge for the use of Defence assets.

A graphical summary of operating expenditure by function and Service is shown below. The full financial statements and notes are shown in Section 5 of this report.



Statutory Committees

The two statutory NZDF committees, with the number of meetings held during 2010/11 were:

- Chiefs of Service Committee Seven meetings
- Review Authority No meetings

During the reporting period, the Executive Leadership Team (renamed the Defence Leadership Board in February 2011) met on 13 occasions.

Availability of Information

Further information or enquiries regarding the Defence Force, including a more detailed description of the force elements and units referred to in this report, is available to the public from the following sources:

New Zealand Defence Force: www.nzdf.mil.nz

Defence Communications Group: dcg@nzdf.mil.nz

One Force:

(Biannual publication)

Headquarters New Zealand Defence Force

2–12 Aitken Street, Wellington 6011

Defence Library: defence.library@nzdf.mil.nz

Headquarters New Zealand Defence Force

2–12 Aitken Street, Wellington 6011

Navy: www.navy.mil.nz

Navy Today:

(Monthly publication)

The White Ensign:

(Navy Museum heritage journal) (Quarterly publication)

Royal New Zealand Navy Museum: – www.navymuseum.mil.nz

Devonport Naval Base, Auckland

Army: www.army.mil.nz

Army News:

(Fortnightly publication)

Queen Elizabeth II National Army Museum: – www.armymuseum.co.nz

Waiouru

Air Force: www.airforce.mil.nz

Air Force News:

(Monthly publication)

RNZAF Memorial Museum: – www.airforcemuseum.co.nz

Wigram, Christchurch

Ministry of Defence: www.defence.govt.nz

The primary legislation administered by the NZDF is as follows:

Armed Forces Canteens Act 1948

Armed Forces Discipline Act 1971

Court Martial Act 2007

Court Martial Appeals Act 1953

Defence Act 1990

Military Decorations and Distinctive Badges Act 1918

Military Manoeuvres Act 1915

Naval and Victualling Stores Act Repeal Act 1998

Patriotic and Canteen Funds Act 1947

Veterans' Affairs Act 1999

Visiting Forces Act 2004

War Funds Act Repeal Act 2003

War Pensions Act 1954

The NZDF also administers numerous regulations, orders and warrants.

Section Two

Achieving High-Level Policy Goals and Outcomes

The Government's overarching goal is to grow the New Zealand economy in order to deliver greater prosperity, security and opportunities to all New Zealanders. The External Sector contributes to this goal in several ways through its:

- activities to reduce or manage the risks to New Zealand from global and regional insecurity and trans-national threats (a critical precondition underpinning economic growth and social well-being);
- aid to promote the security and sustainable economic growth of developing countries, especially in our region;
- contributions to the development of international rules for dealing with global issues and promoting the conduct of international trade and commerce;
- work to increase the competitiveness of New Zealand business; and
- initiatives to assist the flow of people, capital, trade, technology and ideas to New Zealand to build a more competitive resource base for the economy.

The particular contribution that Defence makes to national security interests was amplified within the Defence White Paper 2010:

- a safe and secure New Zealand, including its borders and approaches;
- a rules-based international order, which respects national sovereignty;
- a network of strong international linkages; and
- a sound global economy underpinned by open trade routes.

The main Defence outcome in support of government's overarching goal and national security interests is: "*New Zealand Secure and Protected from External Threats Now and in the Future.*" This main outcome is achieved through the four Defence intermediate outcomes of:

- Secure New Zealand, including its people, land, territorial waters, EEZ, natural resources and critical infrastructure.
- Reduced risks to New Zealand from regional and global insecurity.
- New Zealand values and interests advanced through participation in regional and international security systems.
- New Zealand is able to meet future national security challenges.

The Defence Act 1990 ("the Act") provides for armed forces to be raised and maintained for:

- the defence of New Zealand and the protection of its interests, whether in New Zealand or elsewhere;
- the contribution of forces under collective security treaties, agreements and arrangements; and
- the contribution of forces to the United Nations or other organisations or states for operations in accordance with the principles of the United Nations Charter.

The Act also allows the Armed Forces to be made available for the performance of public services and assistance to the civil power in time of emergency, either in New Zealand, or elsewhere.

Taking the Defence policy context and strategic outlook as contained within Chapters 2 and 3 of the Defence White Paper 2010, the Government expects the NZDF to contribute to the advancement of national security interests and achievement of Defence outcomes within the provisions of the Act, by being able to conduct the following principal tasks over the next 25 years:

- to defend New Zealand's sovereignty;
- to discharge our obligations as an ally of Australia;
- to contribute to and, where necessary, lead peace and security operations in the South Pacific;
- to make a credible contribution in support of peace and security in the Asia-Pacific region;
- to protect New Zealand's wider interests by contributing to international peace and security, and the international rule of law;
- to contribute to all-of-government efforts at home and abroad in resource protection, disaster relief, and humanitarian assistance;
- to participate in all-of-government efforts to monitor the international strategic environment; and
- to be prepared to respond to sudden shifts and other disjunctions in the strategic direction.

The order of these tasks reflects the extent to which the Government has choice over any deployment of the NZDF. The NZDF conducts these principal tasks, and hence contributes to the achievement of Defence outcomes, through the delivery of the NZDF outputs (see Section 3 Statement of Service Performance). A full discussion of the principal tasks can be found at Chapter 4 of the Defence White Paper 2010.

The themes that flow from the Government's overarching goal through to achievement of Defence outcomes, by way of conduct of the principal tasks and delivery of NZDF outputs, are encapsulated within the NZDF mission statement:

“To secure New Zealand against external threat, to protect our sovereign interests, including in the Exclusive Economic Zone (EEZ), and to be able to take action to meet likely contingencies in our strategic area of interest.”

Measurement of Outcomes and Impacts

Indicators of Outcome Performance

A macro level review of cost-effectiveness of the NZDF was completed as part of developing the Defence White Paper 2010, including the Defence Assessment and Value for Money components. This has resulted in a new funding arrangement for the NZDF, confirmation of its roles and tasks, commencement of a review of outputs, and the development of a new NZDF Strategic Plan - a plan that will see the NZDF renew its capabilities and reform the organisation in order to be fit-for-purpose, mission effective and value for money. The NZDF is also participating in the Better Administrative Support Services (BASS) programme, which is identifying opportunities for efficiencies and cost effectiveness through benchmarking, monitoring and evaluation. Cost-effectiveness of the NZDF is being addressed top-down; despite a set of bespoke measures for impacts and outcomes not being listed within the SOI at this time.

As stated in the NZDF's SOI, the NZDF's main, intermediate and sub-outcomes (impacts) are not currently linked to a formal set of measures and targets. This is due to the complexity of measuring outcomes that deliver security and protection in domestic, regional and global contexts. There is no single measure of success, and there are no guarantees that delivery of the outputs will achieve the outcomes desired.

Similarly, the measurement of the cost effectiveness of the NZDF's outputs in achieving its outcomes is not a straight-forward matter. As noted in the Auditor-General's discussion paper of mid-June 2011², cost-effectiveness varies over time and is influenced by external and internal events and is an evaluation or assessment rather than a handful of bespoke measures.

Determining specific measures for the cost effectiveness, impacts created and outcome results through delivery of the NZDF's outputs will require significant analysis. The high level analysis and policy development required also needs to be completed in conjunction with pan-agency formulation of a national security strategy, including pan-security sector outcomes and impacts, and with a formal review of NZDF outputs.

In the absence of a set of bespoke outcomes measures, the NZDF has considered evaluations and assessments available from independent parties as an interim method of evaluating outcome performance. Three indications are available:

- Formal feedback received from agencies in response to NZDF requests for advice on output performance is generally positive in nature.³ NZDF's interpretation of these responses is that delivery of the NZDF outputs is creating the impacts required to the satisfaction of respective stakeholders, and by implication, is contributing the achievement of desired outcomes.

² Office of Controller and Auditor-General (2011) "Discussion paper, Central government: Cost effectiveness and improving annual reports."

³ See the tables on pages 27 and 31 and Section 3 for formal feedback received for the reporting period from a range of government agencies the NZDF provided support to.

- The Cabinet Strategy Committee noted on 15 February 2010⁴ that the "work underlying the Defence Assessment has analysed and mapped the relationship between New Zealand's strategic requirement, New Zealand's security interests, the contribution made by NZDF in pursuit of national security tasks, and the capabilities required to perform those tasks." On 28 June 2010, the Cabinet External Relations and Defence Committee⁵ noted, in respect of the findings of that Defence Assessment, that "the range of capabilities of the existing NZDF have, to date, been effective and versatile in the delivery of policy." The NZDF agrees the finding of this independent, high-level and in-depth evaluation of overall NZDF operational performance delivery against government policy objectives. The NZDF considers that the assessment of its activities equates to measurement of the impact that NZDF capabilities, through the delivery of NZDF outputs, bring to bear in the achievement of government policy objectives (Defence outcomes).
- The Defence Review Consultation Summary of Submissions⁶ notes that the Defence Force serves all New Zealanders, and that most people expressed a sense of pride in the job that the men and women of the NZDF undertake both here and abroad on their behalf. The submissions provide an assessment of NZDF performance from the perspective of the intended beneficiaries of outcome achievement, and indicate a sense of security and protection resulting from NZDF activities.

The Ministry of Defence has also confirmed the following four statements reflect a factual assessment of the security state of New Zealand during FY 2010/11 (in respect of the main Defence Outcome):

- No country or significant organised group either contests New Zealand's definition of its sovereign territory or EEZ, or is undertaking, attempting or threatening any incursions into that sovereign territory and/or EEZ.
- There is no evidence of the current or prospective use of deadly or destructive force directly against New Zealand, in terms of the above.
- New Zealand has the appropriate means of responding to, and neutralising, any likely use of such force, if that became necessary to protect us (whether alone or with others).
- New Zealand's borders are not compromised, and the approaches to them are not at risk (risk in this context being the product of threat, vulnerability and consequence).

In essence, these independent assessments confirm that ongoing delivery of the NZDF outputs is creating the impacts desired and contributes, in a long-term and positive way, to the achievement of the main Defence outcome - "New Zealand secure and protected from external threats now and in the future."

Measurement of Operational Performance

Pending development of formal measures and associated targets as part of the output review and national security strategy processes, the NZDF continues to use the well-established and proven Operational Performance Reporting and Evaluation System (OPRES) to measure and validate output performance. Output performance is an indicator of impact and outcome performance.

⁴ Cabinet Strategy Committee "Defence Review: Strategy, Tasks, Capability and Funding" (15 February 2010) STR Min (10) /1.

⁵ Cabinet External Relations and Defence Committee "Defence Assessment: Summary Report" (28 June 2010) ERD (10) 30.

⁶ Ministry of Defence "Defence Review Consultation Summary of Submissions" (11 June 2010).

OPRES is used to measure the availability of force elements to respond quickly to short-notice events such as terrorist threats, civil defence and humanitarian emergencies and other security events within New Zealand and the South Pacific. These force elements are required to be available, within hours, on a routine basis and do not require additional training or resources to respond to these type of events. These force elements help implementation of the Government's intent to deter security threats, as well as providing response options for Government when a security event occurs. Their availability directly contributes to the achievement of the main and intermediate outcomes. The list of force elements and their availability within their designated degrees of notice for the reporting period is shown under the section "Services in Support of the Community" in Section 3.

OPRES also includes the results of evaluations of deployments, exercises and other collective level training activities. These evaluations measure and test the preparedness of NZDF force elements to generate the breadth of capabilities that provide government with a range of military response options (MRO). These military response options give government choice as to the way in which it can respond to various types of security events.

Measurement of Joint Military Effects (Impacts)

The descriptions of military response options also incorporate the types of joint military effects required to be created. While the lexicon is different, joint military effects in this context should be considered to be impacts. Joint military effects (impacts) include tasks that do require additional training and resources for force elements to be ready to respond within specified timeframes. As with availability, the level of preparedness of the various force elements for combat and other tasks is an indicator of the NZDF's overall ability to create the desired joint military effects (impacts). Preparedness is, therefore, an indicator of the force elements' ability to contribute to the achievement of the NZDF's main and intermediate outcomes. The aggregated results of the preparedness measures are reported by output in Section 3 (Statement of Service Performance).

Enhancement of Measurement Systems

In order to provide greater assurance of the NZDF's ability to create the required joint military effects (impacts) for each military response option, work has commenced to augment OPRES. It is anticipated that from early 2012, OPRES will also include measurement of joint military effects. In essence, OPRES will be used to measure impacts; a step change improvement on the current operational performance management capability. The work to improve OPRES is being done concurrently with the development of new impact and/or outcomes measures as part of the output review and national security strategy processes. The eventual measures will need to be aligned with the final results of those higher level processes. In the first instance, OPRES will measure the NZDF's ability to create the joint military effects (impacts) associated with the NZDF's strategic endstate for 2015: operating a joint inter-agency multinational amphibious capability; leading military and other operations in the South Pacific; and expanded intelligence, surveillance and reconnaissance (ISR) capabilities. The ability to create these endstate-related joint military effects will provide improved indications of the NZDF's ability to achieve its main and intermediate outcomes, and is intended to provide a solid basis for trend analysis.

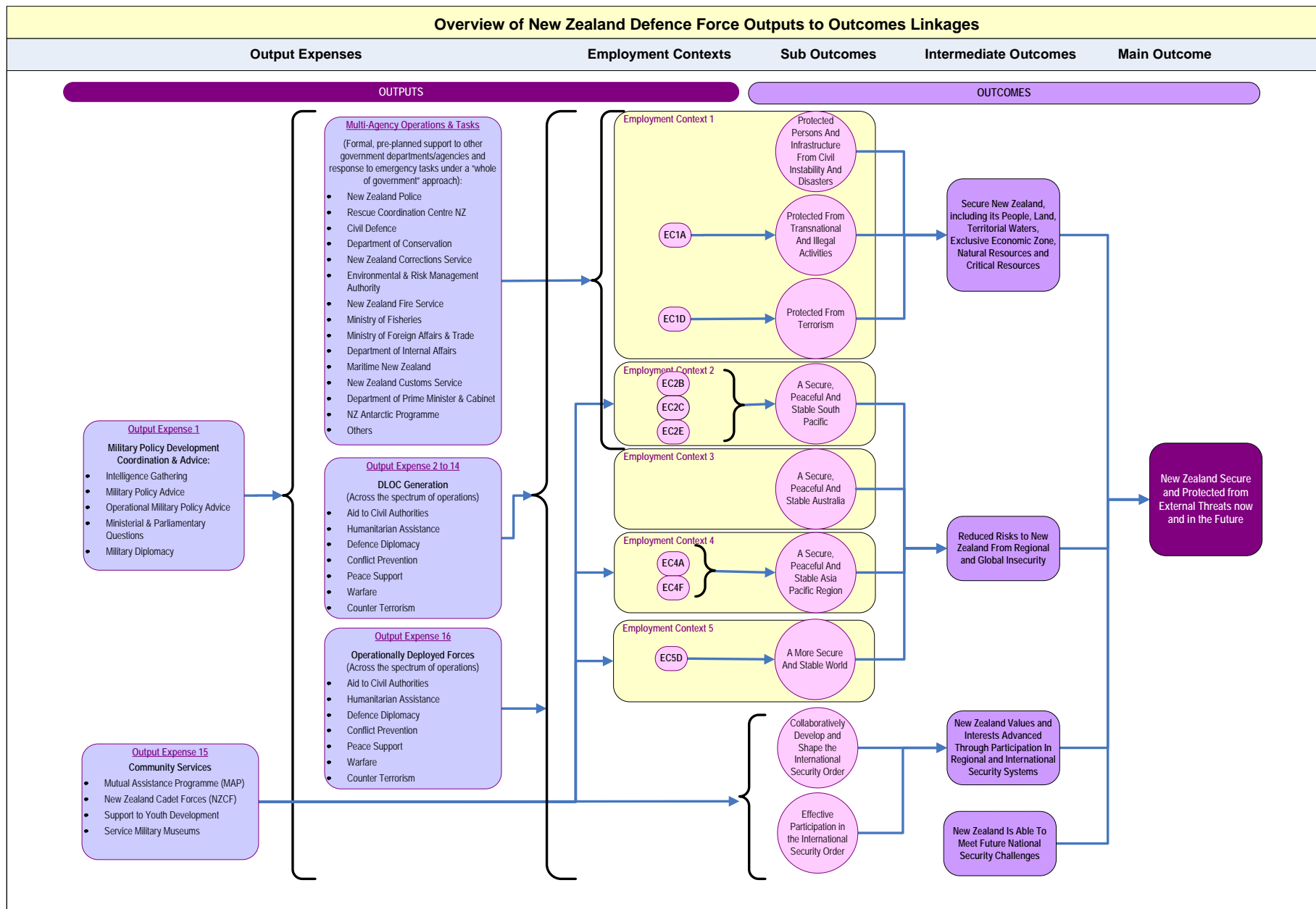
The NZDF is also in the process of finalising the new Strategic Plan, including the Strategy Map, Strategic Journey Map, and Balanced Scorecard. The new Strategy comprises two Strategic Themes, being Capability Renewal and Organisational Reform. The NZDF's ability to successfully deliver its mission now and in the future will be monitored by way of the Capability Renewal theme in particular, including through use of the Executive Strategy Manager (ESM) tool now in use pan-NZDF. In combination with improvements to operational level OPRES, the monitoring of operational and organisational performance at the strategic level is also intended to assist the NZDF with future measurement of impacts and outcomes.

Contributing to Outcome Achievement through Output Delivery

The NZDF raises, trains and maintains force elements to achieve required levels of availability and preparedness for both current and future operational missions. The resultant capability is also part of delivering the NZDF's outputs. That output delivery is also the way in which the NZDF uses its capabilities to create impacts (joint military effects) and be able to conduct the principal tasks mentioned above. Output delivery is therefore the way the NZDF contributes to the achievement of Defence outcomes.

Each of the NZDF outputs is linked to the intermediate outcomes through the main intervention logic links of Employment Contexts (ECs); ECs are detailed in Section 3. ECs are the major drivers as to the likely joint military tasks that elements of the NZDF will be required to perform and these, in turn, drive the military training requirements of the force elements of the NZDF. In the longer-term, ECs also contribute to formulating future military capability requirements. ECs are therefore the central and vital link between outcomes and outputs.

The following diagram shows how the NZDF outputs are linked to the Defence outcomes.



The eight Employment Contexts (ECs) shown in this diagram are those that have been fully developed / tested and against which all force elements of the NZDF are assessed. A representation of contributions provided by the NZDF during the year against these intermediate outcomes is provided in the following pages.

Contributions Made to Achievement of Outcomes

Main Outcome: New Zealand Secure and Protected from External Threats Now and in the Future

The main outcome is aligned with two key government goals which, in essence, relate to the wealth and welfare of New Zealanders being achieved through: a safe and secure New Zealand, including its border and approaches; a rules-based international order, which respect national sovereignty; a network of strong international linkages; and a sound global economy underpinned by open trade routes.

Accordingly, the NZDF exists as part of the broader security apparatus of government, and its purpose is to contribute to the achievement of security outcomes the Government desires. It is imperative to note that the NZDF does not by itself deliver all the effects that create the impacts and achieve security sector outcomes - the NZDF performs its mission in an integrated and collaborative manner with the multitude of applicable government agencies (e.g. Ministry of Defence, Ministry of Foreign Affairs and Trade, NZ Police, NZ Customs Service, and the Ministry of Fisheries).

This main outcome is amplified by four Intermediate Outcomes, or impacts. It is acknowledged that there is no direct causal relationship between delivery of the outputs and the actual state of New Zealand's security at any point in time. Any assessment of the impact the NZDF has had on meeting its main outcome is, out of necessity, subjective in nature.

The following section describes how the NZDF contributed to the achievement of its outcomes over the reporting period.

Included in this section are a number of case studies highlighting the NZDF's main peace support operations; Solomon Islands, Timor-Leste and Afghanistan. As set out in the 2010 Defence White Paper, such deployments contribute to collective security; support humanitarian objectives; enhance security in regions of strategic or economic interest; and enhance New Zealand's multilateral or bilateral relationships.

Intermediate Outcome 1: Secure New Zealand, including its people, land, territorial waters, exclusive economic zone, natural resources and critical infrastructure

This Intermediate Outcome is divided into the sub outcomes of:

- Protected from Terrorism.
- Protected from Transnational Illegal Activities.
- Protecting Persons and Infrastructure from Civil Instability and Disasters.

As noted in the Defence White Paper 2010, the possibility of a terrorist attack on New Zealand is likely to remain lower than other western states, but will rise if New Zealand is seen as an easy target. The availability and preparedness of NZDF force elements serves to deter such threats.

Specifically, the NZDF contributed to this sub outcome through maintaining effective linkages with New Zealand security and intelligence bodies to maintain their horizon-scanning capabilities to identify early signs of possible threats. All three Services maintained a capability to both deter and respond to counter terrorist threats by providing logistical support and surveillance standby capabilities. A Counter-Terrorist Group continued its ability to assist the NZ Police in counter-terrorist operations, including for maritime counter-terrorism.

The protection of the resources in New Zealand's maritime region is a priority and will become more so. New Zealand has maritime security and sovereign interests over a very wide area, encompassing the approaches to New Zealand, our EEZ (and the EEZs of Niue, Cook Islands and Tokelau), our extended continental shelf area, and the Southern Ocean and Antarctica.

The NZDF contributes to the security of New Zealand's borders and approaches through its surveillance efforts and interdiction capabilities. The NZDF shares this responsibility with a range of agencies in a coordinated all of government effort. During the reporting period, the Navy and Air Force conducted regular surveillance patrols of New Zealand's EEZ and the Southern Ocean with the Orion fleet and the Protector offshore and inshore patrol vessels. As a result, New Zealand's natural resources are only available for exploitation by New Zealanders or other persons as authorised by the New Zealand Government.

In December 2010, the two new offshore patrol vessels, HMNZ Ships *Otago* and *Wellington*, completed a week long operation to the Auckland and Campbell Islands (with the Governor General and Minister of Conservation embarked). During this operation, the two ships delivered a team of scientists and supplies to Campbell Island for the Department of Conservation. HMNZS *Wellington* also travelled on to the Ross Sea to undertake cold weather trials as part of the ongoing process of releasing its full operational capabilities.

The NZDF continued to support the New Zealand and United States Antarctic programmes and provided terminal and logistics support at Christchurch, McMurdo Station and Scott Base, as well as P-3K Orion, C-130 Hercules and B757 flights. On 14 September 2010, a RNZAF Orion aircraft from No 5 Squadron flew to Pegasus Field adjacent to McMurdo and Scott bases in Antarctica to pick up a seriously ill member of the US Antarctic programme who had been working on the ice over the winter period. These activities support the achievement of New Zealand's national interests in Antarctica and the Southern Ocean.

Personnel from all three Services were on stand-by throughout the reporting period to assist authorities in case of civil instability and/or natural disasters. The main support provided involved the provision of considerable assistance to the Canterbury and Christchurch earthquakes (which was still ongoing at the time of writing) and the Pike River mine disaster recovery programmes. (See also the table in section 3 on Services in Support of the Government and the Community.) The welfare of New Zealanders is advanced by these support activities provided by the NZDF.

Summary of NZDF support provided to contribute to an all of government approach to protect and sustain New Zealand’s resources and national interests.

What the NZDF sought to achieve	What action was taken	What was the result
<p>To effectively support the Ministry of Fisheries in protecting New Zealand's aquatic environment by providing pre-planned and "one-off" surveillance and patrol support.</p>	<ul style="list-style-type: none"> • P-3K Orion aircraft undertook 14 patrols of NZ's EEZ. • Four inshore patrol vessels undertook 25 operations involving 110 sea days within NZ's EEZ. • A SH2G Seasprite helicopter provided 0.8 flying hours of support. • Provision of classroom, accommodation and meals at RNZAF Base Woodbourne in support of a two-day training course. 	<ul style="list-style-type: none"> • Ministry of Fisheries' ability to undertake surface patrolling significantly increased with new inshore patrol vessels. • Illegal activities deterred. • Nine infringements detected by RNZAF P-3K Orion aircraft. (This is similar to the previous reporting year.) • Intelligence provided to inform direction and response. • Ministry of Fisheries assessed the NZDF's response (when available) as very good and effectiveness in contributing to outcomes as excellent.
<p>To effectively support the New Zealand Customs Service in protecting New Zealand's border by providing pre-planned and "one-off" surveillance and patrol support.</p>	<ul style="list-style-type: none"> • P-3K Orion aircraft completed 17 operations in NZ's EEZ. • Four inshore patrol vessels undertook 26 operations over 115 sea days. • Provision of Dunedin Naval Reserve HQ for a one-day training session. 	<ul style="list-style-type: none"> • 580 boardings by RNZN inshore patrol vessels for both Customs and Fisheries. (The focus on the previous reporting year was on capability development for the patrol vessels, therefore comparable data is not available.) • Intelligence provided to inform direction and response. • Illegal activities deterred. • New Zealand Customs Service assessed the NZDF's response as acceptable and effectiveness in contributing to outcomes as very good.
<p>To effectively support the New Zealand Police in contributing to confident, safe and secure communities, by providing the following support:</p> <ul style="list-style-type: none"> • Pre-planned helicopter flying hours support. • Explosive ordinance disposal, typically involving specialist EOD team/s. • Other general and "one-off" support and assistance which may include ships and diving support. 	<ul style="list-style-type: none"> • Iroquois helicopters provided eight flights totalling 196 flying hours in support of cannabis recovery. • EOD teams responded to 47 callouts. • Liaison officers, cordon personnel, transport and other support provided for Operation Canterbury Quake. • Liaison officer, EOD robots, transport support, accommodation support, aviation refuelling, and air security assistance provided for Operation Pike River. • Sonar and diving assistance. 	<ul style="list-style-type: none"> • NZ Police have assessed the NZDF's responses to all this support as excellent. • NZDF support to cannabis recovery continued to be vital in terms of the overall cannabis recovery and eradication operation. • In terms of expertise and technical support, the NZDF again responded to an extremely high standard. • Support to Operations Canterbury Quake and Pike River have highlighted the valuable support and relationship the NZDF provides to the NZ Police in times of national crisis and disasters.
<p>To effectively support the Ministry of Foreign Affairs and Trade under the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR) for protecting fish resources.</p>	<ul style="list-style-type: none"> • Three P-3K Orion fishery patrols. • Successful sea trial to the Southern Ocean by HMNZS <i>Wellington</i>. • Whale fleet surveillance flight by P-3K Orion aircraft (including deployment of a MFAT officer). 	<ul style="list-style-type: none"> • One patrol in particular detected two illegal, unreported and unregulated fishing vessels. • Progressed the Navy's readiness to undertake sea patrols in support of the CCAMLR system of inspection in future seasons. • Operational interaction with RNZAF for whale surveillance was excellent.

What the NZDF sought to achieve	What action was taken	What was the result
<p>To effectively support Antarctica New Zealand in furthering New Zealand's strategic influence in Antarctica and the Southern Ocean.</p>	<ul style="list-style-type: none"> • C-130 Hercules, P-3K Orion and B757 support flights. • Terminal operations at Harewood (Christchurch International Airport) and McMurdo. • Search and rescue support. • Ship offload operations. • Scott Base support personnel. 	<ul style="list-style-type: none"> • The provision of air transport was acceptable\ good. B757 operations worked well. Reliability of C130 should improve after upgrade. • Freight and on ice support was very good. • Antarctica NZ has a good positive working relationship with NZDF and work constructively to address issues as they arise.

Case Study: NZDF Support Provided to Canterbury/Christchurch Earthquakes

What the NZDF sought to achieve	What action was taken	What was the result
<p>To effectively support the New Zealand Police and Civil Defence in their response to the Canterbury/Christchurch earthquakes.</p>	<ul style="list-style-type: none"> • At the peak of the operation on 2 March 2011, 1,796 NZDF personnel made up of 239 Navy, 1,379 Army and 150 Air Force and territorial/reserve personnel were directly involved on the ground in Christchurch. • Personnel working in support of the operation in Burnham, Wellington, Linton, Ohakea, Devonport and Whenuapai. • Provision of unarmed cordon security in the CBD and patrolling support to NZ Police. • Engineer, medical and environmental health support. • Catering support for Police, Fire Services and search and rescue teams. • Boeing 757, C-130H Hercules, P-3K Orion, Iroquois helicopter and Kingair aircraft provided support flights. • 77 Unimogs, 47 Pinzgauer Light Operational Vehicles and 28 Light Armoured Vehicles formed part of the response, with the Unimogs used mostly for the transportation of equipment and stores. • Four RNZN ships, HMNZ Ships <i>Canterbury</i>, <i>Pukaki</i>, <i>Otago</i> and <i>Resolution</i> were all involved with taskings. HMNZS <i>Canterbury</i> transferred a total of 1,707 tonnes of vehicles and equipment and 375 personnel in and out of Lyttleton. • RNZN's Littoral Warfare Support Group conducted an underwater survey of the inner harbour and ports of Lyttleton and Akaroa to ensure safety for navigation. 	<ul style="list-style-type: none"> • Obligations under s.9 of the Defence Act 1990, to provide assistance to the civil power in time of emergency, effectively met. • Effective and coordinated response. • People, infrastructure and assets protected, and general law and order maintained. • Essential items distributed e.g., clean water, food, chemical toilets, and tents. • Essential services provided e.g., transport, logistics, coordination, engineering, medical, environmental health, and security. • Assisted in the eventual restoration of essential services. • NZDF seen as a reliable and credible national asset with large-scale and integrated fleets of vehicles, ships and aircraft, and disciplined forces able to respond at short notice as part of an all-of-government effort directed by civil authorities.

Intermediate Outcome 2: Reduced Risks From Regional and Global Insecurity Through:

A Secure, Peaceful and Stable Australia

The ANZAC relationship has long been our most significant defence partnership. To support this alliance, both the Australian and New Zealand defence forces have continued to invest in joint training, interoperable equipment and shared doctrine. The benefits of this relationship have been recognised during the year by our combined efforts in regional peacekeeping in Timor-Leste and the Solomon Islands, and the standing up of the Pacific-focused ANZAC Ready Reaction Force. This force will respond to short-notice security events, including stabilisation operations, humanitarian assistance, and disaster relief.

In February 2011, ANZAC Frigates HMNZ Ships *Te Mana* and *Te Kaha* took part in Exercise Triton Storm 2011 with the Royal Australian Navy. This exercise tested the ships' combat and weapon systems in order to prove the ships' readiness and generated a sound level of competency for combined ADF and NZDF security operations.

Combined deployed tactical and interoperability procedures were also practised with the deployment of three Iroquois helicopters and crew from 3 Squadron RNZAF to Townsville for Exercise Hamel.

The NZDF Defence Adviser and Service advisers all play their part in promoting New Zealand's interests with the ADF, as well as supporting MFAT in pursuing policy issues. Notable during the reporting period was the review of the Australia/New Zealand defence relationship. NZDF staff based in Canberra also play an important representational role in various commemorative events.

A Secure, Peaceful and Stable South Pacific

Along with Australia, New Zealand takes a lead role in promoting peace and security within the South Pacific, which extends out as far as Timor-Leste. The NZDF continued to provide peacekeeping, bilateral military engagement, the Mutual Assistance Programme (MAP) (professional development for disciplined forces in Asia-Pacific), EEZ surveillance, search and rescue, and stand-by capabilities for humanitarian assistance and disaster relief.

The NZDF continued to contribute military personnel to the Australian-led International Security Force (ISF), and the United Nations Integrated Mission to Timor-Leste (UNMIT), as well as having training and advisory staff embedded in the Timor-Leste Defence Force under the MAP.

The NZDF sustained a platoon to the Regional Assistance Mission in the Solomon Islands (RAMSI). The contingent performed regular patrols, liaised with locals, assisted RAMSI police in downtown Honiara and helped with security.

During July 2010, three hundred and fifty NZDF personnel deployed to Tuvalu as part of Exercise Tropic Twilight. Tropic Twilight is an annual exercise to a Pacific nation, which is used to rehearse and improve the ability of the NZDF to respond to disasters within the South Pacific Region. The exercise is also used as a means to deliver and support the NZAID South Pacific development programme by completing numerous medical, engineering and development tasks on the Island.

New Zealand is responsible for patrolling more than six million square miles of ocean, including much of the South Pacific, against illegal, unreported and unregulated fishing. During the reporting period, a RNZAF Orion aircraft and crews conducted 12 patrols in this region and on 6 November 2010, a family of four drifting at sea for six days in an aluminium dinghy off Kiribati, was rescued by a RNZAF Orion and crew, working closely with the US Coast Guard.

During April 2011, a contingent of NZDF personnel headed for the Pacific onboard HMNZS *Canterbury*, as part of the US-led exercise Pacific Partnership. During the exercise, *Canterbury* also hosted a full military command team, including a senior US military commander, utilising its command and control systems. Pacific Partnership is a Humanitarian Assistance and Disaster Response (HADR) exercise, aimed at increasing interoperability between the US, NZ, Australian and French forces involved, while carrying out civil aid taskings in Tonga, Vanuatu, Timor-Leste, Papua New Guinea and the Federated States of Micronesia.

It is exercises such as Pacific Partnership that ensure the NZDF is prepared to respond to natural disasters when we are called upon. Employment of these skills is not just applicable within our Pacific neighbourhood, but also in New Zealand, as sadly experienced in Canterbury both in September last year and February this year.

During May 2011, HMNZS *Otago* completed its inaugural deployment to the South Pacific. While in the South Pacific, the ship undertook a range of activities including maritime security and surveillance patrols, humanitarian aid disaster relief activity, military and diplomatic engagement within the region and working with Pacific Island states to undertake fisheries surveillance patrols in support of the Forum Fisheries Agency.

Case Study: NZDF Support Provided to South Pacific

What the NZDF sought to achieve	What action was taken	What was the result
To effectively support the Ministry of Foreign Affairs and Trade (MFAT) in safeguarding and advancing New Zealand's security and prosperity issues abroad.	<ul style="list-style-type: none"> French Armed Forces New Caledonia (FANC) / NZDF dependants' exchange. Attendance at the NZ cemetery in Bourail, New Caledonia. Ship visit by HMNZS <i>Canterbury</i> during Pacific Partnership (to transport a FANC Puma helicopter) and also a RNZAF P-3K Orion stop over during ANZAC weekend. 	<ul style="list-style-type: none"> Enhancement of NZDF/FANC relationship and MFAT defence diplomacy outcomes. Strengthening of bilateral ties between New Zealand and New Caledonia.
	<ul style="list-style-type: none"> HMNZS <i>Canterbury</i> and personnel support to Exercise Tropic Twilight in Tuvalu. Support included delivery of the majority of the supplies/equipment from NZ to make the exercise possible; transport of MFAT and Government of Tuvalu personnel between islands; and delivery of a large consignment of construction supplies and machinery to the islands of Vaitupu. 	<ul style="list-style-type: none"> Support to NZ Inc outcomes was provided to a very high standard.
	<ul style="list-style-type: none"> Due to an unusually quiet Pacific cyclone season, the NZDF was not called on to support New Zealand responses to Pacific disasters. 	<ul style="list-style-type: none"> However, the NZDF provided valuable contributions to the design and testing of new, all-of-government guidelines and procedures for Pacific emergency response.
	<ul style="list-style-type: none"> Surveillance patrols by P-3K Orion aircraft in support of Pacific Island Nations under the Forum Fishery Agency. 	<ul style="list-style-type: none"> Good coordination through Pacific Maritime Surveillance Operations Multi-agency Group. Six-monthly patrol plans for Northern Patrols developed in close consultation with MFAT. Positive feedback received from Pacific Island countries on utility of patrols, with some notable results including the detection of a longliner engaged in unauthorised fishing activities within New Zealand's EEZ.
	<ul style="list-style-type: none"> Provision of Defence Mutual Aid Programme 	<ul style="list-style-type: none"> Professional development for disciplined forces in selected countries (see Output 15.1).

Case Study: NZDF Deployment to Solomon Islands

What the NZDF sought to achieve	What action was taken	What was the result
<p>To effectively support the ADF-led Regional Assistance Mission to the Solomon Islands (RAMSI) to enable Solomon Islanders to have the capability and confidence to manage their own national systems.</p>	<ul style="list-style-type: none"> • Sustainment of platoon of soldiers (50) and equipment. • Provided an armed response capability. • Patrolling. • Supported election security requirements. 	<ul style="list-style-type: none"> • RAMSI has made significant progress on its mandate. The security situation has improved and this has facilitated the inflow of development assistance, a shoring up of investor and business confidence. • RAMSI has also played a critical role in improving the capability of the Solomon Island Police Force, bringing correctional facilities up to UN standards, strengthening the judicial systems and supporting accountability institutions. • The NZDF, together with NZ Police personnel, have contributed to the restoration of civil order by playing substantial roles in the RAMSI Participating Police Force and the Combined Task Force. • New Zealand is seen by Australia as a reliable partner to deal with and a good citizen by the international community.
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A Secure and Stable Asia-Pacific Region

As a global trader, New Zealand derives significant benefits from economic progress in the Asia-Pacific region. It is therefore in our national interest to uphold and contribute to a stable and secure environment by supporting peace and security within this area. In addition to New Zealand's security relationships in the region assisting New Zealand to be seen as a good international citizen and posing no threat to international good order, the potential exists for the New Zealand economy to be positively affected by the activities of the NZDF.

As a maritime nation, freedom of the seas is important for New Zealand's economy. New Zealand depends on very long supply lines from other countries for exports and essential commodities such as oil, chemicals, pharmaceuticals and electronics. According to Admiral Walsh, Commander, U.S. Pacific Fleet (2010), "there is a direct correlation between the security of the high seas and the stability and prosperity of nations. Trillions of dollars of economic activity flows through strategic choke points in the Asia-Pacific region and disruption to the sea lanes of communication has a detrimental impact on the global economy."⁷ The NZDF has continued with a capability to contribute to freedom of navigation of New Zealand's trade routes, including the Straits of Malacca, keeping regular contact and dialogue, assistance, confidence-building measures, conflict deterrence, and ongoing support to regional security arrangements.

⁷ Admiral Patrick M. Walsh, Commander, U.S. Pacific Fleet. (2010, 30 September). Western Pacific Naval Symposium. Retrieved from: http://www.facebook.com/note.php?note_id=163126513699243

A NZDF liaison officer is posted to the Changi Information Fusion Centre in Singapore to assist in the collection, analysis and sharing of information to combat piracy and armed robbery against ships in the region that could disrupt trade routes. The NZDF is also a member of the Western Pacific Naval Symposium, which promotes mutual understanding, professionalism and interoperability among personnel of participating nations. The New Zealand economy therefore benefits from the NZDF's contribution to keeping sea, land and air trade routes open to New Zealanders seeking to conduct legitimate government, commercial and private activity within key emerging economies.

The Five Power Defence Arrangements (FPDA) between New Zealand, Australia, Great Britain, Singapore and Malaysia were ratified in 1971. FPDA is one of the longest standing regional multinational security arrangements remaining in force since World War Two. The member nations maintain an appropriate level of training to improve interoperability through a range of annual exercises conducted in the South East Asian region. The exercises help ensure that New Zealand has the means of responding to and neutralising security threats, including to New Zealand's trade routes, if that became necessary to protect our interests (whether alone or with others).

During May 2011, the RNZN's ANZAC frigates *Te Mana* and *Te Kaha*, and a P-3K Orion and crew participated in the annual FPDA exercise Bersama Lima in the waters of South East Asia. The exercise involved fast jets, submarines, warships and personnel from all participating nations and is designed to strengthen regional security arrangements. Military diplomacy fostered during such activities also assists the development of positive relationships between the FPDA nations.

New Zealand troops also took part in Exercise Suman Warrior conducted in Singapore. This exercise was designed to develop interoperability amongst participating armies and command and staff procedures in combined and joint operations. Participation in the exercise enhanced the NZDF's preparedness and ability to create the required joint military effects (impacts).

The NZDF Defence Attaché in Seoul provided support and reporting following the DPRK's attack on Yeongpyeong Island in November 2010. The NZDF also provided assistance with the deployment of an urban search and rescue team to Japan following the 11 March 2011 Great Eastern Japan earthquake and tsunami.

The NZDF also contributed to the wider regional security framework in Asia, including the ASEAN Regional Forum, Shangri-La Dialogue, East Asia Summit, and three-yearly Defence Ministers' meeting.

Case Study: NZDF Deployment to Timor-Leste

What the NZDF sought to achieve	What action was taken	What was the result
<p>To effectively support the Australian-led International Stabilisation Force in Timor-Leste so that the Timorese can address their own political future peacefully and constitutionally.</p>	<ul style="list-style-type: none"> • Sustainment of an enhanced platoon (75 personnel) and equipment. • Support provided to International Police Force in and around Dili. • Conduct security patrols in support of crime prevention and maintenance of law and order. • Provide advice to the Timor-Leste Defence Force. • Work as UN Military Observers in specified locations. 	<ul style="list-style-type: none"> • The NZDF's presence has contributed to an improved security situation in Timor-Leste. • Economic development has been at near double-digit average growth rates over the last four years. The improving situation enabled the NZDF contribution to be reduced from 150 to 75 in May 2010. • The improved security situation will also provide more stability for the upcoming presidential and parliamentary elections in 2012. • New Zealand is seen by Australia as a reliable partner to operate with and a good citizen by the international community.

A More Secure and Stable World

New Zealand has continued to contribute to efforts to resolve international and regional conflict and disorder. Constructive involvement not only ensures that New Zealand is a welcome participant in the benefits, but also contributes to New Zealand’s image and standing in the world community as a good international citizen.

The NZDF contributed to this outcome through the delivery of outputs that provide contributions to collective security operations, peacekeeping, and peace-enforcement conducted by the United Nations and other relevant multinational agencies.

NZDF personnel continued to serve with professionalism in United Nations missions in Iraq, Afghanistan, Israel, Sudan, Syria, Egypt, and the Republic of Korea.

The NZDF commitment in Afghanistan is an important element in New Zealand’s contribution to international state-building efforts in assisting Afghanistan to meet its significant security, political and developmental challenges. The NZDF works closely with the Ministry of Foreign Affairs and Trade, along with the New Zealand Police, in supporting the effective delivery of development assistance in Afghanistan.

NZDF personnel currently operate in Afghanistan under the NATO-led International Security Assistance Force (ISAF) mandate. The NZDF contributed to the NZ-led Bamyán Provincial Reconstruction Team (PRT), provides key staff to ISAF HQ, assists in training the Afghan National Army, and contributes to the United Nations Assistance Mission to Afghanistan (UNAMA).

The NZDF has also contributed to countering piracy in the Gulf of Aden, which is a threat to international shipping. New Zealand relies on its shipping lanes for nearly all of its trade and its economy is impacted by piracy, even far from its shores. By sending a command team to the US-led counter-piracy Combined Task Force in the Gulf of Aden, the NZDF is contributing to the security and stability of the international maritime environment (and therefore a more secure and stable world).

The NZDF also provided the Government with options for contributing to future security operations by maintaining forces at specified levels of preparedness.

Case Study: NZDF Deployment to Afghanistan

What the NZDF sought to achieve	What action was taken	What was the result
<p>To effectively support the NATO-led International Stabilisation Assistance Force (ISAF) in assisting Afghanistan in meeting its security, political and developmental challenges.</p>	<ul style="list-style-type: none"> • Sustainment of the Bamyán Provincial Reconstruction Team (PRT), providing a lead role in security, coordination and logistics support. • Providing key staff to ISAF Headquarters. • Assisting in the training of Afghan National Army (ANA) and Afghan National Police (ANP). • Contributing to the UN Assistance Mission to Afghanistan. 	<ul style="list-style-type: none"> • A relatively stable Bamyán province. • Protection for New Zealand and international personnel operating in Bamyán. • The NZDF presence in Bamyán has enabled international personnel to operate in the district to provide reconstruction and development assistance. • Capacity building for the ANA and ANP. • Enhanced the transition to ‘civilianisation’ of the PRT presence. (The PRT is now under a civilian lead.) • The NZDF’s presence in Afghanistan has also greatly enhanced New Zealand’s overall international profile, reflecting the utility of the multifaceted and cost-effective capabilities deployed there.

Intermediate Outcome 3: New Zealand Values and Interests Advanced Through Participation in Regional and International Security Concerns

This intermediate outcome is divided into the sub-outcomes of:

- Collaboratively Develop and Shape the International Security Order.
- Effective Participation in the International Security Order.

In concert with other relevant government agencies, the NZDF supports this outcome by contributing to a rules-based international order, which respects national sovereignty through a range of activities, including:

- participation in confidence-building, defence diplomacy and coalition-building to limit the risks of terrorism and proliferation;
- effective contribution to the international security dialogue and relationships;
- abiding by international agreements; and
- effective membership of organisations and cooperative groupings;

The United Nations is the principal source of legitimacy for the use of force in international affairs, either through UN-led operations or through operations authorised by the UN, but led by others. The NZDF continues to contribute to this outcome through ongoing deployments provided to UN missions (for details on these see section on Output Expense 16 – Operationally Deployed Forces).

The NZDF has continued to make an effective contribution to New Zealand's longstanding and close security partnerships with Australia, the United States, the United Kingdom, and Canada. This has included undertaking coordinated responses to regional issues, e.g., support to RAMSI, providing humanitarian assistance and disaster relief, maintaining a contribution to defence arrangements in Malaysia and Singapore through the FPDA, helping to keep New Zealand informed of security issues through dialogue and intelligence exchanges, and participation in training exercises.

The NZDF provided active support to the Proliferation Security Initiative and contributed to various interoperability, standardisation and technical co-operation meetings and programmes, and other forum workshops.

The NZDF also participated in the MAP (see Output 15.1 for more details on this contribution.)

The conduct of such activities demonstrates that New Zealand does, and is seen to, operate in accordance with international law and conventions.

Intermediate Outcome 4: New Zealand Able to Meet Future National Security Challenges

NZDF contributed to the development of the Defence White Paper 2010, including the Defence Review, Defence Assessment and Value for Money components. The Defence White Paper 2010 outlines government policy for Defence and how it intends to address the security challenges of the future; in terms of force structure and capabilities, roles, tasks and resources. The formulation of this policy document constitutes a macro-level evaluation of the cost effectiveness of the NZDF, and of the contribution that NZDF makes towards the achievement of New Zealand's security outcomes.

The NZDF will also contribute to future Defence Assessments and will continue to work with the Ministry of Defence to develop an integrated cost model of all NZDF expenditure (both operating and capital), as well as an output-forecasting model for NZDF force element availability.

The NZDF's contribution to this outcome also included keeping well informed about defence technology and military doctrinal developments, and undertaking planning for the future, especially for sustainable future capability requirements. The process used to manage this is included within the Capability Management Framework. The NZDF and the MoD use a suite of planning aids, including strategic guidance, decision support tools, strategic assessments, capability goals matrices and research/lessons learned.

In addition, the NZDF has encouraged innovation and high standards in education and training; promoting a healthy defence industry in New Zealand; maintaining the security and well being of all New Zealanders through supporting the NZ Police, the NZ Customs Service, Ministry of Fisheries, Ministry of Emergency Management, Civil Defence and other agencies; assisting Veterans groups; providing courses for Support to Youth Development (see Output 15.4); and supporting the NZ Cadet Forces (see Output 15.2). These activities all contribute to the Government's goals in respect of the wealth and welfare of New Zealanders.

Strategic Performance

The New Zealand Defence Force uses a strategic management system for corporate level reporting against clearly defined strategic objectives. Progress made during the year against NZDF's three primary strategic themes is shown below.⁸

Strategic Theme 1: Sustain current operational commitments

The NZDF continued to sustain operational deployments to Timor-Leste, the Solomon Islands and Afghanistan throughout the year, and will have the capacity to extend these deployments should government so direct.

Support to Multi-Agency Operations and Tasks within our national border and in the EEZ were successfully met throughout the year. Assistance to government agencies by the Naval Patrol Force progressively increased over the period as the Inshore Patrol Vessels were introduced into service. This capability was further enhanced with the introduction into service of the two Offshore Patrol Vessels.

During the year, the RNZAF took delivery of the first upgraded P-3K2 and C-130H Hercules aircraft, and four of the A-109 light training and utility helicopters. Once fully introduced into service, these aircraft will provide a more flexible and sustainable mix of air lift and surveillance capabilities.

For the Navy, both close in weapon systems for the frigates were delivered. One was installed on HMNZS *Te Mana*, with the other being held for later installation on HMNZS *Te Kaha*.

For the Army, agreement was reached with the United Kingdom Ministry of Defence to join its procurement of trucks and bridges for gap crossing equipment.

The Defence Force also continued support to other agencies in support of the Government's initiatives on youth development (including Limited Service Volunteer courses, Youth Life Skills courses, and Military-style Activity Camps for young offenders).

⁸ A new strategy map has been promulgated at the time of writing, with an interim version being published in the NZDF's 2011 – 2014 Statement of Intent.

Strategic Theme 2: Be ready to meet the Government's next request

Ensuring the NZDF is able to provide credible military response options for the Government is our highest priority. The greatest challenge to achieving this objective over the reporting period came from the introduction into service of new and modernised capabilities, which gave rise to platforms being unavailable at certain times. Another equally challenging situation stemmed from our high level of operational commitments overseas, which sometimes meant that our people and their equipment were unavailable to prepare for additional missions within designated response times.

Despite these temporary stresses on the organisation, the NZDF maintained the requisite level of preparedness for most existing military capabilities, providing government with effective military options that could deal with a wide range of potential security events when called upon.

Strategic Theme 3: Make best use of finance and resources

At the same time as the Defence Assessment was examining New Zealand's security outcomes, military capabilities and resourcing levels, the NZDF continued on an ambitious change agenda to transform the way support functions are delivered. A summary of the achievements of this transformation programme is shown below.

Following on from this programme, the Defence Force needs to move \$350 million - \$400 million annually from its spending on 'direct' and 'indirect' support functions, to reinvest in military capability. A Strategic Reform Programme has been initiated within the NZDF to manage the changes required to achieve this outcome. One of the reforms commenced during the reporting period, is the 'Total Defence Workforce' concept. This involves improving the ratio between deployable and non-deployable personnel. It also means making sure there is the right balance between full-time and part-time military personnel, and between uniformed personnel and civilians. The first step in this process has been confirming the positions that must be military to meet current and future operational needs. During the reporting period, the first phase of civilianising positions that are not required for operational requirements commenced.

Defence Transformation Programme

Starting in 2008, the Defence Transformation Programme (DTP) was a three year work programme to identify and implement simpler and better structures and processes reflecting a single organisational approach to support functions within the NZDF.

Three of the most resource intensive support areas were targeted for change: Human Resource Management, Logistics, and NZDF Headquarters.

The ultimate aim of the DTP was to better deliver military capability through more effective and efficient support services, while freeing up military personnel from non-military roles so resources could be redeployed to the frontline.

The Programme officially finished on 30 June 2011.

Key benefits

The following functions were set up to provide consolidated support across the Defence Force:

- A new Defence Logistics Command.
- A new Human Resources organisation with centres of expertise around specialist HR functions (HR advisors, policy, chaplaincy) and an HR Service Centre for transactional HR activity.
- A new consolidated Training and Education Directorate.

- A new Defence Recruiting organisation.
- A new Defence Capability branch.
- A new way of structuring and working in Headquarters.

These functions have resulted in a significantly streamlined organisational structure with over 250 support roles freed up for redeployment or release. This has resulted in benefits of over \$30 million per annum being reinvested into the Defence Force.

These consolidated functions have introduced standardised Defence Force-wide strategies and policies, and have reduced duplication in processes, procedures, and systems.

The DTP has provided the NZDF with a structural launching pad for further savings and organisational change as it embarks on the Strategic Reform Programme outlined in the NZDF's SOI for 2011 – 2014.

Section Three

NZDF Statement of Service Performance

Employment Contexts

Strategic guidance describes situations in which the New Zealand Government might choose to use military force. The NZDF uses this guidance to develop geographically grouped Employment Contexts (ECs). ECs are descriptions of representative and illustrative security events for which there is a likelihood that a New Zealand Government would expect to make a military response should they occur.

ECs are selected through assessment of New Zealand's geo-strategic situation and international security trends. The ECs are chosen on the basis of their likelihood of occurrence in the near and longer terms and the consequences for New Zealand's Defence Outcomes if the NZDF was unable to provide an appropriate response. They also provide a template against which to develop the military response options and military capabilities required, and to assess and measure the preparedness of the Defence Force.

The ECs also designate the anticipated time (known as the Response Time) available for the final preparation of force elements for their operational deployment. This in turn is used to specify the level of capability that must be maintained on an annual basis. Contingency plans can then be developed for relevant ECs.

ECs ensure the NZDF output quality is consistent with defence policy. Current EC mission response options list the most likely force elements that would be involved in each security event. These force element lists are a guide only and are not exhaustive; each security event may require the addition or deletion of some force elements.

ECs are an important tool for the NZDF's ability to plan against likely future requests from government, providing a benchmark to measure and report preparedness levels. Nevertheless, they remain guidelines and are not the only input into any decisions made on the deployment of the NZDF's force elements for the conduct of principal tasks. Other information, such as lessons learned from actual operations and detailed operational planning, is used to provide government with more detailed advice on deployment options, costs and risks.

The Employment Contexts are shown in the following table.

EC 1 - Security Challenges and Defence Tasks in New Zealand and its Environs:	
EC 1A	Illegal exploitation of marine resources within the New Zealand EEZ, and other low-level threats to New Zealand territorial sovereignty.
EC 1B	Natural and manmade disasters.
EC 1C	Support to the delivery and maintenance of essential services in exceptional circumstances, including the hosting of major events.
EC 1D	Terrorist and Asymmetric Threats.
EC 1E	Support for Antarctic presence.
EC 2 - Security Challenges to New Zealand's Interests in the South Pacific:	
EC 2A	Illegal exploitation of marine resources within South Pacific EEZs, and other low-level threats to South Pacific nations' territorial sovereignty.
EC 2B	Natural and manmade disasters.
EC 2C	State failure or fragility leading to internal conflict and/or humanitarian crisis.
EC 2D	Terrorist Threats.
EC 2E	Challenges to legitimate governments, including civil war and secessionist conflict.
EC 3 - Challenges to New Zealand and Australia Common Security Interests:	
EC 3A	Illegal exploitation of marine resources within Australia's EEZ, and other low-level threats to Australia's territorial sovereignty.
EC 3B	Natural or manmade disasters.
EC 3C	External aggression against Australia.
EC 3D	Terrorist or Asymmetric Threats.
EC 4 - Security Challenges to New Zealand's Interests in the Asia-Pacific Region:	
EC 4A	Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation.
EC 4B	Natural or manmade disasters.
EC 4C	State failure or fragility leading to internal conflict and/or humanitarian crisis.
EC 4D	Terrorist Threats.
EC 4E	Weapons of Mass Destruction (WMD) proliferation.
EC 4F	Inter-State conflict.
EC 4G	Acts of piracy and people smuggling.
EC 5 - Security Challenges to New Zealand's Interests in Global Peace and Security:	
EC 5A	Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation.
EC 5B	Unresolved conflict or conflict resolution process where protagonists have sought third party resolution assistance.
EC 5C	State failure or fragility leading to internal conflict and/or humanitarian crisis.
EC 5D	Terrorist Threats. (The War against Terrorism)
EC 5E	WMD proliferation.
EC 5F	Contravention of international norms that triggers a multi-national response.
EC 5G	Major breakdown in international security leading to wide-scale war.

Note: The EC highlighted in the table above are those that have been fully developed and against which all NZDF force elements are assessed for operational preparedness (see output tables 2 - 14 in Section 3).

Military Capability

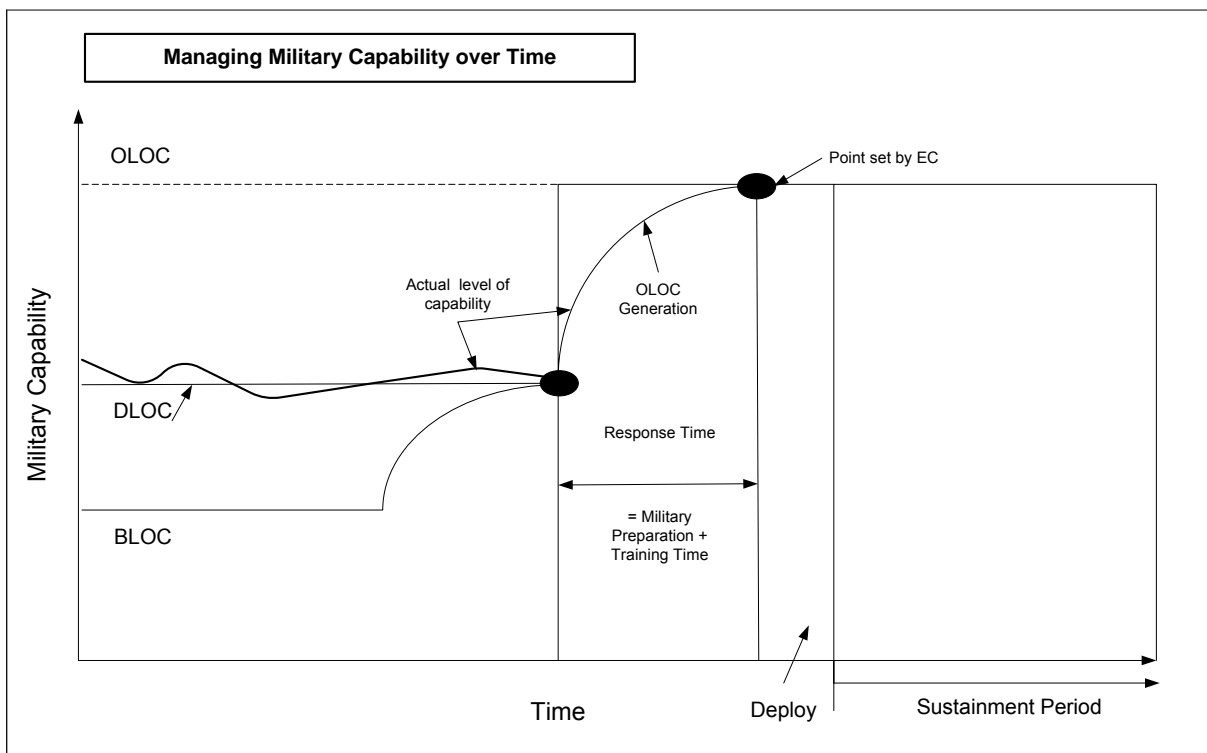
As noted in Section 2, the annual outputs of the NZDF fall into three main categories:

- sustaining currently approved operational missions;
- performing predictable or routine tasks, such as providing policy advice, completing multi-agency operations and tasks, including response to emergency situations, and community support; and
- maintaining the required level of military capability to respond to future security events.

The level of availability and/or preparedness required for future security events is specified in the NZDF Output Plan, which details the level of military capability that must be maintained against the ECs depicted in the previous table. The ECs provides the guidance to determine the Operational Level of Capability (OLOC) required to conduct such military tasks effectively and safely. Because of the high costs of maintaining the preparedness of force elements at OLOC, the NZDF is funded to routinely maintain a lower level of directed capability or DLOC. This allows force elements to be raised to OLOC within specified response times, before being deployed on operations. Not all force elements are held at 'fully prepared' levels across the spectrum of ECs. The DLOC are agreed with government and are updated annually through the Estimates of Appropriation process for the Budget.

Raising forces to OLOC generally includes additional training and personnel preparation appropriate to the environment and task, additional equipment maintenance, any necessary upgrades to military equipment, and logistic support planning. Additional costs for OLOC generation and operational deployments are covered either by offsets within the existing vote (e.g., where operational tasks fulfil some of the routine DLOC training requirements); or by supplementary funding under Output Expense 16 – Operationally Deployed Forces.

A diagram showing the relationship between DLOC and OLOC is shown below.



Note: An individual force element is not expected to precisely maintain its DLOC at all times. Depending on, for example, posting cycles, activity rates and exercise programmes, a force element's actual level of capability may fluctuate at, above or below DLOC. Movement from DLOC to OLOC requires the provision of additional resources. Depending on the situation, some OLOC generation may occur in theatre after deployment. BLOC is the Basic Level of Capability and is the minimum level at which military capabilities have to be held if they are not to be permanently lost.

Evaluating Preparedness

The NZDF evaluates its ability to provide military response options to potential security events through the Operational Preparedness Reporting and Evaluation System (OPRES). This system assesses the preparedness of all force elements for future security events against four key ingredients – personnel, equipment, trained state and sustainability.

Supporting these measures are specific key performance indicators. These in turn provide the aggregated performance assessments for Output Expenses 2 to 14 relating to the Navy, Army and Air Force, which appear later in this section. Specific performance measures are used for Output Expenses 1, 15, 16, and for Veterans’ Affairs New Zealand.

The aggregated results of the performance indicators are the prime source to report the operational preparedness for each force element in Output Expenses 2 to 14, using the performance rating scale, shown below. Supplementing this source are the results of a broad range of evaluations, including assessments carried out during military exercises, competitions, routine tests of achievement and proficiency, and operational, technical and administrative inspections. Whenever possible, the results of external evaluations by members of allied forces are included in these assessments.

NZDF OPRES Performance Rating Scale

The following OPRES Performance Rating Scale is used to quantify force element performance in achieving preparedness (DLOC⁹):

Rating	Meaning
Fully Prepared	The standards required for all measurement areas, under OPRES, have been achieved by between 90 to 100% .
Substantially Prepared	The force element requires minimal resource input such that the Response Time is projected to be extended by up to the order of 33% in the applicable EC. It means that the standards required for all measurement areas, under OPRES, have been achieved by between 80 and 89% .
Partially Prepared	The force element requires a substantial resource input such that the Response Time is projected to be extended by a period in the order of between 34% and 50% in the applicable EC. It means that the standards required for all measurement areas, under OPRES, have been achieved by between 70 to 79% .
Not Prepared	The force element requires a level of resource input such that the Response Time for the applicable EC could be expected to be extended by more than 50%. It means that the standards required for all measurement areas, under OPRES, have been achieved by less than 70% .
Unavailable for Assessment	The force element/capability is unavailable for assessment. This could be as a result of a capability being deployed, commissioned, or introduced.

⁹ Direct Level of Capability (DLOC) should be seen as a band within which there are five ratings ('Fully Prepared' through to 'Unavailable for Assessment'). A force element that has been set a 'Fully Prepared' target is at its DLOC if it achieves that standard. Similarly, a force element that has been set a Substantially Prepared rating is at DLOC if it achieves that rating even though it is not fully prepared. If a force element with a DLOC of fully prepared only achieves a 'Substantially Prepared' rating, it is below its DLOC.

A consolidated summary of the availability of the NZDF output expenses listed in this section to provide services to the Government and community, and of services provided during the year, is shown in the Services in Support of the Government and the Community part of this section.

Ministry of Defence

To meet the requirements of s.24(2)(e) of the Defence Act 1990, the Evaluation Division of the Ministry of Defence assesses, for the Minister of Defence, whether the NZDF has delivered outputs to the standard required in the Output Plan. These assessments look at whether the NZDF would have been able to bring a force element up to an operational level of capability within the time required in the Output Plan, if called upon to do so. During the reporting period, the Ministry of Defence examined five outputs. Four outputs were assessed as having been delivered to the required standard. One output was delivered with limitations due to the non-availability of aircraft undergoing modification.

Office of the Controller and Auditor General

The role of the Office of the Controller and Auditor General (Audit New Zealand) is to audit annually the NZDF's Statement of Service Performance and to express an independent opinion as to whether it fairly reflects the NZDF's service performance achievements in relation to performance targets set out in the Budget document *External Sector Information Supporting the Estimates and Appropriations (B.5A Vol 4)* for Vote: Defence Force. This opinion includes an assurance on the validity of the reported preparedness states of the NZDF's force elements and achievement of high-level outcomes for the audit period. The audit opinion for the year ended 30 June 2011 is shown in Section 5 (NZDF Financial Statements).

OUTPUT EXPENSE 1:**MILITARY POLICY DEVELOPMENT, COORDINATION AND ADVICE****SERVICE PERFORMANCE**

Description

Advice to the Minister of Defence, by the Chief of Defence Force and Service Chiefs, on military contributions to New Zealand's foreign policy and military responses to contingencies. Also included are responses on behalf of the Minister to Ministerial and Parliamentary questions, Official Information Act inquiries and Ombudsmen correspondence. It involves:

- The provision of military advice to the Minister of Defence on:
 - New Zealand's defence interests (including intelligence);
 - military options for safeguarding and advancing New Zealand's security interests;
 - military options available for contributions to collective and regional security; and
 - advice on the military capabilities required to meet the Government's defence policy objectives and to support its defence strategy.

- Assistance to the Ministry of Defence in the provision of advice to the Minister on:
 - procurement of major military equipment; and
 - defence policy development.

Associated Outputs**Output 1.1: Collection, Collation, and Dissemination of Military Intelligence**

The collection, collation and dissemination of military intelligence on areas of interest to New Zealand and as specified in the NZDF Intelligence Plan.

Output 1.2: Development and Production of Military Policy

The development and production of military policy and the provision of military advice to the Minister of Defence.

Output 1.3: Operational Military Policy Advice

The provision of advice on operational military policy to the Minister of Defence.

Output 1.4: Ministerial Correspondence and Parliamentary Questions

Draft responses to Ministerial Correspondence, to requests under the Official Information Act and to Parliamentary and other questions on behalf of the Minister, including Ombudsmen correspondence.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
Range of key submissions anticipated as follows:	
<ul style="list-style-type: none"> Number of Statutory Reports to Parliament (Statement of Intent and Annual Report) – 2 	2
<ul style="list-style-type: none"> Number of Submissions to Cabinet (in conjunction with the Ministry of Defence) - 20 - 40 	11
<ul style="list-style-type: none"> Number of Reports and Briefing Papers to Minister (in conjunction with the Ministry of Defence) – 350 - 450 	424
<ul style="list-style-type: none"> Numbers of Ministerial Correspondence ("Ministerials") – 300 - 400 	242
<ul style="list-style-type: none"> Numbers of Parliamentary Questions (for Written and Oral answer) – 200 - 300 	144
<ul style="list-style-type: none"> Numbers of Select Committee Reports – 2 - 8 	No reports were required.
<ul style="list-style-type: none"> Numbers of Select Committee Questions (Foreign Affairs Defence & Trade, and Finance and Expenditure Committees) – 380 - 480 	169
The supply of individual products, as above, of high quality - defined by the characteristics of quality advice.	Met.
All reports and oral advice will be delivered within the agreed or statutory time frame:	
<ul style="list-style-type: none"> Percentage of replies to Ministerials will be provided within 20 working days of receipt of request – 95% 	88% of draft replies to Ministerial correspondence were provided within 20 working days of receipt. Most draft replies to urgent correspondence were provided within five working days.
<ul style="list-style-type: none"> Percentage of replies to Parliamentary Questions for Written Answer will be provided by due date – 95% 	72% of draft replies to Parliamentary Questions for written answer were provided within five working days. This reflects the broad scope of some questions received during the year, and their coincidence with civil defence emergencies.
<ul style="list-style-type: none"> Percentage of replies to Parliamentary Questions for Oral Answer will be provided by midday on the day that the reply is due in the House – 95% 	100% of briefings to the Minister for responses to Parliamentary Questions for oral answer were provided within the required period. The NZDF also responded to 146 non-Ministerial OIA requests during the reporting period.
Percentage of the first drafts of all policy papers accepted by the Minister – 95%	85% of draft correspondence was accepted by the Minister without significant amendment.
Percentage of other responses accepted without substantive amendment – 95%	95% of other responses were accepted by the Minister without significant amendment.
Degree of satisfaction expressed by the Minister, appropriate committee or agency (feedback from those for whom policy products have been produced) – High Satisfaction	The NZDF needs to continue to build its capacity to provide papers during a process of substantial change. This will need to be a focus of effort to more effectively understand the requirements of the change process and expectations of government.

Note 1: Characteristics of 'quality advice':

- **Purpose.** The aims of the papers are clearly stated and answer the questions the Minister has raised.
- **Logic.** The assumptions behind the advice are explicit, the argument is logical and supported by facts.
- **Accuracy.** The facts in the paper are accurate and all material facts have been included.
- **Options.** An adequate range of options has been presented and each is assessed for benefits, costs and consequences to the government and the community.
- **Consultation.** Evidence of adequate consultation with interested parties and possible objections to proposals have been identified.
- **Practicality.** The format meets Cabinet Office requirements, the material is effectively and concisely summarised, has short sentences in plain English, and is free from spelling and grammatical errors.

Costs for Output Expense 1

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
	Expenditure			
11.281	Personnel	11.085	11.289	11.678
2.324	Operating	3.998	3.279	2.319
0.528	Depreciation	0.779	0.771	0.593
0.215	Capital Charge	0.472	0.456	0.456
14.348	Total Expenses	16.334	15.795	15.046
	Income			
14.305	Revenue Crown	16.299	15.758	15.758
0.035	Revenue Department	0.035	0.037	0.036
0.003	Revenue Other	-	-	0.004
0.325	Other Gains	-	-	0.032
14.668	Total Income	16.334	15.795	15.830
0.320	Net Surplus (Deficit)	-	-	0.784
	Cost by Output			
8.245	Output 1.1	10.130	9.757	8.835
2.985	Output 1.2	2.904	2.948	2.956
1.248	Output 1.3	1.282	1.265	1.315
1.870	Output 1.4	2.018	1.825	1.940

The total approved appropriation in 2010/11 for this output expense was \$15.795 million and the total expenditure was \$15.046 million. There was no unappropriated expenditure for this output expense.

Summary of Performance for Output Expenses 2 – 14

The following is a summary of the performance standards achieved for Navy, Army and Air Force outputs.

Overall, force elements continued to be available and respond to emergency events, supported government agencies in multi-agency operations and were prepared to meet contemporary security threats.

Navy – Output Expenses 2 – 6

- The decision not to proceed with a proposed OE16 deployment for HMNZS *Te Mana* generated a programme redesign, which meant 102 sea days were delivered rather than the originally planned range of 123 to 133. However, this shortfall was in part offset by HMNZS *Te Kaha* achieving 154 sea days from a planned range of 140 to 150.
- Due to unplanned maintenance late in the reporting period, HMNZS *Endeavour* failed to achieve targets for planned mission availability, sea days and preparedness. However, this extra time in port did allow members of the ship's company to deploy as part of the NZDF contribution to earthquake recovery operations in Canterbury/Christchurch.
- HMNZS *Canterbury* met all output performance targets. The ship and crew continued to develop capability, however, the ship's full introduction into operational service has been delayed owing to warranty matters and the implementation of the associated remediation programme.
- HMNZS *Manawanui* met the target for mission availability days and achieved 119 sea days from a range of 136 to 147. This reduced output was a result of cancelled tasking. The ship is now 32 years old and becoming increasingly difficult to maintain. This has an impact upon preparedness.
- The MCM Diving Forces exceeded planned diving hours (369) on operations due to a combination of factors including high operational tempo and introduction of the Diver Underwater Search System. This led to a commensurate rise in the training requirement and subsequent operational employment.
- While the OPVs have not been fully accepted into service, they have achieved an interim level of operational capability. The focus during the reporting year has been on realising the capability they bring to the NZDF, in particular, trialling their systems in a range of environments. All four IPVs were operational during the reporting period and collectively achieved 93% of the planned mission availability days. Due to programme changes, individual ship sea days varied somewhat from what was forecast.
- Preparedness targets for Military Hydrography and the required standards for commitment to both LINZ and military tasks were met.

Army – Output Expenses 7 – 10

- Despite the demands of the Canterbury/Christchurch earthquake responses, Land Forces were still prepared for war fighting operations. They continued to carry the main responsibility for sustaining the current Output Expense 16 operational missions, being able to provide a manoeuvre element (based on the High Preparedness Platoon Group) for short notice contingencies, and provide rotation force elements for deployed operations. This latter requirement fully committed the equivalent of three infantry company groups throughout the year.
- A sustainable Light Task Group and a non-sustainable Combined Arms Task Group were available for deployment, but not concurrently.
- Effective interoperability with key allies was achieved with a number of exercises throughout the South Pacific and South East Asia. Equipment met the required standards for support to current operations.

- Land Combat Support elements, particularly engineers, supported the NZ Antarctica Programme over the summer season.
- Three response teams were available in Auckland, Wellington and Christchurch to respond to EOD/IEDD incidents and a specialist response team was available to respond to CBRE threats.
- Special Operations Forces were maintained at a high state of readiness and were able to provide rotation elements in support of the deployment to Afghanistan. The Counter-Terrorist Group was available to assist the NZ Police, if required.

Air Force – Output Expenses 11 – 14

- The provision of a Seasprite helicopter capability to RNZN frigates was achieved, despite aircraft unserviceability, equipment deficiencies and personnel shortages. A Seasprite was also provided on the majority of occasions for HMNZS *Canterbury*. Overall, there was a shortfall of Seasprite flying hours against that planned (874 hours achieved against a target of 1,330 hours).
- The Maritime Patrol Forces (MPF) met preparedness targets for the NZ EEZ, South Pacific regional surveillance and search and rescue tasks. However, due to equipment limitations and reduced training opportunities, the MPF remains only partially prepared for regional military contingencies.
- The MPF did not meet its planned flying hours due largely to delays in the upgrade programme. Other significant factors impacting on scheduled flying were reduced rates of effort during exercises due to unavailability of other exercise participants, and the requirement to balance multi-agency tasks, such as fishery patrols, and internal training due to reduced aircraft availability. As a result, the Orion fleet flew 1,979 hours against a planned target of 2,250 hours.
- Changes in the C-130 Life Extension Programme and support to the Pike River mine disaster and the Canterbury and Christchurch earthquakes caused changes to the planned flying programme. The result was that 1,835 hours were flown against a planned target of 2,150 hours. This resulted in the cancellation of some readiness training activities.
- Preparedness targets were achieved for the B757 Transport Force. Work on B757 serviceability has seen aircraft availability improve throughout the period. The B757 was used extensively to support international troop rotations, both Canterbury and Christchurch earthquakes, the Japan tsunami emergency and to repatriate casualties from operations overseas. As a result of additional taskings from the C-130 fleet, the B757 fleet flew 1,390 hours against a planned target of 1,253 hours.
- The Rotary Wing Transport Forces were prepared to respond to likely security events in New Zealand and the South Pacific, however, due to operating limitations with the ageing Iroquois helicopter fleet, were not prepared for high-threat environments. The introduction into service of new medium utility helicopters will overcome these limitations.
- Effective standardisation with other forces was achieved with participation in a number of overseas exercises, including Exercise Bersama Shield in South-East Asia and Exercise ASWEX in Australia.

OUTPUT EXPENSE 2:**NAVAL COMBAT FORCES****SERVICE PERFORMANCE****Description**

The provision of HMNZ Ships *Te Kaha* and *Te Mana* prepared to conduct maritime operations under Employment Contexts 1, 2, 3, 4, and 5. This expense also includes the contribution to a range of services in support of other government departments, the community, and foreign and defence policy objectives when not committed to operations, using the capabilities developed for the operational role.

Contributions to Outcomes

This Output Expense contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Overview

The Government purchases Naval Combat Force (NCF) contingent capability, the delivery of which is measured in two ways with the first of these being preparedness. During the reporting period both ships of the NCF achieved the directed levels of preparedness through the achievement of the required training activities. The quality of the training was evaluated through a mix of internal and external agencies. The second measurement area related to availability where the NCF achieved the planned Mission Availability Days. The decision not to proceed with a proposed OE16 deployment for HMNZS *Te Mana* generated a programme redesign, which meant 102 sea days were delivered rather than the originally planned range of 123 to 133. However, this shortfall was in part offset by HMNZS *Te Kaha* achieving 154 sea days from a planned range of 140 to 150.

Readiness Training Activities

The NCF force achieved and maintained DLOC through training activities in the waters of the South Pacific and Australia and in so doing demonstrated a high level of interoperability with the Australian Defence Force (ADF). Other exercises were conducted within the FPDA framework and provided the opportunity to conduct more demanding training, which allowed the ships to demonstrate competence in a multi-national coalition environment. During the reporting period the NCF participated in the following activities:

- Five Power Defence Arrangements (FPDA) Exercise Bersama Shield. This exercise focussed on joint operations in a multi-threat environment using a scenario centred on the defence of Malaysia and Singapore. The exercise also offered the opportunity to enhance interoperability and strengthen professional relationships with the other FPDA nations.
- Fleet Concentration Period (Triton Storm). Held in Australia with the Royal Australian Navy (RAN), Royal Australian Air Force (RAAF) and Royal New Zealand Air Force (RNZAF) participating. This bi-lateral exercise period allowed the ADF and NZDF to build maritime warfare skills across all environments. The exercise generated a sound level of competency for combined ADF and NZDF operations and featured a DLOC Work Up for HMNZS *Te Mana*.
- Western Pacific Naval Symposium Sea Exercise (WMSX). A multi-lateral confidence building exercise period, hosted by Singapore.
- At sea, in company training with the RAN.
- Defence Diplomacy activities in Singapore, Malaysia, Indonesia, India (Andaman Islands), Vietnam, China and the United States of America.
- Ceremonial activities at Waitangi.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
<p>One frigate only for part of the year, capable of embarking a Seasprite helicopter as required, available for military tasks (from a total fleet of two ANZAC frigates). (HMNZS Te Mana will be undergoing a Platform System Upgrade).</p> <p>(Details on the Seasprite Helicopters are recorded under Output Expense 11 - Naval Helicopter Forces).</p> <p>The Offshore Patrol Vessels (OPVs) will be available for low-level security challenges in New Zealand or South Pacific waters role once they have been fully accepted into service (mid-2010).</p> <p>Deployment Impact:</p> <p>The Naval Combat Forces will not be able to reach a higher performance rating for the higher-end/combat-related tasks (under Employment Contexts 3 – 5) unless the Self Defence Upgrade proceeds. Decisions on this will be included in the Defence Review process.</p> <p>Details on the Seasprite helicopters are recorded under Output Expense Naval Helicopter Forces.</p>	<p>Despite the planned maintenance period in support of the Platform Systems Upgrade (PSU) for HMNZS <i>Te Mana</i>, both frigates, each with an embarked Seasprite helicopter, were available to support required military tasks.</p> <p>During the reporting period, the OPVs were introduced into service and commenced their operational release period. Performance reporting for the OPVs is shown under Output Expense 5 (Naval Patrol Forces).</p>
<p>Undertake Multi-Agency Operations and Tasks (MAO&T), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")</p>	<p>The tasks conducted by the OPV/IPV fleet meant that the NCF was not required to conduct any planned MAO&T during this reporting period. Nonetheless, a key output of the NCF is the capability to support short-notice MAO&T where more sophisticated military systems, that provide a greater range of response options, may be required.</p>
<p>Undertake Defence Diplomacy tasks in accordance with NZDF and Government/MFAT requirements. This normally involves ship visits to foreign ports.</p>	<p>Both frigates completed a comprehensive programme of exercise activities in Australia and South East Asia and in doing so demonstrated interoperability with the ADF.</p> <p>The ships also participated in DLOC generation activities within the FPDA framework, demonstrating their preparedness for employment in an international coalition force. On completion, HMNZS <i>Te Mana</i> undertook defence diplomacy visits in the South East and East Asian regions.</p> <p>Defence Attaché and MFAT feedback on defence diplomacy undertaken as part of these foreign port visits and exercises with foreign military forces has been uniformly positive. Reports indicate that the arrival of a RNZN vessel in port provides a focal point around which wider discussion of the inter-state relationship can occur.</p>
<p>HMNZS <i>Te Kaha</i> Mission Availability Days / Sea Days for the year (range in days): 241 / 140 to 150</p>	<p>HMNZS <i>Te Kaha</i> was mission available for 239 days and spent 154 days at sea.</p>
<p>HMNZS <i>Te Mana</i> Mission Availability Days / Sea Days for the year (range in days): 170 / 123 to 133</p>	<p>HMNZS <i>Te Mana</i> was mission available for 171 days and spent 102 days at sea.</p> <p>While unscheduled maintenance requirements and the decision by government not to proceed with a deployment for international anti-piracy operations in the Gulf Aden for HMNZS <i>Te Mana</i> reduced the planned sea days, this also allowed the concurrent deployment of the NCF ships to Australia and SE Asia. This combined deployment resulted in the output expense meeting 99% of its output requirements.</p>

Performance Measures	Performance Achieved
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>	
Illegal exploitation of marine resources within the New Zealand EEZ, and other low-level threats to New Zealand territorial sovereignty (EC 1A) – Fully Prepared	Fully Prepared. The NCF collectively conducted 66 days transit patrol tasks within the EEZ.
Terrorist and Asymmetric Threats (EC 1D) – Fully Prepared	Fully Prepared.
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>	
Natural and manmade disasters (EC 2B) – Fully Prepared	Fully Prepared.
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C) – Fully Prepared	Fully Prepared.
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E) – Fully Prepared	Fully Prepared.
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>	
Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation (EC 4A) – Substantially Prepared	Substantially Prepared. The NCF demonstrated its capability to participate in ad hoc maritime coalition operations through participation in FPDA and high-level ADF exercises.
Inter-State conflict (EC 4F) – Substantially Prepared	Substantially Prepared.
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>	
Terrorist Threats (EC 5D) – Substantially Prepared	Substantially Prepared.

Note: The Performance Rating Scale and Employment Contexts (ECs) are explained at the beginning of this section.

Costs for Output Expense 2 (GST Exclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
	Expenditure			
98.753	Personnel	101.288	103.771	103.994
69.633	Operating	72.789	81.601	77.452
4.747	Losses on Foreign Exchange	-	-	6.837
112.703	Depreciation	111.176	107.381	96.058
116.472	Capital Charge	112.886	109.751	109.751
402.308	Total Expenses	398.139	402.504	394.092
	Income			
403.420	Revenue Crown	394.539	399.016	399.016
0.606	Revenue Department	1.616	1.623	0.499
1.787	Revenue Other	1.984	1.865	1.529
1.904	Gains on Foreign Exchange	-	-	2.343
1.032	Other Gains	-	-	-
408.749	Total Income	398.139	402.504	403.387
6.441	Net Surplus (Deficit)	-	-	9.295

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2010/11 for this output expense was \$396.604 million (including approved transfers under s.26a of the Public Finance Act 1989) and the total expenditure excluding remeasurements was \$387.255 million. There was no unappropriated expenditure for this output expense.

OUTPUT EXPENSE 3:**NAVAL SUPPORT FORCES****SERVICE PERFORMANCE****Description**

The provision of the Fleet Replenishment Ship (HMNZS *Endeavour*) and the Multi-Role Vessel (HMNZS *Canterbury*) prepared to conduct maritime logistic support and amphibious sealift operations for deployed military forces under Employment Contexts 1, 2, 3, 4, and 5.

This expense also includes the contribution to a range of services in support of other government departments and the community when not committed to operations, using the capabilities developed for the operational role.

Associated Outputs**OUTPUT 3.1 - REPLENISHMENT FORCES**

The provision of the Fleet Replenishment Ship (HMNZS *Endeavour*) prepared to conduct maritime operations including logistic support for deployed military forces and normal naval activities. This output also includes contributions by HMNZS *Endeavour* to some community services when not committed to operations.

OUTPUT 3.2 - AMPHIBIOUS SEALIFT FORCES

The provision of the Multi-Role Vessel (HMNZS *Canterbury*), prepared to conduct amphibious sealift operations in support of deploying and/or deployed military forces, and normal naval activities. This output includes provision of detachments from the Littoral Warfare Support Group to provide Rapid Environmental Assessment and contribution to Advance Force tasks in support of littoral operations. This output also includes contributions by HMNZS *Canterbury* to some community services when not committed to operations.

Contributions to Outcomes

This Output Expense contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Overview

Due to unplanned maintenance late in the reporting period, HMNZS *Endeavour* failed to achieve targets for planned mission availability, sea days and preparedness. However, this extra time in port did allow members of the Ship's Company to deploy as part of the NZDF contribution to earthquake recovery operations in Christchurch.

HMNZS *Canterbury* has met all output performance targets. HMNZS *Canterbury* continues to develop capability, however, the ship's full introduction into operational service has been delayed owing to warranty matters and the implementation of the associated remediation programme.

Readiness Training Activities

During the reporting period HMNZS *Canterbury* participated in the following activities:

- Exercise Southern Katipo. An exercise aimed at the development of the NZDF's joint amphibious capability along with the broader command and staff procedures required for combined and joint task force operations. The exercise was terminated early to allow all participating units, including HMNZS *Canterbury*, to be re-tasked in support of the Christchurch earthquake response.
- Operation Christchurch Quake. HMNZS *Canterbury* was alongside in Lyttelton for Southern Katipo when the February 2011 earthquake struck and in the aftermath provided a significant level of support, particularly in Lyttelton. In addition to providing cordons and catering during the response and recovery phases, the ship also transported excavators, trucks, containerised stores, toilet and shower blocks to Lyttelton from Wellington.
- Exercise Pacific Partnership. A joint and combined exercise in the South Pacific involving the NZ Navy, Army, Air Force along with regional forces from South Pacific Island nations, the United States of America, Australia and France. The purpose of this exercise was to train multinational forces in the conduct of comprehensive amphibious operations, small-sized joint, combined non-combatant evacuation operations and humanitarian assistance/disaster relief missions. The exercise also offered an opportunity to provide military aid to civilian authorities in a regionalised coalition force. For Exercise Pacific Partnership, the Deployed Hydrographic Support Unit (DHSU) was embarked in *Canterbury* in support of littoral (coastal) survey operations working alongside elements from Australia and the United States.

During the reporting period HMNZS *Endeavour* participated in the following activities:

- A deployment to North America.
- Operation Christchurch Quake. Members of Ship's Company deployed to Christchurch as part of the NZDF contribution to earthquake recovery assistance.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
HMNZS <i>Endeavour</i> available for military tasks.	HMNZS <i>Endeavour</i> was available for military tasks, but the ship's availability was adversely affected by an engineering defect on its main engine late in the reporting period.
HMNZS <i>Canterbury</i> , with the capability to embark Seasprite helicopter/s and NH-90 helicopters, as required, once fully accepted into service, available for military tasks. HMNZS <i>Canterbury</i> will be capable of embarking four NH-90 medium utility helicopters - to be acquired by the NZDF in 2011/12 - on completion of Ship/Aircraft integration trials and First of Class Flight Trials (FOCFT).	HMNZS <i>Canterbury</i> , with an embarked Seasprite helicopter when required, was available to support military tasks. These tasks were restricted to those authorised under the Interim Operational Capability Statement. Due to warranty issues and latent defects, HMNZS <i>Canterbury</i> has not yet achieved full operational availability and the introduction into service process will continue into the 2011/12 reporting period.

Performance Measures	Performance Achieved
Undertake MAO&T and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role. For details see the section on "Services in Support of the Government and the Community, including MAO&T.")	<p>During the reporting period, HMNZ Ships <i>Endeavour</i> and <i>Canterbury</i> undertook MAO&T when tasked.</p> <p>These commitments saw HMNZS <i>Canterbury</i> provide support to the Department of Conservation at various island locations around the Marlborough Sounds area.</p> <p>HMNZS <i>Canterbury</i> also provided civil defence assistance in Lyttelton and Christchurch following the earthquake in February 2011. Members of HMNZS <i>Endeavour's</i> Ship's Company also deployed to Christchurch as part of the broader NZDF earthquake response.</p> <p>Support was provided to the satisfaction of the supported agencies.</p>
Both vessels undertake Defence Diplomacy tasks in accordance with NZDF and Government/MFAT requirements. This normally involves ship visits to foreign ports.	<p>HMNZS <i>Endeavour</i> completed a deployment to North America at the beginning of the period and HMNZS <i>Canterbury</i> completed two deployments to the South Pacific and one to Australia in support of defence diplomacy and government/ MFAT requirements.</p> <p>Feedback from Defence Attachés and MFAT on defence diplomacy undertaken as part of foreign port visits and exercising with foreign military forces has been uniformly positive.</p>
HMNZS <i>Endeavour</i> Mission Availability Days / Sea Days for the year: 183 / 125 to 135	HMNZS <i>Endeavour</i> was mission available for 123 days and spent 73 days at sea. These variances were due to unplanned maintenance requirements.
HMNZS <i>Canterbury</i> Mission Availability Days / Sea Days for the year: 239 / 137 to 148	HMNZS <i>Canterbury</i> was mission available for 247 days and spent 135 days at sea.
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>	
Illegal exploitation of marine resources within the New Zealand EEZ, and other low-level threats to New Zealand territorial sovereignty (EC 1A)	
HMNZS <i>Canterbury</i> – Substantially Prepared	Substantially Prepared.
Terrorist and Asymmetric Threats (EC 1D)	
HMNZS <i>Endeavour</i> – Fully Prepared	Substantially Prepared (reflects the decline in preparedness resulting from the main engine defect suffered in late March 2011).
HMNZS <i>Canterbury</i> – Substantially Prepared	Substantially Prepared.
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>	
Natural and manmade disasters (EC 2B)	
HMNZS <i>Endeavour</i> – Fully Prepared	Fully Prepared.
HMNZS <i>Canterbury</i> – Substantially Prepared	Substantially Prepared.
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)	
HMNZS <i>Endeavour</i> – Fully Prepared	Substantially Prepared.
HMNZS <i>Canterbury</i> – Substantially Prepared	Substantially Prepared.
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)	
HMNZS <i>Endeavour</i> – Fully Prepared	Substantially Prepared.
HMNZS <i>Canterbury</i> – Substantially Prepared	Substantially Prepared.
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>	

Performance Measures	Performance Achieved
Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation (EC 4A)	
HMNZS <i>Endeavour</i> – Substantially Prepared	Substantially Prepared.
HMNZS <i>Canterbury</i> – Substantially Prepared	Substantially Prepared.
Inter-State conflict (EC 4F)	
HMNZS <i>Endeavour</i> – Substantially Prepared	Substantially Prepared.
HMNZS <i>Canterbury</i> – Substantially Prepared	Substantially Prepared.
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>	
Terrorist Threats (EC 5D)	
HMNZS <i>Endeavour</i> – Substantially Prepared	Substantially Prepared.
HMNZS <i>Canterbury</i> – Substantially Prepared	Substantially Prepared.

Note: The Performance Rating Scale and the Employment Contexts (EC) are explained earlier in this part.

Costs for Output Expense 3 (GST Exclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
	Expenditure			
34.604	Personnel	35.457	35.874	34.873
26.635	Operating	28.112	29.629	22.671
1.286	Losses on Foreign Exchange	-	-	2.016
19.252	Depreciation	19.035	16.468	16.213
26.175	Capital Charge	23.422	22.878	22.878
107.952	Total Expenses	106.026	104.849	98.651
	Income			
107.528	Revenue Crown	105.120	103.846	103.846
0.139	Revenue Department	0.433	0.479	0.147
0.405	Revenue Other	0.473	0.524	0.423
0.516	Gains on Foreign Exchange	-	-	0.691
0.068	Other Gains	-	-	-
108.656	Total Income	106.026	104.849	105.107
0.704	Net Surplus (Deficit)	-	-	6.456
	Cost by Output			
43.258	Output 3.1	36.858	37.896	35.830
63.408	Output 3.2	69.168	66.953	60.805

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2010/11 for this output expense was \$100.349 million (including approved transfers under s.26a of the Public Finance Act 1989) and the total expenditure excluding remeasurements was \$96.635 million. There was no unappropriated expenditure for this output expense.

OUTPUT EXPENSE 4:**MINE COUNTERMEASURES (MCM) AND MCM DIVING FORCES**

SERVICE PERFORMANCE

Description

The provision of the MCM Support Vessel (HMNZS *Manawanui*) prepared to conduct MCM operations (Q route surveys and conditioning), the provision of a mine countermeasures team (MCMT) to conduct autonomous underwater MCM search and identification tasks, the provision of an Operational Diving Team (ODT) prepared to support MCM operations and to conduct independent diving tasks, under Employment Contexts 1 to 5, and the provision of some support services to the community when appropriate.

Notes:

1. Any RNZN IEDD support for emergency National Response tasks is covered under Output 10.3. Notwithstanding Output 10.3, the RNZN, via Output 4.2, requires and maintains its own integral EOD capability and has IEDD specialists within the ODT.
2. The Littoral Warfare Support Group (LWSG), comprising elements of MCM, Hydrography and Diving, coordinates the delivery of both Output Expense 4 and Output Expense 6 capabilities.

Associated Outputs**OUTPUT 4.1 - MINE COUNTERMEASURE (MCM) FORCES**

The provision of the MCM Support Vessel, HMNZS *Manawanui*, prepared to conduct MCM operations and Diving Support, and normal naval activities. This output also includes contributions to some community services when not committed to operations.

Note: This includes the provision and operation of the Autonomous Underwater Vehicle (AUV) REMUS.

OUTPUT 4.2 - MCM DIVING FORCES

The provision of the Operational Diving Team, including two diving teams, prepared to classify and clear surveyed Q-Routes, and to conduct independent diving tasks - such as clearance diving, and normal naval activities. This output also includes contributions by Navy Divers to some community services.

Notes:

1. Shortages of personnel meant that a fully supported second diving team was not provided during the reporting period.
2. As described above, the RNZN contributes expertise and IEDD Output Expense 10.3 capability through the provision of trained IEDD personnel from the diving branch.
3. This task is supported by the MCMT as part of the Littoral Warfare Support Group infrastructure.

Contributions to Outcomes

This Output Expense contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Overview

HMNZS *Manawanui* met the target for Mission Availability Days and achieved 119 sea days from a range of 136 – 147, with this reduced output a result of cancelled tasking. The ship is now 32 years old and becoming increasingly challenging to maintain, which has an impact upon its preparedness assessments.

The MCM Diving Forces exceeded planned diving hours (367) on operations due to a combination of factors including high operational tempo, introduction of the Diver Underwater Search System leading to a commensurate rise in the training requirement and subsequent operational employment, and increased manning levels leading to increased training activity.

Preparedness targets were met and personnel met the collective training standards and competency requirements for military tasks. Participation in the international exercise Bersama Padu and Western Pacific Naval Symposium (WPNS) facilitated external evaluation of MCM Diving Force capabilities.

Readiness Training Activities

MCM Diving Forces contributed to.

- Operation Christchurch Earthquake. Real time tasking to survey the Port of Lyttleton enabling Christchurch and Lyttleton to receive disaster relief resources delivered by HMNZS *Canterbury*.
- Operation Poseidon. MAO&T (body search) in support of NZ Police in Rotorua's Blue Lakes. Activity conducted in conjunction with the MCMT.
- Operation Multus. Helicopter recovery (Northland) and microlight recovery (Orewa Beach) in support of the Civil Aviation Authority (CAA) and in conjunction with the MCMT.
- WPNS MCM/DIVEX Exercise. Held in Singapore/Indonesia this exercise allowed MCM Diving Forces to conduct underwater demolitions, Maritime Explosive Ordinance Disposal (EOD) and underwater force protection, while interacting with Western Pacific partners within a MCM Coalition.
- Five Power Defence Arrangements (FPDA) Exercise Bersama Padu. This exercise allowed FPDA partners to conduct joint operations in a multi-threat environment in the defence of Malaysia and Singapore, thereby enhancing interoperability and strengthening professional relationships.
- Exercise Acme. LWSG capability and training activity in and around Auckland Port in anticipation of the Rugby World Cup event.
- Exercise Cluso. ODT demolitions training activity.
- Exercise Southern Katipo. LWSG participation in support of potential amphibious activity in Chatham Islands.
- Exercise Pacific Partnership. Diving and demolitions activity supported by the Deployable Hydrographic Support Unit.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
MCM Support Vessel (HMNZS <i>Manawanui</i>) available for military tasks.	HMNZS <i>Manawanui</i> was available for military tasks.
Operational Diving Team (ODT) available for military tasks.	The ODT was available for military tasks. Growth in the number of junior diving trade personnel provided the opportunity for deployment of ODT elements, while retaining the required level of residual domestic capacity. The shortage of qualified diving/MCM personnel at the mid to senior ranks remains a personnel challenge.
Undertake MAO&T (Multi-Agency Operations and Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")	HMNZS <i>Manawanui</i> and the ODT undertook a wide range of MAO&T in support of other government departments, the community and foreign and defence policy objectives. Support was provided to the satisfaction of agencies.
HMNZS <i>Manawanui</i> Mission Availability Days / Sea Days for the year: 234 / 136 to 147	HMNZS <i>Manawanui</i> was mission available for 234 days and spent 119 days at sea. The reduction in sea days was due to programme changes, which reduced demand for the ship.
Operational Diving Team time (range in hours) spent on operational dive training and MCM readiness training in diving techniques for the disposal of mines and other explosive devices. (The diving hours refer to actual time in the water): 327 – 347 hours.	The Operational Diving Team spent 369 hours on operational dive training and MCM readiness training.
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>	
Terrorist and Asymmetric Threats (EC 1D)	
HMNZS <i>Manawanui</i> – Fully Prepared	Substantially Prepared – the age of the vessel presents a range of material challenges, which impact upon the sustainability measure.
ODT – Fully Prepared	Substantially Prepared – personnel shortfalls, while slowly improving, continue to impact upon preparedness.
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>	
Natural and manmade disasters (EC 2B)	
HMNZS <i>Manawanui</i> – Fully Prepared	Substantially Prepared.
ODT – Fully Prepared	Substantially Prepared.
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)	
HMNZS <i>Manawanui</i> – Fully Prepared	Substantially Prepared.
ODT – Fully Prepared	Substantially Prepared.
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)	
HMNZS <i>Manawanui</i> – Fully Prepared	Substantially Prepared.
ODT – Fully Prepared	Substantially Prepared.

Performance Measures	Performance Achieved
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>	
Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation (EC 4A)	
HMNZS <i>Manawanui</i> – Substantially Prepared	Substantially Prepared.
ODT – Substantially Prepared	Substantially Prepared.
Inter-State conflict (EC 4F)	
HMNZS <i>Manawanui</i> - Substantially Prepared	Substantially Prepared.
ODT – Partially Prepared	Substantially Prepared.
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>	
Terrorist Threats (EC 5D)	
HMNZS <i>Manawanui</i> - Substantially Prepared	Substantially Prepared.
ODT - Substantially Prepared	Substantially Prepared.

Note: Details of the Performance Rating Scale and Employment Contexts (ECs) are explained earlier in this section.

Costs for Output Expense 4 (GST Exclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
	Expenditure			
11.726	Personnel	12.267	11.237	11.291
6.080	Operating	6.378	6.416	5.620
0.207	Losses on Foreign Exchange	-	-	0.271
2.480	Depreciation	1.537	2.416	2.332
5.819	Capital Charge	4.672	4.523	4.523
26.312	Total Expenses	24.854	24.592	24.037
	Income			
26.268	Revenue Crown	24.607	24.366	24.366
0.022	Revenue Department	0.070	0.064	0.020
0.162	Revenue Other	0.177	0.162	0.156
0.083	Gains on Foreign Exchange	-	-	0.093
0.069	Other Gains	-	-	-
26.604	Total Income	24.854	24.592	24.635
0.292	Net Surplus (Deficit)	-	-	0.598
	Cost by Output			
11.434	Output 4.1	12.321	10.029	9.951
14.671	Output 4.2	12.533	14.563	13.815

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign gains and losses. The total approved appropriation in 2010/11 for this output expense was \$25.092 million (including approved transfers under s.26a of the Public Finance Act 1989) and the total expenditure excluding remeasurements was \$23.766 million. There was no unappropriated expenditure for this output expense.

OUTPUT EXPENSE 5:**NAVAL PATROL FORCES****SERVICE PERFORMANCE**

Description

The provision of Offshore and Inshore Patrol Vessels (OPVs and IPVs) capable of conducting maritime operations under Employment Contexts 1 to 3, and operations in support of Multi-Agency Operations and Tasks (MAO&T), as applicable to type of vessel, for the security and protection of New Zealand's economic border and Exclusive Economic Zone (EEZ). The OPVs will also be prepared to conduct sovereignty and resource protection patrol operations in the Southern Ocean, Ross Dependency, South Pacific region, and further afield when directed. The IPVs will operate in New Zealand / South Pacific waters and further afield when directed.

Associated Outputs**OUTPUT 5.1 - OFFSHORE PATROL FORCES**

The provision of OPVs prepared to conduct maritime operations, predominantly MAO&T, and normal naval activities. This output also includes contributions to some community services when not committed to operations.

OUTPUT 5.2 - INSHORE PATROL FORCES

The provision of IPVs prepared to conduct maritime operations, predominantly MAO&T, and normal naval activities. This output also includes contributions to some community services when not committed to operations.

Contributions to Outcomes

This Output Expense contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Overview

Output 5.1 - While these vessels have not been fully accepted into service, they have achieved an interim level of operational capability. The focus this year has been on realising the capability they bring to the NZDF, in particular, trialling their systems in a range of environments conducting various activities and tasks. The period has not been without challenge with HMNZS *Otago* developing engineering faults that resulted in the cancellation of the ship's inaugural South Pacific deployment and HMNZS *Wellington* required docking for warranty maintenance on the port propeller shaft. Collectively, the OPVs achieved 97% of the planned mission availability days, although unplanned maintenance requirements meant the OPVs only achieved a combined 230 sea days from a planned range of 273 to 294.

Output 5.2 - All four IPVs were operational during the reporting period and collectively achieved 93% of the planned mission availability days. Due to programme changes, individual ship sea days varied somewhat from what was forecast. However, as a force, the IPVs achieved 525 sea days from a planned range of 552 to 592. This shortfall was in part due to multi-agency demand over the Christmas / New Year period being much lower than what was forecast, resulting in a decrease of days at sea on tasking.

With all the IPVs now operational, the RNZN is looking to exploit the experience gathered thus far to revise maintenance schedules to align with lower tempo periods and therefore give greater availability during high load periods.

Readiness Training Activities

Output 5.1 – During the reporting period both OPVs successfully executed a range of MAO&T activities. As well as supporting other government agencies, these also formed part of the Operational Capability Release programme for the Otago Class. Examples included:

- Both OPVs provided support to the Department of Conservation resupply work in the Sub Antarctic Islands (with Governor General and Minister of Conservation embarked), which was followed by HMNZS *Wellington*'s successful deployment into the Southern Ocean, including operations in the Ross Sea for cold weather trials. This deployment was a key step in proving the vessels ability to operate in the Southern Ocean and was followed by HMNZS *Otago*'s deployment to the South Pacific to prove the OPV performance in warmer climates.
- Support to a diverse range of ancillary activities such as transporting NZ artists to offshore islands, assisting the Chief Justice in discharging her constitutional responsibilities at the Tokelaus and supporting the broader maritime surveillance effort in our region.

No embarked Seasprite operations were conducted during the period as the OPV's are not yet cleared to operate a helicopter. This will remain the case until essential material modifications are made to enable First of Class Flight Trials (FOCFT) to be undertaken. It is expected that the release of the OPV aviation capability will be achieved in FY 11/12.

Output 5.2 – All four ships successfully delivered MA&OT activities in support of a number of government agencies. Whilst the IPVs predominantly support Fisheries and Customs, they have also supported DOC, Maritime NZ, Biosecurity and NZ Police. The unplanned, high tempo and prolonged operation to support the NZ Police off the East Cape, as a deterrence to protest action during investigatory mining, resulted in significant unplanned programme changes.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
<p>The OPVs, HMNZ Ships <i>Otago</i> and <i>Wellington</i>, with embarked Seasprite or other helicopter/s as required, available for military tasks once fully accepted into service with the Navy.</p> <p>Subject to availability and the Government's requirements, tasking of the OPVs may take place in ECs other than those listed below.</p>	<p>The OPVs have been employed within the assigned ECs and were available to support all military tasks that were within the ship's approved operating profile, as articulated in the Interim Operational Capability Statement. No embarked Seasprite operations were conducted during the reporting period as the OPVs are not yet cleared to operate a helicopter.</p> <p>Due to warranty issues and latent defects, the OPVs have only achieved interim capability release and the introduction/acceptance into service process will continue in the 2011/12 reporting period.</p>
<p>The IPVs, HMNZ Ships <i>Rotoiti</i>, <i>Hawea</i>, <i>Pukaki</i> and <i>Taupo</i>, available for military tasks - once delivered for service in the Navy.</p> <p>Subject to availability and the Government's requirements, tasking of the IPVs may take place in ECs other than those listed below.</p>	<p>All four IPVs have been available and employed on military training and tasks. They have been employed exclusively within the confines of EC 1 (NZ).</p> <p>Throughout the year, one IPV has been available as Duty IPV at eight hours' notice for sea and available for unplanned MAO&T response tasks.</p> <p>Employment in an EC 2 (South Pacific) environment is currently influenced by the Lloyds certification, which constrains the vessel to within 150 nautical miles of a safe refuge. However, waivers can be requested and this was done to allow HMNZS <i>Taupo</i>'s deployment to the Chatham Islands in March 2010.</p>

Performance Measures	Performance Achieved
Undertake MAO&T (Multi-Agency Operations and Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")	The IPVs have been employed in MAO&T for a range of agencies and continue to be visible to the general public, which has in turn increased public awareness of the role the Navy plays in enforcing the regulations that govern activities in the NZ EEZ. Support was provided to the satisfaction of agencies.
	(See Overview for an explanation of variances below from that planned.)
OPV HMNZS <i>Otago</i> Mission Availability / Sea Days for the year: 248 / 137 to 148	HMNZS <i>Otago</i> was mission available for 234 days and spent 110 days at sea.
OPV HMNZS <i>Wellington</i> Mission Availability / Sea Days for the year: 244 / 136 to 146	HMNZS <i>Wellington</i> was mission available for 214 days and spent 120 days at sea.
IPV HMNZS <i>Rotoiti</i> Mission Availability / Sea Days for the year: 281 / 135 to 145	HMNZS <i>Rotoiti</i> was mission available for 258 days and spent 129 days at sea.
IPV HMNZS <i>Hawea</i> Mission Availability / Sea Days for the year: 244 / 145 to 155	HMNZS <i>Hawea</i> was mission available for 230 days and spent 137 days at sea.
IPV HMNZS <i>Pukaki</i> Mission Availability (days) for the year: 274 / 137 to 147	HMNZS <i>Pukaki</i> was mission available for 241 days and spent 123 days at sea.
IPV HMNZS <i>Taupo</i> Mission Availability (days) for the year: 269 / 135 to 145	HMNZS <i>Taupo</i> was mission available for 263 days and spent 135 days at sea.
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>	
Illegal exploitation of marine resources within the New Zealand EEZ, and other low-level threats to New Zealand territorial sovereignty (EC 1A)	
Offshore Patrol Forces – Fully Prepared	Substantially Prepared – full operational capability release has not yet been achieved with embarked helicopter operations not yet authorised.
Inshore Patrol Forces – Fully Prepared	Fully Prepared.
Terrorist and Asymmetric Threats (EC 1D)	
Offshore Patrol Forces – Fully Prepared	Substantially Prepared.
Inshore Patrol Forces – Fully Prepared	Fully Prepared.
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>	
Natural and manmade disasters (EC 2B)	
Offshore Patrol Forces – Fully Prepared	Substantially Prepared.
Inshore Patrol Forces – Fully Prepared	Fully Prepared.
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)	
Offshore Patrol Forces – Substantially Prepared	Substantially Prepared.
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)	
Offshore Patrol Forces – Substantially Prepared	Substantially Prepared.

Note: Details of the Performance Rating Scale and Employment Contexts (ECs) are explained at the beginning of this section.

Costs for Output Expense 5 (GST Exclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
	Expenditure			
41.021	Personnel	41.711	45.210	44.355
18.661	Operating	27.853	25.010	21.981
1.315	Losses on Foreign Exchange	-	-	2.038
13.753	Depreciation	21.757	20.065	19.884
26.449	Capital Charge	36.131	35.238	35.238
101.199	Total Expenses	127.452	125.523	123.496
	Income			
101.493	Revenue Crown	126.657	124.698	124.698
0.142	Revenue Department	0.443	0.484	0.149
0.217	Revenue Other	0.352	0.341	0.165
0.528	Gains on Foreign Exchange	-	-	0.699
102.380	Total Income	127.452	125.523	125.711
1.181	Net Surplus (Deficit)	-	-	2.215
	Cost by Output			
41.204	Output 5.1	60.090	62.086	59.982
58.680	Output 5.2	67.362	63.437	61.476

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2010/11 for this output expense was \$125.523 million and the total expenditure excluding remeasurements was \$121.458 million. There was no unappropriated expenditure for this output expense.

OUTPUT EXPENSE 6:**MILITARY HYDROGRAPHY, AND HYDROGRAPHIC DATA COLLECTION AND PROCESSING FOR LINZ**

SERVICE PERFORMANCE

Description

The provision of HMNZS *Resolution*, specialist personnel and support infrastructure to conduct military hydrography in support of amphibious forces under Employment Contexts 1 to 5, and hydrographic data collection and processing in accordance with contractual arrangements with Land Information New Zealand (LINZ). This output expense is supported by the Hydrographic Business Unit.

Note: The Littoral Warfare Support Group (LWSG), comprising elements of MCM, Hydrography and Diving, coordinates the delivery of both Output Expense 4 and Output Expense 6 capabilities.

Associated Outputs**OUTPUT 6.1 – MILITARY HYDROGRAPHY**

The provision of HMNZS *Resolution* and the Deployable Hydrographic Survey Unit (DHSU) to conduct military hydrography.

OUTPUT 6.2 - HYDROGRAPHIC DATA COLLECTION AND PROCESSING FOR LINZ

The provision of HMNZS *Resolution*, the LWSG Maritime Survey Team and support infrastructure to conduct hydrographic data collection and processing which meets contractual commitments to Land Information New Zealand (LINZ).

Contributions to Outcomes

This Output Expense contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity). Output 6.2 contributes to Intermediate Outcome 1 (Secure New Zealand).

Overview

Preparedness targets were met and the required standards for commitment to both LINZ and military tasks were also met.

HMNZS *Resolution* completed the ship-based component of the hydrographic survey task for LINZ. Efficiencies achieved with the new Multi-Beam Echo Sounder (MBES) system allowed the ship to achieve the required total of Survey Nautical Line Miles (SLNM) agreed in the Memorandum of Understanding with LINZ in less than the forecast number of survey days.

Readiness Training Activities

- Operation Christchurch Earthquake. Personnel from the DHSU deployed as part of Operation Christchurch Earthquake to provide military hydrographic survey support to HMNZS *Canterbury*. HMNZS *Resolution* also undertook a rapid confidence survey in the approaches to the port in support of this operation.
- Exercise Pacific Partnership. A team from the DHSU were embarked in support of HMNZS *Canterbury* and participated in Exercise Pacific Partnership, together with elements from Australia and the United States of America.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
<p>HMNZS <i>Resolution</i> available to conduct military hydrography.</p> <p>The ability for HMNZS <i>Resolution</i> and the Deployable Hydrographic Support Unit (DHSU) to leverage opportunities to help achieve the OS20/20 Vision and also provide Output Expense Mine Countermeasures (MCM) and MCM Diving Forces products (predominantly Q route surveys) will continue to be explored, commensurate with this primary output expense tasking.</p> <p>This Output Expense is being run at a level sufficient to meet commercial (LINZ) and operational requirements, thus allowing the allocation of some personnel for Output Expense Operationally Deployed Forces.</p>	<p>HMNZS <i>Resolution</i> was available to conduct military hydrography.</p>
<p>The DHSU available to conduct military hydrography either independently or in support of other NZDF force elements.</p>	<p>The DHSU was available to conduct military hydrography, either independently or in support of other NZDF force elements.</p>
<p>HMNZS <i>Resolution</i> available to conduct hydrographic tasks for LINZ under contract. The Hydrographic Business (HBU) Unit available to support the collection and processing programmes.</p>	<p>HMNZS <i>Resolution</i> was available to conduct hydrographic tasks under contract to LINZ. The HBU within the NZDF Geospatial Intelligence Organisation was available to support data collection and processing programmes.</p>
<p>Deliver LINZ Contract performance standards. The emphasis is on meeting the contract requirements for hydrographic survey to the satisfaction of LINZ and the delivery of hydrographic data that meets international standards. Other measures include:</p> <ul style="list-style-type: none"> • formal feedback on 'quality' aspects from LINZ • completion of the contracted hydrographic programme for LINZ • products will be subjected to continual evaluation by the maritime community • the provision of hydrographic data through completion of contracted and other programmes • delivery within budget. 	<p>During the reporting period, LINZ performance standards changed with the unit of output measurement being altered from Survey Days to Survey Line Nautical Miles (SLNM). The contracted hydrographic support was met through the employment of HMNZS <i>Resolution</i> in LINZ designated coastal survey areas.</p> <p>The required total of 4,450 SLNM was achieved.</p> <p>All survey data rendered to LINZ under the MOU met their requirements.</p>
<p>Undertake MAO&T (Multi-Agency Operations and Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")</p>	<p>HMNZS <i>Resolution</i> was available to undertake a range of other services and provided support to Operation Christchurch Earthquake. This took the form of a rapid confidence survey in the approaches to the ports of Lyttelton and Akaroa with the support of personnel from the Deployable Hydrographic Survey Unit (DHSU). This information allowed HMNZS <i>Canterbury</i> to operate with confidence in Lyttelton despite some shifts in the seabed resulting from the earthquake and facilitated the resumption of commercial shipping movements in both ports.</p> <p>Support was provided to the satisfaction of agencies.</p>
<p>Undertake Defence Diplomacy tasks in accordance with NZDF and Government/MFAT requirements. This normally involves ship visits to foreign ports.</p>	<p>HMNZS <i>Resolution</i> operations were limited to New Zealand during the period. No Defence diplomacy tasks were undertaken.</p>
<p>HMNZS <i>Resolution</i> Mission Availability Days / Sea Days for the year: 217 / 136 to 147</p>	<p>HMNZS <i>Resolution</i> was mission available for 194 days and spent 113 days at sea. The reduction in achieved sea days resulted from the completion of survey work in the Gisborne area just prior to the planned five week MBES replacement period. This did not allow sufficient time to start the new survey tasking off Lyttelton. Work in the new area was commenced with the new MBES system and the LINZ annual requirements were met before a fault on the system required a return to Devonport. This fault also caused the reduction in mission availability days.</p>

Performance Measures	Performance Achieved
HMNZS <i>Resolution</i> Survey Miles in support of the LINZ Contract: 70 – 90 days (Note: For 2010/11, the performance measure will revert back to sea days.)	Despite the reduced operational availability, LINZ requirements were met due to efficiencies gained from the new MBES system. The total requirement of 4,450 SLNMs was met and survey deliverables were provided to the satisfaction of LINZ.
Days of coastal survey tasking completed by DHSU in support of the LINZ contract: 60 – 80 days.	When the FY10/11 Annual Plan was developed it was anticipated there would be a requirement to provide boatwork as part of a coastal survey task in support of the LINZ contract. It was later agreed with LINZ that the entirety of the annual requirement would be met by survey work carried out by HMNZS <i>Resolution</i> . This change enabled DHSU to participate in additional military hydrographic training and exercises, while still delivering the LINZ outputs required.
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>	
Natural and manmade disasters (EC 2B) – Fully Prepared	Substantially Prepared – personnel shortages in the hydrographic trade continue to threaten the sustainability of output delivery across OE 6.
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C) – Substantially Prepared	Substantially Prepared.
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E) – Substantially Prepared	Substantially Prepared.

Note: Details of the Performance Rating Scale and Employment Contexts (ECs) are explained at the beginning of this section.

Costs for Output Expense 6 (GST Exclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
	Expenditure			
6.622	Personnel	5.700	6.430	6.569
7.232	Operating	8.014	7.040	6.698
0.065	Losses on Foreign Exchange	-	-	0.078
0.663	Depreciation	1.311	0.627	0.584
2.046	Capital Charge	1.335	1.287	1.287
16.628	Total Expenses	16.360	15.384	15.216
	Income			
10.307	Revenue Crown	9.926	9.012	9.012
5.585	Revenue Department	6.264	6.206	4.997
0.164	Revenue Other	0.170	0.166	0.197
0.026	Gains on Foreign Exchange	-	-	0.027
16.082	Total Income	16.360	15.384	14.233
(0.546)	Net Surplus (Deficit)	-	-	(0.983)
	Cost by Output			
10.374	Output 6.1	9.649	9.959	9.675
6.189	Output 6.2	6.711	5.425	5.463

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2010/11 for this output expense was \$15.884 million (including approved transfers under s.26a of the Public Finance Act 1989) and the total expenditure excluding remeasurements was \$15.138 million. There was no unappropriated expenditure for this output expense.

OUTPUT EXPENSE 7:**LAND COMBAT FORCES****SERVICE PERFORMANCE**

Description

The provision of land combat force elements [command, control and intelligence, and manoeuvre elements (infantry – light, motorised or composite)] prepared for the conduct of land operations under Employment Contexts 1, 2, 3, 4 & 5, as applicable. This expense also includes contributions to a range of services to the Government and the community.

Associated Outputs**OUTPUT 7.1 - COMMAND, CONTROL AND INTELLIGENCE**

The provision of a deployable headquarters prepared to provide operational command, control and intelligence for deployed land forces. It also includes the requirement to provide elements for simulation and Command Post Exercise-based combined-arms training. This output also provides command contributions, as required, to a range of services provided to the Government and the community.

OUTPUT 7.2 - MANOEUVRE ELEMENTS

The provision of manoeuvre elements [infantry – light, motorised, or composite)] prepared for the conduct of land operations. It includes the provision of these elements for a force of up to a combined arms task group. It also includes the requirement to provide infantry and reconnaissance elements for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services.

Contributions to Outcomes

This Output Expense contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Overview

Land Combat Force elements, including Territorial Force (TF) infantry soldiers, provided significant support to local government, NZ Police and civil authorities to deal with the two Canterbury earthquakes. The second earthquake in particular received substantial and sustained support from the NZ Army. In the main, land combat FE provided command and control and security support to the disaster relief efforts. It was fortuitous that major land combat forces were already in the Canterbury region for Exercise Southern Katipo when the second earthquake struck, and this enabled an immediate and large-scale response to be mounted. As a result, Exercise Southern Katipo was cancelled.

The command and control (C²) of the Army response force was initially provided by the C² element of Exercise Southern Katipo (based on HQ 2nd Land Force Group), but this quickly transitioned to a more tailored HADR (Humanitarian Assistance and Disaster Relief) C² element based on the Burnham-based HQ 3rd Land Force Group (augmented from across the Army). This allowed HQ 2 LFG to return to Linton to focus on the sustainment of ongoing Output Expense 16 (OE 16) operations. The land combat C² effort also included the provision of significant planning support to the NZ Police.

Other staff from across the Army provided C² support to Headquarters Joint Forces New Zealand and to strategic decision-making organisations in Wellington.

Because Exercise Southern Katipo was cancelled during its mobilisation and deployment phases, it was not able to achieve most of its high-end combat skill Mission Essential Tasks (MET). However, it did achieve all MET relating to mobilisation and deployment, and it achieved a number of unplanned MET relating to HADR operations. Army also learnt a number of valuable lessons as a result of its earthquake response. Army's response to the Canterbury earthquake demonstrated the agility and adaptability of all FE.

A number of Land Combat Force warfighting MET not achieved on Exercise Southern Katipo were achieved later in the year, including on Exercises Viper and Southern Reaper. These exercises were Army's only combined arms training activities at task group level in the reporting period. Others will be achieved early in FY 11/12.

Support to the earthquakes also impacted upon the ability of the TF battalions to achieve collective training objectives, with all non-earthquake-related training having to be cancelled for a three-month period to avoid a cost overrun.

Despite the demands of the earthquake responses, Land Combat Forces were still prepared for warfighting operations. Land combat elements of the NZ Army continued to carry the main responsibility for sustaining the current OE 16 operational missions, being able to provide a manoeuvre element (based on the High Preparedness Platoon Group) for short notice contingencies, and provide rotation force elements for OE 16 operations. This latter requirement fully commits the equivalent of three infantry company groups throughout the year.

The NZ Army Land Combat Forces were able to meet all the requirements of the Output Plan.

Effective interoperability with key allies was achieved with a number of exercises throughout the South Pacific and South East Asia, and through the earthquake response in 2011 (to which a number of foreign military forces contributed FE).

Munitions, stores and equipment standards were met for all current operations. In addition, a range of personal equipment, command and control equipment, and night vision equipment continued to transition into service to meet preparedness requirements for other events.

Readiness Training Activities

- The Land Combat Force response to the September 2010 quake resulted in numerous combined tasks being undertaken in support of local and national government, NZ Police and civil authorities under EC 1B and preparation for EC 2B.
- Exercise Lion Spirit was conducted with Singaporean Armed Forces (SAF) in Waiouru. This was a divisional-level CPX in which NZ participated as higher control and providing a brigade. This activity exercised a NZ Brigade HQ planning staff.
- Exercise Hamel 2010 was conducted in Australia. This was an ADF HQ Forces Command field training exercise that developed, confirmed and evaluated high-end combat skills at the brigade level. Land Combat Force FE deployed for this exercise deployed practicing a combined arms task group (CATG).
- Exercise Southern Musket was conducted in the South Island of NZ. This exercise enhanced CATG close combat skills within a mid-intensity open country environment in challenging terrain and climatic conditions.

- Exercise Bersama Padu exercised FPDA assigned forces in the conduct of joint and combined operations in a multi-threat environment.
- Exercise Suman Warrior was an annual FPDA brigade-level CPX conducted in Singapore which developed interoperability amongst participating armies and practiced command and staff procedures in combined and joint operations.
- Exercise Southern Katipo was the land element of Operation Torque Wrench, a HQ JFNZ-led joint and combined field training exercise designed to develop an amphibious lodgement capability to support a CATG in a limited combat operation. Mobilisation and planning phases of the exercise were completed with the multi-national Task Group deployed to the South Island. The exercise was cancelled at that point, with all FE immediately diverted to the earthquake response in Christchurch.
- The response to the February 2011 earthquake resulted in numerous combined tasks being undertaken in support of local and national government, NZ Police and civil authorities. This resulted in the unplanned achievement of multiple tasks associated with EC 1B and preparation for EC 2B.
- Exercise Lion Walk was an infantry exercise to be conducted between the Singaporean Armed Forces (SAF) and the NZ Army to promote interoperability. It was to have been undertaken concurrently with Exercise Southern Katipo but it too was disrupted by the Christchurch earthquake. The SAF forces subsequently provided invaluable support to the people of Christchurch.
- Exercise Southern Avenger was conducted in the South Island, practicing live firing combined arms integration at up to company level in order to develop high-end combat skills within the South Pacific environment.
- Exercise Viper was a major live firing collective training exercise to enhance light combined arms war fighting skills in a mid-intensity environment. It provided an opportunity to achieve some of the high-end MET outstanding as a result of the earlier cancellation of Exercise Southern Katipo.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
<p>Army, drawing on Headquarters 2 Land Force Group (HQ 2 LFG), HQ 3 LFG, 1 RNZIR, 2/1 RNZIR, QAMR and 1 NZ Military Intelligence Company, and with supplementation from the Territorial Force, as required, will provide the initial and rotation land combat force elements to constitute, generally:</p>	
<ul style="list-style-type: none"> One sustainable Light Task Group (LTG) for tasks under ECs 1 to 5 (inclusive). (See Note 1 for definition of a LTG). <p>or</p>	A sustainable LTG for tasks under ECs 1 to 5 (inclusive) was available.
<ul style="list-style-type: none"> One non-sustainable Combined Arms Task Group (CATG) for tasks under ECs 2 to 5 (inclusive). (See Note 1 for definition of a CATG). 	A non-sustainable CATG for tasks under ECs 2 to 5 (inclusive) was available, but could not be deployed concurrently with a sustainable LTG.
<p>Army will also provide:</p> <ul style="list-style-type: none"> an appropriate headquarters for simulation and Command Post Exercise-based combined-arms training. an appropriate headquarters (including intelligence and communications support) for command and control of a deployed force. 	<p>An appropriate headquarters for simulation and Command Post Exercise-based combined-arms training was provided.</p> <p>An appropriate headquarters (including intelligence and communications support) for command and control of a deployed force was provided.</p>
<p>Undertake MAO&T (Multi-Agency Operations and Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")</p>	<p>Army contributed to a range of services in support of other government departments and the community.</p> <p>Support was provided to the satisfaction of agencies.</p>
<p><i>Security Challenges and Defence Tasks in New Zealand and its environs</i></p>	
<p>Terrorist and Asymmetric Threats (EC 1D)</p>	
Command, Control and Intelligence – Fully Prepared	Fully Prepared.
Manoeuvre Elements (Light infantry and motorised):	
<ul style="list-style-type: none"> Up to a LTG (for Cordon duties) – Fully Prepared 	Fully Prepared.
<p><i>Security Challenges to New Zealand's Interests in the South Pacific</i></p>	
<p>Natural and manmade disasters (EC 2B)</p>	
Command, Control and Intelligence – Fully Prepared	Fully Prepared.
Manoeuvre Elements (Light infantry and motorised):	
<ul style="list-style-type: none"> Up to a LTG – Fully Prepared 	Fully Prepared.
<p>State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)</p>	
Command, Control and Intelligence – Substantially Prepared	Substantially Prepared.
Manoeuvre Elements (Light infantry and motorised):	
<ul style="list-style-type: none"> Up to a LTG - Fully Prepared <p>or</p>	Fully Prepared.

Performance Measures	Performance Achieved
<ul style="list-style-type: none"> Up to a CATG – Fully Prepared 	Fully Prepared.
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)	
Command, Control and Intelligence – Substantially Prepared	Substantially Prepared.
Manoeuvre Elements (Light infantry and motorised):	
<ul style="list-style-type: none"> Up to a LTG – Substantially Prepared or	Substantially Prepared.
<ul style="list-style-type: none"> Up to a CATG – Substantially Prepared 	Substantially Prepared.
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>	
Inter-State conflict (EC 4F)	
Command, Control and Intelligence – Partially Prepared	Partially Prepared.
Manoeuvre Elements (Light infantry and motorised):	
<ul style="list-style-type: none"> Up to a CATG – Substantially Prepared 	Substantially Prepared.
<i>Security Challenges to New Zealand's Interests in Global peace and Security</i>	
Terrorist Threats (EC 5D)	
Command, Control and Intelligence – Substantially Prepared	Substantially Prepared.
Manoeuvre Elements (Light infantry and motorised):	
<ul style="list-style-type: none"> Up to a CATG – Substantially Prepared 	Substantially Prepared.

Notes:

1. Definitions of Light Task Group (LTG) and Combined Arms Task Group (CATG):

- A LTG is designed to have a deployed strength of up to 260 personnel to conduct primarily humanitarian and disaster relief and stability and support tasks. It can include combat, combat service support (CSS) and limited combat support (CS) elements. If manoeuvre based, it may be light infantry, motorised or composite. The LTG is supported by Information Operations (IO) and enhanced communications, intelligence and Geospatial Information Systems (GIS) capabilities. The LTG will be available for operations across Employment Contexts 1 to 5 (inclusive), however, it is designed primarily for the EC 1 and 2 environment. This TG is based around a single sub-unit sized element.
- A CATG allows for a scaleable group of up to 560 personnel providing a range of combined arms capabilities, including combat, combat support (CS) and combat service support (CSS); it may be light, motorised or composite based. The scale of the deployed force will be dependent on the amount of local, coalition or contractor resources available in theatre to support the force. In a worst case the CATG must be largely self-sufficient for independent operations. The CATG is based around two or more sub-unit sized elements. The CATG will be available for operations across Employment Contexts 1 to 5 (inclusive). This TG is based around two or more sub-unit sized elements.

2. The provision of a sustainable LTG or a non-sustainable CATG is in addition to current operational deployments to Solomon Islands, Timor-Leste and Afghanistan.

3. Details of the Performance Rating Scale and Employment Contexts (ECs) are explained earlier in this section.

4. There are some force elements where NZ Army is able to deploy the initial force and should be considered 'Fully Prepared,' however, without reassignment of personnel and equipment the sustainment of this force beyond the first rotation may be with risk. Therefore the overall assessment is 'Substantially Prepared'. This is particularly evident with the Command, Control and Intelligence capabilities.

Costs for Output Expense 7 (GST Exclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
	Expenditure			
167.192	Personnel	173.679	168.294	165.348
87.861	Operating	88.910	95.163	87.239
5.020	Losses on Foreign Exchange	-	-	6.696
61.257	Depreciation	62.360	48.037	49.915
62.581	Capital Charge	80.813	78.395	78.393
383.911	Total Expenses	405.762	389.889	387.591
	Income			
382.962	Revenue Crown	402.870	387.397	387.397
0.624	Revenue Department	1.711	1.590	0.489
0.676	Revenue Other	1.181	0.902	0.375
2.020	Gains on Foreign Exchange	-	-	2.295
1.559	Other Gains	-	-	-
387.841	Total Income	405.762	389.889	390.556
3.930	Net Surplus (Deficit)	-	-	2.965
	Cost by Output			
29.661	Output 7.1	31.628	30.369	28.992
349.230	Output 7.2	374.134	359.530	351.903

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2010/11 for this output expense was \$386.889 million (including approved transfers under s.26a of the Public Finance Act 1989) and the total expenditure excluding remeasurements was \$380.895 million. There was no unappropriated expenditure for this output expense.

OUTPUT EXPENSE 8:**LAND COMBAT SUPPORT FORCES****SERVICE PERFORMANCE**

Description

The provision of land combat support force elements (artillery, engineers, communications and military police) prepared for the conduct of land operations under Employment Contexts 1, 2, 3, 4 & 5, as applicable. This expense also includes contributions to a range of services to the Government and the community.

Associated Outputs**OUTPUT 8.1 – ARTILLERY**

The provision of artillery elements prepared for the support of land operations, coordination of joint fires including terminal guidance, and capable of supporting up to a combined arms task group. It also includes the requirement to provide artillery elements for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services.

OUTPUT 8.2 – ENGINEERS

The provision of engineer elements prepared for the support of land operations and capable of supporting up to a combined arms task group. It also includes the requirement to provide engineer elements for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services.

OUTPUT 8.3 – COMMUNICATIONS

The provision of communications elements (including Electronic Warfare elements) prepared for the support of land operations and capable of supporting up to a combined arms group. It also includes the requirement to provide communications elements for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services.

OUTPUT 8.4 – MILITARY POLICE

The provision of military police elements prepared for the support of land operations and capable of supporting up to a combined arms group. It also includes the requirement to provide military police elements for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services.

Contributions to Outcomes

This Output Expense contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Overview

Land Combat Support Force FE provided significant support to local government, NZ Police and civil authorities to deal with the two Canterbury earthquakes. Land combat support FE provided communications, engineering and security support to the disaster relief efforts. It was fortuitous that land combat support forces were already in the Canterbury region for Exercise Southern Katipo when the second earthquake struck, and this enabled an immediate and large-scale response to be mounted. As a result, Exercise Southern Katipo was cancelled.

Land Combat Support Forces of the Army improved their trained state in combat operations over the last year, demonstrated through the conduct of complex combined arms exercises (although some Mission-Essential Tasks (MET) were not achieved on Exercise Southern Katipo because of the second earthquake). Most of these MET were achieved by the end of the reporting period, with the remainder expected to be achieved early in FY 11/12.

The requirement to support a company group for tasks under EC 1 and 2 was exceeded due to the earthquake response demands. Outside of the earthquake response period, one-off combat support could have been provided to support up to an infantry battalion group. Sustaining this support would only have been possible if resources had been redeployed from current operations.

Equipment met the required standards for support to current operations. Munitions, stores and equipment were available for OLOC generation.

Personnel were available for reinforcement and rotation of the deployed forces during the reporting year. Due to these current operational commitments, personnel were not available for reinforcement and rotation of an infantry battalion.

Readiness Training Activities

- The response to the September 2010 earthquake resulted in numerous combined tasks being achieved in support of local and national government, NZ Police and civil authorities under EC 1B and 2B.
- The Army response to the Pike River Coal mine disaster resulted in communications tasks being undertaken in support of local government, Police and civil authorities under EC 1B and EC 1D.
- Exercise Deadly Tiger was a confirmation LTG exercise involving artillery force elements in support of manoeuvre element in a combined arms close combat environment associated with EC 2C and 2E.
- Exercise Thunder Warrior was a combined artillery live firing exercise for the Singaporean Army supported by New Zealand forces and conducted in Waiouru.
- Exercise Hamel 2010 was conducted in Australia. This is an ADF HQ Forces Command field training exercise designed to develop, confirm and evaluate high end combat skills at brigade level. NZ Army combat support forces deployed for this exercise practicing a CATG.

- Exercise Southern Musket was conducted in the South Island of NZ. This exercise is designed to enhance LTG close combat skills within a mid-intensity open country environment in challenging terrain and climatic conditions.
- Exercise Tropic Twilight 2010 exercised the NZ Army in a Joint Interagency Multinational (JIM) Humanitarian Assistance and Disaster Relief (HADR) activity that involved medical and engineering tasks funded by NZAID and conducted in Tuvalu.
- Exercise Pacific Relief was a major HADR exercise that increased interoperability between US, NZ, Australian and French forces and carried out civil aid tasks in Tonga, Vanuatu, Timor-Leste, Papua New Guinea and the Federated States of Micronesia.
- Exercise Southern Katipo was the land element of Operation Torque Wrench, a HQ JFNZ-led joint and combined field training exercise designed to develop an amphibious lodgement capability to support a CATG in a limited combat operation. Mobilisation and planning phases of the exercise were completed with the multi-national Task Group deployed to the South Island. The exercise was cancelled at that point, with all FE immediately diverted to the earthquake response in Christchurch.
- The response to the February 2011 earthquake resulted in numerous combined tasks being undertaken in support of local and national government, NZ Police and civil authorities. This resulted in the unplanned achievement of multiple tasks associated with EC 1B and 2B.
- Exercise Southern Avenger was conducted in the South Island, practicing live firing combined arms integration at up to company level in order to develop high-end combat skills within an EC 2E environment.
- Exercise Viper was a major live firing collective training exercise to enhance light combined arms war fighting skills in a mid-intensity environment. It provided an opportunity to achieve some of the high-end MET outstanding as a result of the earlier cancellation of Exercise Southern Katipo.
- Land combat support FE, particularly engineers, supported the NZ Antarctic Programme in the summer season.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
Army, drawing on 2 Land Force Group (LFG) and 3 LFG Regular Force artillery, engineer, communications, and military police units [16 Field Regiment, 2 Engineer Regiment, 1 (NZ) Signals Regiment - including an Electronic Warfare element, and 1 (NZ) Military Police Company], and with supplementation from the Territorial Force, as required, will provide the initial and rotation land combat support force elements to support, generally, as applicable:	
Up to a LTG for tasks under ECs 1 to 5 (inclusive). or	Initial and rotation land combat support force elements to support up to a LTG for tasks under ECs 1 to 5 (inclusive) were available.
Up to a CATG for tasks under ECs 2 to 5 (inclusive).	Initial and rotation land combat support force elements to support up to a CATG under ECs 2 to 5 (inclusive) were available, but not concurrently with a LTG.
Army will also provide artillery, engineer, communications and military police force elements for simulation and Command Post Exercise-based combined-arms training; this will require supplementation from the Territorial Force.	Artillery, engineer, communications and military police force elements for simulation and Command Post Exercise-based combined-arms training were provided.
Undertake MAO&T (Multi-Agency Operations and Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")	Army contributed to a range of services in support of other government departments and the community. Support was provided to the satisfaction of agencies.
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>	
Terrorist and Asymmetric Threats (EC 1D)	
Field Artillery (personnel only - in support of LTG Cordon duties) – Fully Prepared	Fully Prepared.
Engineers in support of a LTG – Fully Prepared	Fully Prepared.
Communications in support of a LTG – Fully Prepared	Fully Prepared.
Military Police in support of a LTG – Fully Prepared	Fully Prepared.
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>	
Natural and manmade disasters (EC 2B)	
Field Artillery (personnel only) in support of a LTG for cordon duties. – Fully Prepared	Fully Prepared.
Engineers in support of a LTG – Fully Prepared	Fully Prepared.
Communications in support of a LTG - Substantially Prepared	Substantially Prepared.
Military Police in support of a LTG – Fully Prepared	Fully Prepared.
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)	
Field Artillery (personnel only) in support of a LTG – Fully Prepared	Fully Prepared.

Performance Measures	Performance Achieved
Field Artillery (personnel only) in support of a CATG – Fully Prepared	Fully Prepared.
Engineers in support of a LTG – Fully Prepared	Fully Prepared.
Engineers in support of a CATG – Fully Prepared	Fully Prepared.
Communications in support of a LTG – Substantially Prepared	Substantially Prepared.
Communications in support of a CATG – Substantially Prepared	Substantially Prepared.
Military Police in support of a LTG – Fully Prepared	Fully Prepared.
Military Police in support of a CATG – Fully Prepared	Fully Prepared.
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)	
Field Artillery (personnel only) in support of a LTG – Fully Prepared	Fully Prepared.
Field Artillery in support of a CATG – Substantially Prepared	Substantially Prepared.
Engineers in support of a LTG – Substantially Prepared	Substantially Prepared.
Engineers in support of a CATG – Substantially Prepared	Substantially Prepared.
Communications in support of a LTG – Substantially Prepared	Substantially Prepared.
Communications in support of a CATG – Substantially Prepared	Substantially Prepared.
Military Police in support of a LTG – Fully Prepared	Fully Prepared.
Military Police in support of a CATG – Fully Prepared	Fully Prepared.
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>	
Inter-State conflict (EC 4F)	
Field Artillery in support of a CATG – Substantially Prepared	Substantially Prepared.
Engineers in support of a CATG – Substantially Prepared	Substantially Prepared.
Communications in support of a CATG – Substantially Prepared	Substantially Prepared.
Military Police in support of a CATG – Fully Prepared	Fully Prepared.
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>	
Terrorist Threats (EC 5D)	
Field Artillery in support of a CATG – Substantially Prepared	Substantially Prepared.
Engineers in support of a CATG – Partially Prepared	Partially Prepared.
Communications in support of a CATG – Partially Prepared	Partially Prepared.
Military Police in support of a CATG – Fully Prepared	Fully Prepared.

Note: Details of the Performance Rating Scale and Employment Contexts (ECs) are explained at the beginning of this section.

Costs for Output Expense 8 (GST Exclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
	Expenditure			
103.835	Personnel	106.506	106.367	104.180
48.098	Operating	48.373	54.544	51.173
2.667	Losses on Foreign Exchange	-	-	3.638
23.196	Depreciation	24.954	20.056	18.003
29.748	Capital Charge	31.691	30.745	30.745
207.544	Total Expenses	211.524	211.712	207.739
	Income			
205.995	Revenue Crown	210.007	210.306	210.306
0.329	Revenue Department	0.908	0.864	0.265
0.348	Revenue Other	0.609	0.542	0.199
1.073	Gains on Foreign Exchange	-	-	1.247
0.845	Other Gains	-	-	-
208.590	Total Income	211.524	211.712	212.017
1.046	Net Surplus (Deficit)	-	-	4.278
	Cost by Output			
64.365	Output 8.1	65.485	66.820	64.606
81.805	Output 8.2	86.216	83.549	79.960
43.683	Output 8.3	44.052	46.034	44.970
15.024	Output 8.4	15.771	15.309	14.565

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2010/11 for this output expense was \$209.712 million (including approved transfers under s.26a of the Public Finance Act 1989) and the total expenditure excluding remeasurements was \$204.101 million. There was no unappropriated expenditure for this output expense.

OUTPUT EXPENSE 9:**LAND COMBAT SERVICE SUPPORT FORCES****SERVICE PERFORMANCE**

Description

The provision of land combat service support force elements (transport, medical, supply, repair and movements) prepared for the support of land operations under Employment Contexts 1, 2, 3, 4 & 5, as applicable. This expense also includes contributions to a range of services to the Government and the community.

Associated Outputs**OUTPUT 9.1 - TRANSPORT**

The provision of transport elements prepared for the support of land operations and capable of supporting up to a combined arms task group. It also includes the requirement to provide transport elements for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services.

OUTPUT 9.2 - MEDICAL

The provision of medical elements, including dental elements, prepared for the support of land operations and capable of supporting up to a combined arms task group. It also includes the requirement to provide medical elements for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services.

OUTPUT 9.3 - SUPPLY

The provision of supply elements prepared for the support of land operations and capable of supporting up to a combined arms task group. It also includes the requirement to provide supply elements for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services.

OUTPUT 9.4 - REPAIR

The provision of repair elements prepared for the support of land operations and capable of supporting up to a combined arms task group. It also includes the requirement to provide repair elements for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services. This output includes the provision of recovery assets.

OUTPUT 9.5 - MOVEMENTS

The provision of movements elements (including strategic movements, air dispatch and terminal operations staff) prepared for the support of land operations and capable of supporting up to a combined arms task group. It also includes the requirement to provide movements elements for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services.

Contributions to Outcomes

This Output Expense contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Overview

Land Combat Service Support Force elements provided significant support to local government, NZ Police and civil authorities to deal with the two Canterbury earthquakes, including medical, transport, supply, repair and movement support to the disaster relief efforts. It was fortuitous that land combat service support forces were already in the Canterbury region for Exercise Southern Katipo when the second earthquake struck, and this enabled an immediate and large-scale response to be mounted. As a result, Exercise Southern Katipo was cancelled.

Land Combat Service Support Forces of the Army improved their trained state in combat operations over the last year, demonstrated through the conduct of complex combined arms exercises (although some Mission-Essential Tasks (MET) were not achieved on Exercise Southern Katipo because of the second earthquake). Most of these MET were achieved by the end of the reporting period, with the remainder expected to be achieved early in FY 11/12.

The requirement to support a company group for tasks under EC 1 and 2 was exceeded due to the earthquake response demands. Outside of the earthquake response period, one-off combat service support could have been provided to support up to an infantry battalion group. Sustaining this support would only have been possible if resources had been redeployed from current operations.

Equipment met the required standards for support to current operations. Munitions, stores and equipment were available for OLOC generation.

Personnel were available for reinforcement and rotation of the deployed forces during the reporting year. Due to these current operational commitments, personnel were not available for reinforcement and rotation of an infantry battalion.

Readiness Training Activities

- Land combat services support FE contributed to numerous combined tasks being undertaken in support of local and national government, Police and civil authorities under EC 1B and EC 2B in the wake of the two Canterbury earthquakes.
- Exercise Thunder Warrior was a combined artillery live firing exercise for the Singaporean Army supported by New Zealand forces and conducted in Waiouru.
- Exercise Hamel 2010 was conducted in Australia. This is an ADF HQ Forces Command field training exercise designed to develop, confirm and evaluate high end combat skills at brigade level. NZ Army combat service support forces deployed for this exercise practicing a CATG.
- Exercise Southern Musket was conducted in the South Island of NZ. This exercise is designed to enhance LTG close combat skills within a mid-intensity open country environment in challenging terrain and climatic conditions
- Exercise Tropic Twilight 2010 exercised the NZ Army in a Joint Interagency Multinational (JIM) Humanitarian Assistance and Disaster Relief (HADR) activity that involved medical and engineering tasks funded by NZAID and conducted in Tuvalu.

- Exercise Pacific Relief was a major HADR exercise that increased interoperability between US, NZ, Australian and French forces and carried out civil aid tasks in Tonga, Vanuatu, Timor-Leste, Papua New Guinea and the Federated States of Micronesia.
- Exercise Southern Katipo was the land element of Operation Torque Wrench, a HQ JFNZ-led joint and combined field training exercise designed to develop an amphibious lodgement capability to support a CATG in a limited combat operation. Mobilisation and planning phases of the exercise were completed with the multi-national Task Group deployed to the South Island. The exercise was cancelled at that point, with all FE immediately diverted to the earthquake response in Christchurch.
- The response to the February 2011 earthquake resulted in numerous combined tasks being undertaken in support of local and national government, NZ Police and civil authorities. This resulted in the unplanned achievement of multiple tasks associated with EC 1B and 2B.
- Exercise Southern Avenger was conducted in the South Island, practicing live firing combined arms integration at up to company level in order to develop high-end combat skills within an EC 2E environment.
- Exercise Viper was a major live firing collective training exercise to enhance light combined arms war fighting skills in a mid-intensity environment. It provided an opportunity to achieve some of the high-end MET outstanding as a result of the earlier cancellation of Exercise Southern Katipo.
- Land combat service support FE supported the NZ Antarctic Programme in the summer season.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
Army, drawing on 2 Logistics Battalion, 3 Logistics Battalion, 2 Health Support Battalion and Logistic Executive, as part of, respectively, 2 LFG, 3 LFG and Army General Staff, with supplementation from the Territorial Force, as required, will provide the initial and rotation combat service support force elements to support, generally, as applicable:	
Up to a LTG for tasks under ECs 1 to 5 (inclusive) or	Initial and rotation combat service support force elements to support up to a LTG for tasks under ECs 1 to 5 (inclusive) were available.
Up to a CATG for tasks under ECs 2 to 5 (inclusive)	Initial and rotation combat service support force elements to support up to a CATG for tasks under ECs 2 to 5 (inclusive) were available, but not concurrently with a LTG.
Army will also provide combat service support elements for simulation and Command Post Exercise-based combined-arms training; this will require supplementation by TF Battalion Groups.	Combat service support elements for simulation and Command Post Exercise-based combined-arms training were available.
Undertake MAO&T (Multi-Agency Operations and Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")	Army contributed to a range of services in support of other government departments and the community. Support was provided to the satisfaction of agencies.
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>	
Terrorist and Asymmetric Threats (EC 1D)	
Transport Elements in support of a LTG – Fully Prepared	Fully Prepared.
Medical Elements in support of a LTG – Fully Prepared	Fully Prepared.
Supply Elements in support of a LTG – Fully Prepared	Fully Prepared.
Repair Elements in support of a LTG – Fully Prepared	Fully Prepared.
Movements Elements in support of a LTG – Fully Prepared	Fully Prepared.
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>	
Natural and manmade disasters (EC 2B)	
Transport Elements in support of a LTG – Fully Prepared	Fully Prepared.
Medical Elements in support of a LTG – Fully Prepared	Fully Prepared.
Supply Elements in support of a LTG – Fully Prepared	Fully Prepared.

Performance Measures	Performance Achieved
Repair Elements in support of a LTG – Fully Prepared	Fully Prepared.
Movements Elements in support of a LTG – Fully Prepared	Fully Prepared.
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)	
Transport Elements in support of a LTG – Fully Prepared	Fully Prepared.
Transport Elements in support of a CATG – Fully Prepared	Fully Prepared.
Medical Elements in support of a LTG – Substantially Prepared	Substantially Prepared.
Medical Elements in support of a CATG – Substantially Prepared	Substantially Prepared.
Supply Elements in support of a LTG – Fully Prepared	Fully Prepared.
Supply Elements in support of a CATG – Substantially Prepared	Substantially Prepared.
Repair Elements in support of a LTG – Fully Prepared	Fully Prepared.
Repair Elements in support of a CATG – Substantially Prepared	Substantially Prepared.
Movements Elements in support of a LTG – Fully Prepared	Fully Prepared.
Movements Elements – in support of a CATG – Fully Prepared	Fully Prepared.
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)	
Transport Elements in support of a LTG – Fully Prepared	Fully Prepared.
Transport Elements in support of a CATG – Substantially Prepared	Substantially Prepared.
Medical Elements in support of a LTG – Substantially Prepared	Substantially Prepared.
Medical Elements in support of a CATG – Substantially Prepared	Substantially Prepared.
Supply Elements in support of a LTG – Fully Prepared	Fully Prepared.
Supply Elements in support of a CATG – Substantially Prepared	Substantially Prepared.
Repair Elements in support of a LTG – Fully Prepared	Fully Prepared.
Repair Elements in support of a CATG – Substantially Prepared	Substantially Prepared.
Movements Elements in support of a LTG – Fully Prepared	Fully Prepared.
Movements Elements in support of a CATG – Substantially Prepared	Substantially Prepared.

Performance Measures	Performance Achieved
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>	
Inter-State conflict (EC 4F)	
Transport Elements in support of a CATG – Partially Prepared	Partially Prepared.
Medical Elements in support of a CATG – Partially Prepared	Partially Prepared.
Supply Elements in support of a CATG – Partially Prepared	Partially Prepared.
Repair Elements in support of a CATG – Partially Prepared	Partially Prepared.
Movements Elements in support of a CATG – Partially Prepared	Partially Prepared.
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>	
Terrorist Threats (EC 5D)	
Transport Elements in support of a CATG – Partially Prepared	Partially Prepared.
Medical Elements in support of a CATG – Partially Prepared	Partially Prepared.
Supply Elements in support of a CATG – Partially Prepared	Partially Prepared.
Repair Elements in support of a CATG – Partially Prepared	Partially Prepared.
Movements Elements in support of a CATG – Partially Prepared	Partially Prepared.

Note: Details of the Performance Rating Scale and Employment Contexts (ECs) are explained at the beginning of this section.

Costs for Output Expense 9 (GST Exclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
	Expenditure			
75.670	Personnel	77.293	76.844	76.642
40.481	Operating	40.261	42.245	38.804
2.165	Losses on Foreign Exchange	-	-	2.716
14.740	Depreciation	15.174	13.854	12.737
22.062	Capital Charge	21.992	21.194	21.194
155.118	Total Expenses	154.720	154.137	152.093
	Income			
153.141	Revenue Crown	153.617	153.105	153.105
0.236	Revenue Department	0.731	0.645	0.198
0.188	Revenue Other	0.372	0.387	0.128
0.871	Gains on Foreign Exchange	-	-	0.931
0.585	Other gains	-	-	-
155.021	Total Income	154.720	154.137	154.362
(0.097)	Net Surplus (Deficit)	-	-	2.269
	Cost by Output			
27.780	Output 9.1	28.176	27.498	26.920
32.437	Output 9.2	31.428	35.640	34.861
42.639	Output 9.3	43.425	41.598	40.175
37.598	Output 9.4	38.826	36.884	35.225
12.499	Output 9.5	12.865	12.517	12.196

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2010/11 for this output expense was \$154.137 million and the total expenditure excluding remeasurements was \$149.377 million. There was no unappropriated expenditure for this output expense.

OUTPUT EXPENSE 10:**SPECIAL OPERATIONS FORCES****SERVICE PERFORMANCE**

Description

The provision of Special Operations Forces, for the conduct of Special and Counter-Terrorist Operations, and the provision of a New Zealand national response for Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal (CBRE IEDD) that threaten public safety or national interests. These forces will not usually be available for other community support services.

This output expense provides Special Operations Forces prepared for:

- Special Operations [NZ Special Air Service (NZ SAS) “green role”] under Employment Contexts 1 to 5.
- Counter-Terrorist (CT) Operations (NZ SAS “black role”) under Employment Contexts 1D and 2D.
- National Response for Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal (CBRE IEDD).

Associated Outputs**OUTPUT 10.1 - SPECIAL FORCES**

The provision of Special Forces prepared for the conduct of special operations in support of land operations. It also includes the requirement to provide Special Forces elements for simulation and Command Post Exercise-based combined arms training.

OUTPUT 10.2 - COUNTER-TERRORIST FORCES

The provision of forces at the operational level of capability prepared to conduct counter-terrorist operations within specified response times, either in New Zealand, or in South Pacific countries when requested.

OUTPUT 10.3 - CHEMICAL, BIOLOGICAL, RADIOLOGICAL, EXPLOSIVE, IMPROVISED EXPLOSIVE DEVICE DISPOSAL

The provision of a dedicated military organisation of specialised teams at the operational level of capability prepared for Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal (CBRE IEDD) that threaten public safety or national interests.

Contributions to Outcomes

This Output Expense contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Overview

Special Operations Forces were maintained at a high state of readiness. When deployed during the reporting period they were able to meet the requirement to provide rotation elements in support of their deployment, thereby demonstrating their ability to support combat operations across EC 1 to 5.

The Counter-Terrorist Group was available to assist the NZ Police with EC 1 tasks in New Zealand. In addition, three response teams were available in Auckland, Wellington and Christchurch to respond to EOD / IEDD threats and a specialist response team was available to respond to CBRE threats. IEDD robotic equipment was deployed in support of the Pike River Mine recovery effort.

Personnel met training standards, experience levels and qualification requirements. Supplementation from Navy and Air Force, lateral recruitment and retention strategies continued to address shortfalls in the CBRE IEDD capability.

All preparedness targets were met for available forces, and Special Forces carried out a range of training activities and exercises to maintain and enhance readiness.

Readiness Training Activities

- 1 NZSAS Gp focused on generating specialist skills to achieve OLOC in order to meet the sustainment requirements of their current deployment to Afghanistan. Also the Counter - Terrorist Assault Group (CTG) and a task unit for regional response have been maintained at OLOC for the entire period.
- The capability to neutralise CBRE devices continued to be developed. 1 NZ EOD Sqn conducted weekly IEDD training to maintain specialist skills. Regular collective training is conducted to maintain a CBRE team capability.
- 1 NZSAS Gp took part in Exercise Kiwi Heart, a counter-terrorist exercise conducted in Australia.
- 1 NZSAS Gp took part in Exercise Lion Heart, a reciprocal bilateral activity with Singapore Armed Forces (SAF) conducted in New Zealand.
- The Republic of Korea's Special Forces were hosted in a bilateral training activity this year.
- 1 NZSAS Gp demonstrated its ability to operate by air, land and sea on Exercise Southern Katipo/Operation Torque Wrench - a Joint Forces exercise.
- 1 NZSAS Gp took part in Exercise Guardian 4, a NZ Police-led counter-terrorist exercise.
- IEDD FE from 1 NZ EOD Sqn supported the Pike River Mine disaster response to support civil authorities, local government and NZ Police under EC 1B and EC 1D.
- 1 NZSAS Gp responded to the Christchurch earthquake with its Urban Search and Rescue trained medical team, specialist search and decontamination team, and with specialist communications.
- 1 NZSAS Gp deployed to the Japan earthquake with medical, USAR and communications personnel in support of the NZ Fire Service.
- This year special operations medics have continued to support the community with St Johns and Wellington Free Ambulance services.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
Army, drawing on 1st NZ Special Air Service Group (1 NZ SAS Gp), 1st NZ Explosive Ordnance Disposal (EOD) Squadron (1 NZ EOD Sqn), and Army/NZDF-wide resources, will provide:	
The initial and rotation elements of up to a SAS Squadron to conduct special operations in support of land combat operations under Employment Contexts 1 - 5, and to provide elements, as appropriate, in support of a LTG or CATG.	Initial and rotation elements of up to a SAS Squadron to conduct special operations in support of land combat operations under ECs 1 - 5, and to provide elements, as appropriate, in support of a LTG or CATG were available.
A Counter-Terrorist Group to assist the NZ Police in Counter-Terrorist operations, including Maritime CT, under Employment Contexts 1D and 2D.	A Counter-Terrorist Group to assist the NZ Police in Counter-Terrorist operations, including Maritime CT, under ECs 1D and 2D was available.
A CBRE IEDD/EOD organisation of squadron strength which has the ability to provide three IEDD Response Teams (one each based at Auckland, Wellington and Christchurch) and a specialist CBR Response Team to undertake emergency national IEDD/CBRE tasks.	A CBRE IEDD/EOD organisation of squadron strength with the ability to provide three IEDD Response Teams (one each based at Auckland, Wellington and Christchurch) and a specialist CBR Response Team to undertake emergency national IEDD/CBRE tasks were available.
CBRE IEDD Organisation - Cabinet approved the formation of an independent and separately funded organisation for the conduct of CBRE IEDD and Explosive Ordnance Disposal (EOD). [CAB Min (05) 27/4 dated 25 Jul 05]. Although CBRE IEDD is a NZDF responsibility directed by Government, Army has been designated the "lead Service". Navy and Air Force will provide trained manpower and specialist support for CBRE IEDD/EOD, as required.	
Deployment Impacts:	
<ul style="list-style-type: none"> If a high proportion of the <i>Special Forces</i> capability was deployed on actual operations, any other concurrent contribution from this output would be very limited. This does not, however, affect the ability of the NZDF to continue to fully deliver force elements for the <i>Counter-Terrorist</i> capability. The number of personnel qualified and available to deliver CBRE is currently limited. The deployment of any personnel from this output to Output Expense <i>Operationally Deployed Forces</i> would have a major impact on training and the ability of the NZDF to deliver CBRE. 	

Performance Measures	Performance Achieved
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>	
Terrorist and Asymmetric Threats (EC 1D)	
Special Forces – Fully Prepared (but limited capacity until completion of Afghanistan deployment)	Fully Prepared.
Counter-Terrorist Forces – Fully Prepared	Fully Prepared.
CBRE / IEDD – Fully Prepared	Fully Prepared.
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>	
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)	
Special Forces – Fully Prepared (but limited capacity until completion of Afghanistan deployment)	Fully Prepared.
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)	
Special Forces – Fully Prepared (but limited capacity until completion of Afghanistan deployment)	Fully Prepared.
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>	
Interstate Conflict (EC 4F)	
Special Forces – Fully Prepared (but limited capacity until completion of Afghanistan deployment)	Fully Prepared, but limited capacity until completion of Afghanistan deployment.
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>	
Terrorist Threats (EC 5D)	
Special Forces – Fully Prepared (for future rotations to Afghanistan)	Fully Prepared for future rotations to Afghanistan.

Note: Details of the Performance Rating Scale and Employment Contexts (ECs) are explained at the beginning of this section.

Costs for Output Expense 10 (GST Exclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
	Expenditure			
36.471	Personnel	36.881	40.746	40.201
18.113	Operating	17.828	20.441	18.989
1.281	Losses on Foreign Exchange	-	-	1.747
5.616	Depreciation	9.283	5.430	5.272
6.901	Capital Charge	7.259	7.013	7.013
68.382	Total Expenses	71.251	73.630	73.222
	Income			
66.526	Revenue Crown	70.656	72.995	72.995
0.139	Revenue Department	0.433	0.415	0.127
0.091	Revenue Other	0.162	0.220	0.063
0.515	Gains on Foreign Exchange	-	-	0.599
0.260	Other Gains	-	-	-
67.531	Total Income	71.251	73.630	73.784
(0.851)	Net Surplus (Deficit)	-	-	0.562
	Cost by Output			
27.905	Output 10.1	29.923	30.189	29.295
27.799	Output 10.2	29.799	30.110	29.242
11.397	Output 10.3	11.529	13.331	12.938

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2010/11 for this output expense was \$73.630 million and the total expenditure excluding remeasurements was \$71.475 million. There was no unappropriated expenditure for this output expense.

OUTPUT EXPENSE 11:**NAVAL HELICOPTER FORCES****SERVICE PERFORMANCE**

Description

The provision of No 6 Squadron RNZAF, prepared for the conduct of naval helicopter operations under Employment Contexts 1, 2, 3, 4, and 5. These operations range from support to the Naval Combat Forces, the Naval Support Forces and the Naval Patrol Forces, to the conduct of limited independent operations. This output expense also includes the provision of Naval Helicopter Forces for a range of support services to Government and the community, when required.

Contributions to Outcomes

This Output Expense contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Overview

Five SH-2G Seasprites are supported by the RNZAF and operated by the RNZN. The Seasprites have primarily been employed as integrated air assets from the two ANZAC Frigates and the Multi Role Vessel HMNZS *Canterbury* in order to provide a range of capabilities from logistic support to combat operations. During the reporting period the continual supply of an embarked aviation capability to RNZN frigates was achieved. This has been despite aircraft unserviceability, equipment deficiencies and personnel shortages. No 6 Squadron also provided embarked air assets on the majority of occasions the Fleet Programme demanded a SH-2G Seasprite. The failure to provide a maritime helicopter on every occasion has been due to the inability to generate the requisite flying hours through intermediate level maintenance. This has forced a reduction in Naval Helicopter Force outputs including provision of trained crews and support to Navy and other agencies.

Readiness Training Activities

Seasprites for the frigates and multi role vessel were provided on numerous operational deployments and exercises. The deployments and exercises comprised:

HMNZS Te Kaha:

- Fleet Concentration Periods – Fleet Base East (Australia)
- Exercise Bersama Shield - South East Asia
- Visit USA including interaction with US Coastguard
- EEZ Patrols
- Exercise Triton Storm – Fleet Base West (Australia)

HMNZS Te Mana:

- Exercise Grey Ghost - NZ
- Exercise Triton Storm – Fleet Base West (Australia)
- Exercise Bersama Shield - South East Asia

HMNZS Canterbury:

- Exercise Sea Lion - Eastern Australia
- Exercise Croix De Sud - Noumea
- Exercise Tropic Twilight - 6 Sqn personnel sent to assist with embarkation of French Forces (FANC) Puma – Noumea
- Exercise Hopeke with DOC - Marlborough Sounds

Other:

- Exercise Bluebird – mountain flying training
- Offshore Patrol Vessel interface flight trial
- Exercise Tungsten I & II – multi discipline warfare training with Naval Patrol Force and 5 Squadron
- Established and trialled the SH-2G sniper concept with live firing completed at Kaipara
- Successful acceptance of SH-2G ballistic protection requirement
- Trialled and accepted new forward looking infra-red equipment during Exercise Tungsten II
- Pilot and Observer conversion courses completed
- Operational support for multi-agency operations and tasks, and RNZAF/RNZN public relations, community and recruiting tasks.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
<p>Three SH-2G(NZ) Seasprite helicopters available for military tasks - from a total fleet of five Seasprite helicopters. While the priority is availability for Naval Combat Force operations, a Seasprite may not be available within response times for all three vessels (a frigate, an Offshore Patrol Vessel and the Multi-Role Vessel) concurrently.</p> <p>Management of this Output Expense is governed by the RNZAF/RNZN Joint Agreement on Naval Aviation.</p> <p>No 6 Squadron, RNZAF will remain under the full command of the Chief of Air Force. Operational command will be exercised through the Air Component Commander (ACC) and Officer Commanding 485 Wing for shore-based activities. When ships' flights are required to embark, operational command will be assigned by ACC to the Maritime Component Commander (MCC), who will in turn assign operational control to the ship's Commanding Officer. The RNZAF is responsible for the training of RNZN Seasprite helicopter aircrew and the provision and training of Ship's Flights maintenance personnel, for operational employment by the RNZN.</p>	<p>Partially achieved.</p> <p>The scheduled maintenance of the Seasprite has been the key issue for the period. For a large proportion of the year, two aircraft were undergoing phase maintenance simultaneously from the pool of five available. As a result, the squadron was unable to produce the aircraft availability and generate the flying hours required to support sustained embarked operations of more than one flight. That ship's flights maintained DLOC for all embarked operations.</p> <p>Shore-based conversion and continuation training requirements were again delayed in 2010/11 by aircraft unavailability caused by continued high levels of scheduled and unscheduled maintenance.</p> <p>Currency and the ability to qualify aircrew have been significant issues for the Squadron, and the unit has continued to be below the required six crew establishment. The lack of aircraft deployed with the Naval Combat Force has similarly impacted on the Squadron's ability to conduct embarked training and the planned embarked conversions have either been delayed or not achieved.</p> <p>The combination of low crew numbers and the paucity of aircraft availability have made it impossible to maintain three Flights ready for embarkation. The Squadron's ability to train and sustain has been significantly impacted to a level that the unit can only currently support a single flight with a limited surge capacity. And, while a robust regeneration plan was developed to attempt to rectify this issue, the lack of flying hours and aircraft has made a sustainable level of two embarked flights with short term surge to three unachievable.</p> <p>Crews ashore only achieved a basic level of capability and minimum currency.</p>
<p>Undertake MAO&T (Multi-Agency Operations and Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")</p>	<p>Achieved.</p> <p>Support to embarked MAO&T operations (reported through Output Expenses 2 - 4) continued to be provided. Shore based MAO&T activities have been at a reduced level this year due to the requirement to preserve the few flying hours available to train and sustain at the Squadron. Some recruiting and public relations activities have been conducted, but only when a training or currency need has also been met.</p> <p>Support was provided to the satisfaction of agencies.</p>
<p>In conjunction with the Naval Combat Forces, undertake Defence Diplomacy tasks in accordance with NZDF and Government/MFAT requirements. This normally involves ship visits to foreign ports.</p>	<p>Achieved.</p> <p>Cross-deck operations were conducted with coalition partners during multinational exercises. In conjunction with ship's visits, defence diplomacy activities were conducted to Australia and South East Asia</p>

Performance Measures	Performance Achieved
Total Seasprite Air Flying Hours (target range in hours): 1,264 - 1,396.	The NHF flew 874 hours made up of 232 hours embarked and 642 hours from ashore. The underfly in hours was predominantly caused by the continued growth in phase servicing. This has caused overlap in major servicing, resulting in a lack of aircraft ashore and embarked.
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>	
Illegal exploitation of marine resources within the New Zealand EEZ, and other low-level threats to New Zealand territorial sovereignty (EC 1A) – Fully Prepared	Partially Prepared. Continued, but limited interaction with MFISH and other government agencies has maintained NHF capability in this EC. The NHF was prepared to deploy to conduct lower threat level employment contexts.
Terrorist and Asymmetric Threats (EC 1D) – Fully Prepared	Partially Prepared. The NHF was capable of generating OLOC for basic surveillance and attack roles in a low threat environment. Nevertheless, it lacked capability to generate some OLOC requirements for medium to high threat environments. This was due to personnel and mission equipment constraints, specifically forward looking infra red and tactical navigation systems, and a fully supported self defence system. Sustained operations would seriously impact on the ability to continue shore based training and crew generation.
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>	
Natural and manmade disasters (EC 2B) – Fully Prepared	Partially Prepared. The NHF was partially prepared to support manmade and natural disasters. As with other ECs, extended operations, particularly if more than one flight is embarked, would have a significant effect on the unit's ability to train and sustain.
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C) - Fully Prepared	Partially Prepared. The NHF was capable of generating OLOC for basic surveillance and attack roles in a low threat environment, but only sustainable for one flight.
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E) - Fully Prepared	Partially Prepared. The NHF was capable of generating OLOC for basic surveillance and attack roles in a low threat environment, but only sustainable for one flight.
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>	
Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation (EC 4A) – Partially Prepared	Partially Prepared. The NHF was capable of generating OLOC for basic surveillance and attack roles in a low threat environment, but only sustainable for one flight.
Inter-State conflict (EC 4F) – Partially Prepared	Partially Prepared. The NHF was able to practice mission essential tasks in conjunction with a wide cross-section of potential coalition partners to achieve DLOC. It participated in complex multinational warfare exercises as integrated air assets of deployed Naval Combat Forces in the USA, Asia, Australia, and the Pacific. Of note, was the deployment of both RNZN frigates to Exercise Bersama Shield 11 allowing a rare opportunity to exercise two deployed Flights together.
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>	
Terrorist Threats (EC 5D) – Partially Prepared	Partially Prepared. The NHF was capable of generating OLOC for basic surveillance and attack roles in a low threat environment, but only sustainable for one Flight.

Note: Details of the Performance Rating Scale and Employment Contexts (ECs) are explained at the beginning of this section.

Costs for Output Expense 11 (GST Exclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
	Expenditure			
23.070	Personnel	23.882	23.429	22.785
21.715	Operating	23.456	25.714	27.755
0.792	Losses on Foreign Exchange	-	-	1.088
16.874	Depreciation	16.612	17.301	17.294
21.720	Capital Charge	23.989	23.301	23.301
84.171	Total Expenses	87.939	89.745	92.223
	Income			
83.459	Revenue Crown	87.484	89.202	89.202
0.086	Revenue Department	0.267	0.258	0.079
0.170	Revenue Other	0.188	0.285	0.172
0.318	Gains on Foreign Exchange	-	-	0.373
84.033	Total Income	87.939	89.745	89.826
(0.138)	Net Surplus (Deficit)	-	-	(2.397)

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2010/11 for this output expense was \$90.145 million (including approved transfers under s.26a of the Public Finance Act 1989) and the total expenditure excluding remeasurements was \$91.135 million. There was unappropriated expenditure for this output expense of \$0.990 million due to three Seasprite helicopter rotor blades found to be beyond economic repair and written off following a detailed review of assets. Engineering advice was sought on options to remediate the blades to a serviceable state when the damage was discovered. The advice received was that the only viable option was to replace the blades.

OUTPUT EXPENSE 12:**MARITIME PATROL FORCES****SERVICE PERFORMANCE**

Description

The provision of No 5 Squadron RNZAF, prepared for the conduct of maritime surveillance of New Zealand's Exclusive Economic Zone (EEZ), the Pacific region and the Southern Ocean, search and rescue missions, and maritime air operations, under Employments Contexts 1, 2, 3, 4 and 5. This expense also includes the provision of Orion aircraft for a range of services to Government and the community.

Contributions to Outcomes

This Output Expense contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Overview

Throughout the reporting period the Maritime Patrol Force (MPF) met the required standards for the majority of the time, with occasional periods where no Orion aircraft were available to support concurrent operational, MAO&T, and maritime search and rescue tasks. This was due to having two (of six) aircraft undertaking the Mission Systems Upgrade programme (MSU), one on depot level maintenance and normal scheduled and unscheduled maintenance on the remaining three aircraft. Delays in scheduled maintenance and the impact of unscheduled maintenance occasionally reduced aircraft availability times beyond the required notification periods, however, these were infrequent and of short duration.

The MPF did not meet its planned flying hours due largely to delays in the upgrade programme. Other significant factors impacting on scheduled flying were reduced rates of effort during exercises due to unavailability of other exercise participants, and the requirement to balance MAO&T and internal training due to reduced aircraft availability.

The MPF met preparedness targets for the NZ EEZ, South Pacific regional surveillance and Search and Rescue (SAR) tasks. However, due to equipment limitations and reduced training opportunities, it remains only partially prepared for regional military contingencies.

Air and ground crew personnel numbers and experience also continued to limit MPF preparedness. Aircrew numbers are now edging towards full manning, however, reduced training means that a majority of the crews remain at basic levels of capability, with minimal levels of experience. As a consequence, many of these crews require continued exposure, supervision and professional development opportunities. The regeneration of personnel continues to be a medium to long term project, and will not be fully realised until aircraft availability improves following completion of the aircraft upgrade project. Consequently, MPF output will remain limited due to equipment and personnel limitations, but is forecast to significantly improve following completion of the MSU.

Readiness Training Activities

During the reporting period the MPF conducted the following activities:

- One deployment in support of Five Power Defence Arrangement exercises in South East Asia.
- Two deployments to exercises in Australia.
- Three deployments in support of Southern Ocean fisheries surveillance, including landings and overnights in Antarctica. These deployments were in support of the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR).
- 19 Search and Rescue missions in response to requests for support from the Rescue Coordination Centre, New Zealand.
- 12 surveillance patrols into the South Pacific.
- 40 fishery surveillance missions, flying in support of the National Maritime Coordination Centre. These flights involved surveillance patrols in support of a number of New Zealand Government agencies (including MFISH, NZ Customs and Police).
- Intelligence, Surveillance and Reconnaissance and OLOC generation in support of NZ Army.
- High explosive bombing training.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
<p>Two P-3K2 Orion aircraft available for military tasks - from a total fleet of six aircraft.</p> <p>The number of P-3K2 Orion aircraft available during 2010/11 (through to 2011/12) will be affected by the rolling programme to upgrade the Orion fleet and will reduce the full capacity of this output expense. The reduced fleet size will have an impact on the duration of any operational deployments and the ability to rotate any such deployments. The requirement to sustain core and Directed Level of Capability (DLOC) training will also affect the nature and extent of tasking that can be undertaken by the fleet during the period.</p>	<p>Two P-3K Orion aircraft were available for military tasks.</p> <p>Throughout the FY, aircraft availability was tenuous due to two aircraft undertaking the P-3K2 MSU and scheduled depot and intermediate level servicing on the remaining four P-3Ks. With reduced aircraft availability, a number of training opportunities were unable to be undertaken, resulting in reduced DLOC generation. This was particularly prevalent when unscheduled SAR or prioritised MAO&T activities impacted planned training events.</p>
<p>One additional P-3K2 Orion aircraft available for maritime Search and Rescue and other emergency tasks, as required.</p>	<p>One additional P-3K Orion aircraft was available for maritime Search and Rescue and other emergency tasks, as required.</p> <p>All SAR callouts were met within the prescribed degree of notice, however, due to a reduced fleet size, every call out had an impact on planned flying.</p> <p>On occasion, the degree of notice was extended for short periods due to unscheduled servicing requirements or tasking.</p>
<p>Undertake MAO&T (Multi-Agency Operations and Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")</p>	<p>Achieved.</p> <p>Due to reduced aircraft availability, prioritisation was placed on meeting MAO&T to the detriment of core training and DLOC development.</p> <p>Support was provided to the satisfaction of agencies.</p>

Performance Measures	Performance Achieved
<p>Total P-3K2 Orion Flying Hours (target range in hours): 2,138 – 2,362</p> <p>The total Orion annual flying hours allocation has been adjusted to reflect the reduction in the number of aircraft available and the total number of hours that can be generated and supported by the Orion fleet during FY 2010/11.</p>	<p>The MPF flew 1,979 hours. The underfly was due to ongoing delays with the commencement of operational testing and evaluation of upgraded aircraft, unscheduled maintenance, and cancellation of some readiness training activities.</p>
<p><i>Security Challenges and Defence Tasks in New Zealand and its environs</i></p>	
<p>Illegal exploitation of marine resources within the New Zealand EEZ, and other low-level threats to New Zealand territorial sovereignty (EC 1A) – Fully Prepared</p>	<p>Substantially Prepared.</p> <p>The reduced fleet size due to the MSU and current limitations of equipment and weapons fit affect capacity and effectiveness. However, the introduction of the P-3K2 will address the equipment limitations.</p>
<p>Terrorist and Asymmetric Threats (EC 1D) – Fully Prepared</p>	<p>Substantially Prepared.</p> <p>The reduced fleet size due to the MSU and current limitations of equipment and weapons fit affect capacity and effectiveness. However, the introduction of the P-3K2 will address the equipment limitations.</p>
<p><i>Security Challenges to New Zealand's Interests in the South Pacific</i></p>	
<p>Natural and manmade disasters (EC 2B) – Fully Prepared</p>	<p>Substantially Prepared.</p> <p>The reduced fleet size due to the MSU and current limitations of equipment and weapons fit affect capacity and effectiveness. However, the introduction of the P-3K2 will address the equipment limitations.</p>
<p>State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C) – Fully Prepared</p>	<p>Substantially Prepared.</p> <p>The reduced fleet size due to the MSU and current limitations of equipment and weapons fit affect capacity and effectiveness. However, the introduction of the P-3K2 will address the equipment limitations.</p>
<p>Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E) – Partially Prepared</p>	<p>Partially Prepared.</p>
<p><i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i></p>	
<p>Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation (EC 4A) – Partially Prepared</p>	<p>Partially Prepared.</p>
<p>Inter-State conflict (EC 4F) – Partially Prepared</p>	<p>Partially Prepared.</p>
<p><i>Security Challenges to New Zealand's Interests in Global Peace and Security</i></p>	
<p>Terrorist Threats (EC 5D) – Partially Prepared</p>	<p>Partially Prepared.</p>

Notes:

1. The Performance Rating Scale and the Employment Contexts (EC) are explained at the beginning of this section.
2. The number of P-3K Orion aircraft available during 2010/11 continued to be affected by the MSU. The MSU reduced the full capacity of this output expense and will continue to do so until FY 2011/12 and beyond if delays in the project continue. The requirement to sustain core and DLOC training also affected the nature and extent of tasking that was undertaken by the fleet during the period.

Costs for Output Expense 12 (GST Exclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
	Expenditure			
61.876	Personnel	64.695	61.839	60.865
54.617	Operating	61.377	59.607	55.344
1.475	Losses on Foreign Exchange	-	-	2.232
17.016	Depreciation	26.913	19.283	26.136
34.224	Capital Charge	25.723	24.921	24.921
169.208	Total Expenses	178.708	165.650	169.498
	Income			
172.964	Revenue Crown	177.689	164.335	164.335
0.161	Revenue Department	0.498	0.530	0.163
0.510	Revenue Other	0.521	0.785	0.517
0.593	Gains on Foreign Exchange	-	-	0.765
0.519	Other Gains	-	-	-
174.747	Total Income	178.708	165.650	165.780
5.539	Net Surplus (Deficit)	-	-	(3.718)

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2010/11 for this output expense was \$172.450 million (including approved transfers under s.26a of the Public Finance Act 1989) and the total expenditure excluding remeasurements was \$167.266 million. There was no unappropriated expenditure for this output expense.

OUTPUT EXPENSE 13:**FIXED WING TRANSPORT FORCES****SERVICE PERFORMANCE**

Description

The provision of No 40 Squadron RNZAF, prepared for the conduct of strategic and tactical air transport operations, including Aeromedical Evacuation (AME), under Employment Contexts 1, 2, 3, 4 and 5. This expense also includes the provision of air transport aircraft for a range of support services to Government and the community.

Associated Outputs**OUTPUT 13.1 - B757-200 TRANSPORT FORCE**

The provision of Boeing 757-200 aircraft prepared for strategic air transport tasks and to provide some support services for Government and the community.

OUTPUT 13.2 - C-130 TRANSPORT FORCE

The provision of C-130 Hercules aircraft prepared for both strategic and tactical air transport operations and for some support services for Government and the community.

Contributions to Outcomes

This Output Expense contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Overview

Preparedness targets were achieved for the B757 Transport Force. Work on improving B757 serviceability has seen aircraft availability improve throughout the period. The B757 was used extensively to support international troop rotations, both Canterbury and Christchurch earthquakes, the Japan tsunami emergency and to repatriate casualties from operations overseas.

Shifts in the C-130 Life Extension Programme (LEP) and support to the Pike River Mine Disaster and the Canterbury and Christchurch earthquakes changed the planned flying programme. The net result was that some readiness training activities had to be cancelled, meaning the C-130 element of the Transport Force is less well trained for military roles than planned. The FWTF has achieved all national emergency tasking required of it.

The C-130 Transport Force achieved readiness targets in all areas but EC1D. EC1D readiness requirements were achieved for 97% of the period. Unavailability was caused by at least two C-130 being under upgrade throughout the period, breakdowns of the remaining aircraft and delays in the C-

130 LEP.¹⁰ During the periods responding to the earthquakes and Pike River disaster the C-130 Transport Force surged to achieve shortened readiness requirements.

Equipment breakdowns and substantial delays in programmed maintenance on the LEP aircraft throughout the period have meant that the operational testing and evaluation of the upgraded C-130 aircraft is behind schedule. Full utility of the LEP aircraft is expected by the end of 2011.

The C-130 fleet conducted training for military tasks in Exercise Pitch Black and Exercise Precision Red in Australia and through a tactical low flying exercise in the South Island. Three periods of support to the NZDF forces in Afghanistan were also conducted.

The annual contribution to the Antarctica research programme continued with nine flights¹¹ to Antarctica in November 2010, December 2010 and February 2011.

Readiness Training Activities

B757

The B757 was extensively used throughout the period. Support flights for deployed operations were completed, rotating personnel and equipment. Other NZDF units and government agencies utilised the aircraft to support readiness training activities and diplomatic visits around the globe throughout the period.

During the reporting period the B757 Transport Force conducted the following activities:

- Support to Operations Rata (Solomon Islands), Crib and Wātea (Afghanistan), Gyro (Timor-Leste), and Antarctica.
- Support to Exercises Suman Warrior (Asia), Tropic Twilight (Samoa), Kakadu (Aus), Hamel (Aus), Triton Storm (Aus), and FANC and Pacific Partnership (New Caledonia), Longlook exchange programme (UK/Aus) and Royal International Air Tattoo (UK).
- Numerous VIP including NZ PM and Ministers (foreign and NZ) to China, Vietnam, Australia, and Pacific Islands.
- A flight to Antarctica was completed to support the Commemoration Service for the crash of Air New Zealand flight 901 on Mt Erebus on 29 November 1979.
- Multiple flights (including Medivac and people displacement) in support of the Canterbury earthquakes. A flight was also dispatched to Guam for the support of the Japan earthquake and tsunami.

C-130

The C-130 flight successfully completed three deployments in support of Task Group Ariki rotation to Afghanistan in July 10, October 2010 and April 2011. In addition, there was ongoing support to NZDF deployments in the Solomon Islands and Timor-Leste. In New Zealand initial combat qualifications

¹⁰ Note – Unavailability did not impact EC1 task completion – All national tasks were completed when required.

¹¹ C-130 (5) and B757 (4)

were partially achieved during two TACEX activities, although the Canterbury and Christchurch earthquakes in September 2010 and February 2011 prematurely ended these activities, due to high priority national tasking.

During the reporting period the C-130 Transport Force conducted the following activities:

- Support to Operations Rata (Solomon Islands), Crib and Wātea (Afghanistan), Gyro (Timor-Leste), Antarctica, and Awhina (Canterbury Earthquake).
- Support to Exercises Tropic Twilight (Samoa), Triton Storm (Aus), Southern Katipo (NZ), Pitch Black (Aus), Precision Red (Aus), and Pacific Partnership (New Caledonia).
- Raoul Island air drop resupply flights.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
Two B757-200 available for strategic military transport tasks – (from a total fleet of two aircraft.)	Two B757-200 aircraft were available for strategic military transport tasks.
Two C-130 aircraft available for deployed military tasks (from a total fleet of five aircraft).	Two C-130 aircraft were available for deployed military tasks.
One additional C-130 aircraft available for EC 1D and emergency tasks, as required.	One additional C-130 aircraft was available for EC 1D and emergency tasks as required, however, unscheduled maintenance precluded this from being fully achieved for less than 3% of the period. Notwithstanding, no actual EC1 or emergency tasks were missed.
<p>Note:</p> <p>The number of C-130 Hercules aircraft available during 2010/11 (through to 2011/12) will be affected by the on-going project to upgrade the fleet and will reduce the full capacity of this output. At least two aircraft will be removed from service at any one time during the upgrade programme. While the number of aircraft required by the NZDF Output Plan for OLOC should be maintained for the period, there will be periods where aircraft availability will be reduced - given the need to continue to cycle aircraft through group and phase servicing requirements. The reduced fleet size will have an impact on the duration of any operational deployments and the ability to rotate any such deployments. The requirement to sustain core and DLOC training will also affect the nature and extent of tasking that can be undertaken by the C-130 fleet during the period.</p>	<p>Achieved.</p> <p>There would have been, however, limited ability to sustain any deployment longer than 30 days while still maintaining the required output in other EC's (specifically EC1D) concurrently.</p>
<p>An Aeromedical Evacuation (AME) element for strategic and tactical AME in support of land operations.</p> <p>The RNZAF is required to provide forward, tactical and strategic AME services, including responsibility for the provision of AME-qualified personnel and associated AME equipment. For fixed wing tactical and strategic AME it is likely that, for high -dependency cases, specialist support would be sought from other Services of the NZDF, and/or non-defence sources.</p> <p>Note: While the RNZAF is currently capable of conducting AME for low-dependency cases, the capability to conduct AME for high-dependency cases is currently being developed, as resources permit.</p>	<p>An AME element was available, and low and limited medium dependency AME tasks can currently be undertaken, but require support from external agencies to facilitate.</p>

Performance Measures	Performance Achieved
Undertake MAO&T (Multi-Agency Operations and Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")	The FWTF contributed to a range of services in support of other government departments and the community. Support was provided to the satisfaction of agencies.
Total Air Flying Hours:	
Boeing 757 (target range in hours): 1,190 - 1,316	The B757 element flew 1,390 hours.
Hercules C-130 (target range in hours): 2,043 - 2,257 The total C-130 annual flying hours' allocation has been adjusted to reflect the reduction in the number of C-130 aircraft available and the total number of hours that can be generated and supported by the fleet during the period.	The C-130 element flew 1,835 hours. The underfly was due to cancellation of readiness training activities (by host countries), delays to operational testing and evaluation flying and unscheduled maintenance.
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>	
Terrorist and Asymmetric Threats (EC 1D)	
B757 Transport Force – Fully Prepared	Fully Prepared.
C-130 Transport Force – Fully Prepared	Substantially Prepared due to reduced fleet size during the upgrade project.
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>	
Natural and manmade disasters (EC 2B)	
B757 Transport Force - Fully Prepared	Fully Prepared.
C-130 Transport Force - Fully Prepared	Substantially Prepared due to reduced fleet size during the upgrade project.
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)	
B757 Transport Force - Fully Prepared	Fully Prepared.
C-130 Transport Force - Fully Prepared	Substantially Prepared due to reduced fleet size during the upgrade project.
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)	
B757 Transport Force - Fully Prepared	Fully Prepared.
C-130 Transport Force – Substantially Prepared	Substantially Prepared.
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>	
Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation (EC 4A)	
B757 Transport Force - Substantially Prepared	Substantially Prepared.
C-130 Transport Force - Substantially Prepared	Substantially Prepared.
Inter-State conflict (EC 4F)	
B757 Transport Force - Substantially Prepared	Substantially Prepared.

Performance Measures	Performance Achieved
C-130 Transport Force - Substantially Prepared	Substantially Prepared.
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>	
Terrorist Threats (EC 5D)	
B757 Transport Force - Substantially Prepared	Substantially Prepared.
C-130 Transport Force - Substantially Prepared	Substantially Prepared.

Note: The Performance Rating Scale and the Employment Contexts (EC) are explained earlier in this part.

Costs for Output Expense 13 (GST Exclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
	Expenditure			
71.862	Personnel	74.779	78.002	76.937
78.429	Operating	75.156	79.374	75.178
1.661	Losses on Foreign Exchange	-	-	3.450
39.036	Depreciation	49.103	46.640	51.824
43.696	Capital Charge	45.403	44.827	44.827
234.684	Total Expenses	244.441	248.843	252.216
	Income			
226.369	Revenue Crown	242.811	247.065	247.065
0.232	Revenue Department	0.570	0.819	0.252
0.799	Revenue Other	1.060	0.959	0.660
0.668	Gains on Foreign Exchange	-	-	1.183
0.715	Other Gains	-	-	-
228.783	Total Income	244.441	248.843	249.160
(5.901)	Net Surplus (Deficit)	-	-	(3.056)
	Cost by Output			
120.666	Output 13.1	115.090	118.186	119.435
112.357	Output 13.2	129.351	130.657	129.331

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2010/11 for this output expense was \$256.043 million (including approved transfers under s.26a of the Public Finance Act 1989) and the total expenditure excluding remeasurements was \$248.766 million. There was no unappropriated expenditure for this output expense.

OUTPUT EXPENSE 14:**ROTARY WING TRANSPORT FORCES****SERVICE PERFORMANCE**

Description

The provision of No 3 Squadron RNZAF, prepared for the conduct of tactical air transport operations, including Aeromedical Evacuation (AME), and counter-terrorist operations, under Employment Contexts 1, 2, 3, 4 and 5. This expense also includes the provision of helicopters for a range of support services to Government and the community.

Overview

Previously identified limitations to the capability of the UH-1H Iroquois helicopter are being addressed with the introduction into service (IIS) of the NH90 medium and A109 light utility helicopters. The IIS has gathered pace and the significant milestone of the A109's first flight in New Zealand was reached on 28 April 2011.

As more resources have gone to the IIS, the effect on No. 3 Squadron has become more pronounced, manifesting as reduced aircraft availability throughout the year. In particular, maintenance personnel have been lost both directly to the Helicopter Transition Unit (HTU), and to filling those vacancies created by other base personnel moving to the HTU. The reduced numbers of maintenance personnel led to the decision to contract all phase servicing to Safe Air Ltd (SAL) in Woodbourne. SAL has not been able to return the aircraft as quickly as desired, resulting in a backlog that has yet to be cleared. In an effort to alleviate this pressure, two additional phase servicings were conducted by No. 3 Squadron personnel at Ohakea.

The reduced flexibility due to aircraft spending more time on detailed servicing made it necessary to carefully manage the hours on the available aircraft. As such, the flying rate has tended to ebb and flow during the year, with hours reserved prior to exercises and operations, then flown intensively to ensure all objectives were achieved.

No. 3 Squadron conducted a number of exercises during the year and was able to respond rapidly to the domestic disasters that occurred, including the Pike River mine explosion and both Canterbury earthquakes.

The RWTF remains fully prepared for EC 1D, substantially prepared for EC 2 and not prepared for ECs 4 and 5. These ratings are reflective of the manpower effects of the helicopter transition and of the limitations of the Iroquois.

The Bell 47G Sioux was retired from basic helicopter pilot training in December 2010. Until the A109 can pick up this role, helicopter pilot training will be conducted entirely on the UH-1H Iroquois.

Contributions to Outcomes

This Output Expense contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Readiness Training Activities

- Exercise Blackbird (annual mountain flying) was conducted with four aircraft in Dip Flat near Blenheim during July 2010.
- Two aircraft were tasked in response to the Christchurch earthquake on 4 September 2010.
- Three aircraft and a contingent of No. 3 Squadron and Expeditionary Support Squadron (ESS) personnel deployed to Townsville, Australia on Exercise Hamel. Deployed tactical and interoperability procedures were practised during this exercise. Deployment was by combination of C-130, Royal Australian Air Force (RAAF) C-17, and HMNZS *Canterbury*.
- The Search and Rescue (SAR) standby aircraft was tasked in response to the Pike River mine explosion on 21 November 2010, and remained in location for one week. A number of other SARs were flown throughout the year, by day and night.
- The annual cannabis recovery operation in support of the NZ Police was conducted during February and March 2011.
- Two aircraft were tasked in response to the Christchurch earthquake of 22 February 2011. The aircraft remained in location for one month, while air and maintenance personnel were rotated during the course of the deployment. The final task was to provide SAR standby coverage for the visit of HRH Prince William.
- Exercise Peka Peka, confirmed the night battlefield support capability during the last two weeks of May 2011. The exercise was based out of RNZAF Ohakea and key flying activities took place in the Waiouru Training Area.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
<p>Six UH-1H Iroquois helicopters available for military tasks - from a total fleet of 14 helicopters.</p> <p>The introduction into service of the NH-90 and A-109 helicopter fleets late in FY 2010/11 onwards and the current reduction in the Iroquois fleet will continue to impact on the availability of operationally cleared helicopters for operational deployment; principally as a consequence of a reduction in qualified crews and maintenance personnel. More detail will be provided in the 2011/12 documentation.</p> <p>(The Seasprite naval helicopters are provided under a different Output Expense - Naval Helicopter Forces)</p>	<p>Six UH-1H Iroquois helicopters were available for military tasks.</p>
<p>Two additional helicopters on standby for rapid response tasks in New Zealand (under EC 1), such as Counter-Terrorist Operations and for Search and Rescue Missions.</p>	<p>Two additional helicopters were available for rapid response tasks in New Zealand under EC 1, such as Counter-Terrorist Operations, and one helicopter was available for Search and Rescue. The rapid response capability was used on several occasions during the year.</p>
<p>A Forward and Tactical Aeromedical Evacuation (AME) element for the support of land operations.</p> <p>(The RNZAF is required to provide forward and tactical Rotary Wing AME services, including responsibility for the provision of AME-qualified personnel and associated AME equipment).</p>	<p>A Forward and Tactical (AME) element was available when required for the support of land operations.</p>
<p>Undertake MAO&T (Multi-Agency Operations and Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")</p>	<p>A range of MAO&T were undertaken for a number of government agencies. Support was provided to the satisfaction of agencies.</p>
<p>Total Iroquois Air Flying Hours (target range in hours): 3,477 - 3,843</p>	<p>Total Iroquois flying hours were 3,662.</p>
<p><i>Security Challenges and Defence Tasks in New Zealand and its environs</i></p>	
<p>Terrorist and Asymmetric Threats (EC 1D) – Fully Prepared</p>	<p>Fully Prepared.</p>
<p><i>Security Challenges to New Zealand's Interests in the South Pacific</i></p>	
<p>Natural and manmade disasters (EC 2B) – Fully Prepared</p>	<p>Fully Prepared.</p>
<p>State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C) – Fully Prepared</p>	<p>Substantially Prepared.</p>
<p>Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E) – Substantially Prepared</p>	<p>Substantially Prepared.</p>
<p><i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i></p>	
<p>Inter-State conflict (EC 4F) – Not Prepared (See Note 2 below)</p>	<p>Not Prepared.</p>

Performance Measures	Performance Achieved
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>	
Terrorist Threats (EC 5D) – Not Prepared (See Note 2 below)	Not Prepared.

Notes:

1. Details of the Performance Rating Scale and Employment Contexts (ECs) are explained earlier in this section.
2. Operational tasks in high threat environments, which may be encountered under ECs 2 - 5, are beyond the current capabilities of the Iroquois helicopter. This situation will not improve until the NH-90 helicopters have been fully introduced into service.

Costs for Output Expense 14 (GST Exclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
	Expenditure			
55.204	Personnel	57.287	55.133	54.418
33.134	Operating	39.788	36.419	35.572
0.743	Losses on Foreign Exchange	-	-	0.910
9.222	Depreciation	16.409	13.720	12.392
28.660	Capital Charge	18.504	17.753	17.753
126.963	Total Expenses	131.988	123.025	121.045
	Income			
129.016	Revenue Crown	131.271	122.232	122.232
0.082	Revenue Department	0.251	0.216	0.066
0.455	Revenue Other	0.466	0.577	0.438
0.299	Gains on Foreign Exchange	-	-	0.312
0.520	Other gains	-	-	-
130.372	Total Income	131.988	123.025	123.048
3.409	Net Surplus (Deficit)	-	-	2.003

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2010/11 for this output expense was \$123.025 million and the total expenditure excluding remeasurements was \$120.135 million. There was no unappropriated expenditure for this output expense.

OUTPUT EXPENSE / MCOA) 15:

(A Multi-Class Output Appropriation)

MISCELLANEOUS SUPPORT ACTIVITIES

SERVICE PERFORMANCE

This Multi-Class Output Appropriation (MCOA) reflects the disparate nature of four NZDF Outputs that do not individually justify separate departmental output expense recognition.

Output Classes

OUTPUT CLASS 15.1 – SUPPORT TO MUTUAL ASSISTANCE PROGRAMME

This output class is limited to the provision of training, technical advice and resources to the defence forces and law enforcement agencies of participant countries under the Mutual Assistance Programme (MAP), both in New Zealand and in MAP countries.

OUTPUT CLASS 15.2 – SUPPORT TO NZ CADET FORCES

This output class is limited to the provision of leadership and skills training for all approved New Zealand Cadet Forces (NZCF) units.

OUTPUT CLASS 15.3 – SUPPORT TO SERVICE MILITARY MUSEUMS

This output class is limited to the collection development, collection management and exhibits related to New Zealand's military history.

OUTPUT CLASS 15.4 – SUPPORT TO YOUTH DEVELOPMENT

This output class is limited to NZDF support to government initiated youth development schemes in New Zealand, being the conduct of Limited Service Volunteer courses and contributions to Youth Life Skills programmes (Service Academies and Military-style Activity Camps.)

Output Performance Measures and Standards

Performance Measures	Performance Achieved
<p>Generally for this MCOA:</p> <p>Training and administrative support will be provided in accordance with NZDF training quality standards as modified with senior staff from the requesting organisation:</p> <ul style="list-style-type: none"> • The degree of satisfaction expressed by the authorities requesting assistance - in accordance with their annual programmes. • Regular evaluation of significant issues, the capacity to react to requests for assistance and the provision of adequate support from the limited resources available. 	
<p>Support to Mutual Assistance Programme (MAP):</p>	
<p>Range of anticipated training and technical assistance for the MAP. Each activity could include formal training, on-the-job training, specialist advice, attachments, in-country Technical Advisers, Mutual Assistance Training Teams, and exchanges - both in New Zealand and in MAP countries overseas, as applicable: 130 - 160</p>	<p>The MAP delivered 117 out of 142 planned activities, which included assistance to MAP partner countries via Mutual Assistance Training Teams (MATTs), technical advisors, NZDF courses, limited resource provision, exchanges and attachments.</p> <p>A table of MAP activities by country for the reporting period is shown at the end of this section.</p> <p>The significant restructure of training delivery within the NZDF during this reporting period has impacted on the number of courses available to the MAP. Also, as in previous years, English language standards again continued to restrict the ability of several MAP partner countries to provide suitable candidates especially for South East Asian partner countries. Together, these two points largely account for the gap between the planned target and actual target.</p> <p>The MAP, within its limited means, has tried to address the standard of English, by sponsoring a small number of candidates for key NZDF courses to attend English Language training courses with the ADF. Further initiatives are planned for next year.</p> <p>Of the total activities completed, about 72% of that total was undertaken with Pacific MAP partners while the rest were conducted with South East Asian MAP partners. Approximately 95% of the MAP operating and personnel expenditure of \$2.8m was spent on Pacific MAP activities while the majority of the rest was expended on MAP activities conducted with South East Asian partners.</p> <p>The main outcomes were:</p> <ul style="list-style-type: none"> • MAP talks were conducted with the Cook Islands, Malaysia, Philippines, Thailand, Papua New Guinea, Samoa, Timor-Leste, Tonga, Vanuatu and Vietnam. Of note, Tonga and Timor-Leste were represented by their respective Chiefs of Defence. • Annual talks were conducted with the Australian Defence Cooperation Programme (DCP). • Collaboration continues with NZ Police on the provision of training assistance to disciplined forces in the South Pacific. This is in specialised niche areas such as band training and physical training instruction.

Performance Measures	Performance Achieved
<p>Complete the MAP country programmes and activities - consistent with the MAP policy objectives and outcomes agreed with the participant defence forces or law enforcement agencies (where appropriate), and that are also consistent with NZDF practices.</p>	<p>The high level of activity with the Papua New Guinea Defence Force (PNGDF) and Tonga Defence Service (TDS) continues. Over 50 personnel attended a number of NZDF courses, including several PNGDF personnel attending RNZN courses. Also of note, TDS officer commenced duty as an instructor at the NZ Army Officer Cadet School.</p> <p>The MAP relationship with Vietnam continues to develop. A Vietnam People's Army (VPA) officer attended two RNZAF courses and a VPA officer is currently on the 2011 Senior Staff Course at the NZDF Command and Staff College. A VPA officer graduated in December from the 2010 Senior Staff Course. The NZDF sponsored two VPA officers to attend English Language Training with the ADF.</p> <p>HQNZDF continues to provide strategic policy overview of the five technical advisers assisting the F-FDTL (Armed Forces of Timor-Leste) under Task Group Kaihanga (Output 16). Timor-Leste is another of the MAP partner countries where English levels limit their ability to submit nominations for NZDF courses. A special highlight of this reporting period is two F-FDTL soldiers graduated from the NZ Army School of Music (2010 course) including passing Royal College of Music examinations.</p> <p>Although Malaysia has been a long term MAP partner, the level of MAP activity has been relatively low over recent years. Joint planning is underway to elevate Malaysia out of the MAP to a full bi-lateral Service to Service relationship.</p> <p>The limited re-engagement with Indonesia at the MAP level was marked by the graduation of a TNI officer from the NZDF Command and Staff College 2010 Senior Staff Course. An officer is now attending the 2011 course.</p> <p>Over recent years NZDF involvement with Solomon Islands has been largely with Operation Rata (Output 16). However, they still remain a MAP partner country and this year the NZDF hosted two Police personnel undertaking on the job training in the specialised area of facilities management.</p> <p>MATTs were successfully completed as follows:</p> <p>Cook Islands</p> <p>A RNZAF armourer conducted a review of armoury security and procedures, and provided technical advice during an arms amnesty.</p> <p>Papua New Guinea</p> <p>A NZ Army officer assisted the PNGDF to conduct Officer Selection Boards. Two visits were undertaken.</p> <p>Two RNZAF engineering personnel were part of a combined ADF/NZDF team that conducted an audit of the PNGDF Air Transport Wing.</p> <p>The NZ Army conducted a leadership training seminar for senior officers of the PNGDF modelled on the NZ Army leadership framework.</p> <p>A NZDF legal officer conducted a review of Law of Armed Conflict (LOAC) training with a view to training the PNGDF instructors.</p> <p>Timor-Leste</p> <p>A RNZAF specialist officer visited the F-FDTL to help prepare a development plan for the establishment of a permanent F-FDTL musical band.</p>
<p>Monitor and analyse MAP activities within each country programme through various processes, including post-activity reports, evaluation of the training outcomes against identified need and feedback from annual talks.</p>	<p>MAP activities within each country programme were monitored and analysed at meetings held with partner nations and organisations, as identified above and from information provided in post activity reports and analysis of training outcomes.</p>

Performance Measures	Performance Achieved
<p>Support to Service Military Museums:</p> <p>Provide staff, infrastructure and resources to Service Museums to ensure the collection development, collection management and exhibits of New Zealand's significant military history to the people of New Zealand, her Armed Forces and visitors to our nation, to sector best practice. ("Collection Management" includes 'preservation').</p>	<p>Navy</p> <p>Since the move to the new premises, adequate infrastructure and resources have been provided to support the operation of the Navy Museum. However, staffing levels are lower than desirable, especially in the Front of House area of operations. This has been partly resolved by the Museum Trust Board hiring casual staff (107 hours in April alone) to cover for shortages experienced in weekends and when staff were on annual leave.</p> <p>Army</p> <p>The NAM remains staffed with NZDF military and civilian personnel, Trust Board employees and volunteers. While adequate staff levels were maintained for period May 10 to Jan 11, for the remainder of the reporting period the Museum was understaffed by three NZDF personnel.</p> <p>Army continued to provide logistic support and services, and collection storage facilities from within Waiouru Camp.</p> <p>The NAM operating budget for FY 10/11 remained unchanged from that of FY09/10.</p> <p>Air Force</p> <p>The Air Force Museum operating budget was reduced for a second consecutive year and staff levels averaged 20% below establishment for much of the period. As a consequence, some activities and programmes were cancelled.</p>
<p>Museum services provided in accordance with the relevant Trust Deeds and the Memorandums of Understanding between each of the Services and the individual museum trust boards.</p>	<p>All Service museum services were provided in accordance with respective Museum Board of Trustees Trust Deed and Memorandum of Understanding.</p>
<p>Each museum is subject to an annual review against Service Museum benchmarks and periodic reviews against the New Zealand Museum Standards Scheme.</p>	<p>Navy</p> <p>The Navy Museum monitors 24 key performance indicators against annual targets and national and international benchmarks. The Museum has performed well against the targets set and benchmark measurements.</p> <p>Army</p> <p>The NAM retained its Qualmark accreditation.</p> <p>Air Force</p> <p>The Air Force Museum was peer reviewed by National Services Te Paerangi (Te Papa) against the New Zealand Museum Standards Scheme in April 2011. The final report has not been issued but indications are that all standards have been met and most exceeded.</p> <p>As part of the annual Qualmark re-assessment process, the Air Force Museum qualified for Responsible Tourism status with an Enviro-Gold Award. Te Papa was the only other museum to do so.</p>
<p>Performance assessment will be based on feedback from the individual museum trust boards and NZDF command, 'public satisfaction' surveys, annual and periodic reviews, and the number of military and civilian visitors per financial year.</p>	<p>All three museums met the expectations of their respective commands and boards. Despite considerable disruption due to the impact of two major earthquakes, the Air Force Museum exceeded expectations of command in many areas.</p> <p>Navy</p> <p>Visitors to the Museum, which include casual visitors, visitor groups, school groups and service groups, for the period 10 October 2010 (opening Day) until 10 May 2011 totalled in excess of 70,000. The museum is currently averaging 2,107 visitors per week and is on target to record over 100,000 visitors in the first year of operations, against an original estimate of 70,000 visitors per year.</p>

Performance Measures	Performance Achieved
	<p>With an operating cost of \$1.4M per annum the cost per visitor compares very favourably to the other five benchmark museums monitored.</p> <p>The new site and museum has proven popular with all age groups and during the reporting period the Museum delivered an extensive range of educational programmes to school groups and naval personnel as well as other public support programmes including research, collection enquiries, outreach and publications.</p> <p>Visitor feedback was gathered daily with the Visitor Satisfaction Index (VSI) indicating almost 93.6% found the Museum's exhibitions 'excellent' or 'very good' and 100% of visitors rated their visit as either 'excellent' or 'very good'. The overall satisfaction rating for all visitors was 93%.</p> <p>Army</p> <p>During the period, the NAM delivered an extensive range of educational programmes to school groups, service groups and tour parties, as well as other public support programmes including, archive, research, collection enquiries, genealogy and military service records.</p> <p>The NAM delivered one major exhibition - 'In Pursuit of Excellence' - a history of the NZSAS; an art installation - 'Serve' - a contemporary view of remembrance by artist, Kingsley Baird; a temporary exhibition - 'The Gunners' - a history of highlights of the RNZA to commemorate the renaming and opening of the Thornton Gallery; a travelling exhibition - 'Fashion at War' - designed and curated by the Air Force Museum; and a small display 'The Long Shadow' - a 2010 WOW art winning entry by Ms Lucy Jerram Moore.</p> <p>The NAM also provided exhibit and curatorial support to various Service organisations, including the Cambridge Armistice Association, OCS Graduation, 24 Bn Reunion, and Wings over Wairarapa.</p> <p>Visitor feedback is gathered daily through written surveys. Overall 92.6% of visitors rated their NAM experience as 'Excellent' or 'Very Good'.</p> <p>Overall visitor numbers, which includes school groups (3,824 students), totalled 44,136; a decrease of 5,991 (11.9%) on the previous year. Although significant, the NAM decrease in visitor numbers is 5-15% less than that experienced by other major tourism operators in the Central North Island region.</p> <p>Air Force</p> <p>Total general visitors to the Air Force Museum were 85,501, which was up 7% on target (80,000) but down 8% on 2009-10. Visitor numbers were expected to drop slightly and plateau following the first year of the free admission policy but it is likely that had the Museum not been impacted by closures and the reduction in tourists as a consequence of the Canterbury earthquakes visitors would have remained at a similar level to the previous year. A further 4,445 visitors attended corporate events at the Air Force Museum.</p> <p>The Air Force Museum was one of three finalists in the Tourism Industry Awards innovation in workplace training category.</p> <p>In a national community awareness survey completed in December 2010, 87% agreed that the Air Force Museum plays a key role in preserving an important part of New Zealand's history.</p> <p>The 4 September 2010 Canterbury earthquake caused only relatively minor damage to Air Force Museum buildings and contents and following engineering checks; the Museum was able to re-open to the public after four days. The Museum was closed from 22 - 28 February 2011 due to the Christchurch earthquake. Damage to the Museum was again minimal and there was no damage to collections. Following the February earthquake the Air Force Museum provided accommodation to various agencies and organisations. It assisted in the salvage of collections from small museums and galleries and also provided interim storage for a number of cultural and heritage collections. The significant reduction in tourists following the February earthquake has had a major impact on visitor numbers and operating revenue.</p> <p>A new temporary exhibition called <i>Bamiyan: Heart of Afghanistan</i>, which was originally curated by Pataka Museum in Porirua, opened at the Air Force Museum in November 2010. The exhibition includes the work of the NZDF Provincial Reconstruction Team and images by RNZAF photographers.</p>

Summary of MAP Activities by Country for 2010/2011

	South Pacific						South-East Asia								Sub-Total	Other	Grand Total
	Cook Is	PNG	Samoa	Solomon Is	Tonga	Vanuatu	Sub-Total	Brunei	Indonesia	Malaysia	Philippines	Thailand	Timor-Leste	Vietnam			
NZDF Defence College		1			2		3		1	1		1		1	4	4	11
Training (RNZN – both sea and shore based)		7			1		8				2				2		10
Training in NZ (NZ Army)		18	3		22	6	49			1	1			2	2		51
Training in NZ (RNZAF)							0								2		2
Attachments in NZ		1			1		2			2	1				3		5
NZDF Technical Advisers (TA)	1	1		1	1	2	5						5 (2)		5		10
Mutual Assistance Training Teams visiting (1)	1	5					6						1		1		7
Sponsored Activities (1)	1		1		1	2	6							2	2	2	10
Resource Provision (1)							0								0		0
MAP Talks	1	1	1		1	1	5			1	1	1	1	1	5	1	11
TOTAL	4	34	5	1	29	11	84	0	1	5	5	2	7	6	26	7	117

Notes:

1. Denotes number of NZDF teams, activities or occurrences, not personnel.
2. Output Expense 16 activity, but under the MAP for strategic and policy direction.

Costs for Output Expense 15 (GST Exclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
	Expenditure			
10.479	Personnel	9.705	13.993	14.871
8.364	Operating	14.449	11.302	9.094
0.678	Depreciation	0.416	0.517	0.498
1.826	Capital Charge	0.947	0.922	0.922
21.347	Total Expenses	25.517	26.734	25.385
	Income			
14.731	Revenue Crown	14.605	15.134	15.134
6.926	Revenue Department	10.912	11.600	11.600
21.657	Total Income	25.517	26.734	26.734
0.310	Net Surplus (Deficit)	-	-	1.349
	Cost by Output			
1.942	Output 15.1	2.388	2.810	2.674
3.458	Output 15.2	3.399	3.555	3.294
7.240	Output 15.4	6.260	6.198	5.875
7.017	Output 15.5	13.470	14.171	13.542

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2010/11 for this output expense was \$26.734 million and the total expenditure excluding remeasurements was \$25.385 million. There was no unappropriated expenditure for this output expense.

OUTPUT EXPENSE 16:**OPERATIONALLY DEPLOYED FORCES****SERVICE PERFORMANCE**

Description

The provision of deployed force elements at the operational level of capability for military operations, including the commitments agreed by the Government under which the NZDF contributes to peace support and other operations conducted in support of the United Nations and other international agencies. This includes the provision of individuals, observers, advisers, instructors, headquarters staff, and complete force elements and contingents, when necessary, to operational missions, and the conduct of any additional training required to meet any special conditions or the higher threat levels anticipated.

Brief descriptions of New Zealand's current Government-approved contribution to the various operational missions are shown in Section 1.

Contribution to Outcomes

Output Expense 16 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Overview

Operational deployments directed by the Government require input from all three Services. Operational command of these forces is assigned to Commander Joint Forces New Zealand for military operations and for mutually agreed Joint (more than one Service) and Combined (more than one nation) training. New Zealand currently contributes to a wide range of peace support activities and military operations under Output Expense 16 (as described in the following table). HQ JFNZ facilitates the planning, command and conduct of these operations, along with the provision of operational support to other government departments such as the Ministry of Civil Defence and Emergency Management, Customs, the Department of Conservation, NZ Police, and the Ministry of Fisheries.

Operations

In addition to those operations shown in the table below, the following operations were also supported:

Operation Barbary. This deployment contributed four NZDF personnel to assist with anti-piracy operations in the Gulf of Aden, as mandated by the UN Security Council.

Operation Tasman. The NZDF deployed nine personnel to augment the ADF contribution to the US/AS led Combined Task Force in Uruzgan Province, Afghanistan in September 2010. This commitment concluded in May 2011.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
<p>The performance of NZDF Force Elements deployed on government-approved operational missions is assessed against the following:</p>	
<ul style="list-style-type: none"> Individuals and the Force Element, as applicable, to meet the Operational Level of Capability (OLOC) requirements for the applicable operational mission prior to deployment. 	<p>Formed contingents all underwent pre-deployment training to achieve the OLOC requirements prior to deployment. On occasion, reinforcements and surge deployments were required to deploy within the response time and were unable to achieve OLOC in the time available. These risks were known and managed.</p>
<ul style="list-style-type: none"> Mission tasks, however generated (assigned or implied), are met to the satisfaction of the force commander. 	<p>Mission tasks were met to the satisfaction of the force commanders.</p>
<ul style="list-style-type: none"> Degree of satisfaction of performance on mission is expressed both formally and informally by the Force Commander (United Nations, Coalition, or other), to the New Zealand senior officer on the mission, to visiting NZ politicians (such as the Minister of Defence), to visiting senior NZ officers (such as CDF, Service Chiefs or COMJFNZ), and others. 	<p>Operations were sustained in line with direction received from the NZ Government and in many theatres relations were improved in this respect. During the reporting period CDF, COMJFNZ, and Component Commanders visited a number of missions and operations, receiving many favourable comments on the work that NZDF contingents contribute to.</p> <p>Gen David Petraeus (COMISAF) visited the NZPRT in Afghanistan and noted that the NZPRT Transition Process would serve as the blueprint for future transition tranches.</p> <p>A number of personnel were awarded honours, citations and certificates of merit from various missions and other nations. These included:</p> <ul style="list-style-type: none"> A NZDF officer was presented with the Canadian Forces General Campaign Star with South-West Asia ribbon in recognition of his service in Afghanistan. Several Certificates of Appreciation were received from the MFO Force Commander in recognition of the high levels of performance provided by NZDF personnel.
<ul style="list-style-type: none"> Timely replacement of individuals, force elements or units when requested, as specified, and as approved by the NZ Government. 	<p>Personnel, force elements and units were replaced or deployed in a timely manner, as specified and approved by the NZ Government.</p>
<ul style="list-style-type: none"> Maintain the ability to sustain the contributions to deployments in accordance with the government's requirements. 	<p>Current commitments are being met, however, difficulty is being experienced in sustaining specialist employment trades e.g. medical, intelligence, logistics and communications, particularly in the areas of specialist communicators and drivers. Timeframes for the processing of security clearances are impacting on deployable personnel meeting individual readiness requirements.</p>
<ul style="list-style-type: none"> Financial and logistic controls and accountabilities meet the standards required for reliable reporting. 	<p>There were a few instances of unreliable financial/logistics process reporting. Gaps in reporting highlighted accountability deficiencies, which have been mitigated through greater oversight by HQ JFNZ.</p>
Operational Commitments:	
<p>Maintain the Government-approved deployments / operational commitments (number of personnel deployed), as at 1 April 2010, as shown in the planned commitments below.</p> <p>The numbers of personnel operationally deployed fluctuate from month to month during the year. These fluctuations result from missions closing and opening, short term deployments, seasonal variations to the numbers involved in specific missions, and so on. It is therefore not particularly relevant to compare the budgeted numbers at the start of the financial year with the estimated numbers at the end of the financial year. However, a year on year comparison provides an indicator of the trend of personnel deployed (more or less), but still does not capture short-term deployments that at the start of the year were not known.</p>	<p>Numbers shown below in this column were as at the end of the reporting period.</p>

Performance Measures	Performance Achieved
<ul style="list-style-type: none"> OP KORU (Timor-Leste) All Task Groups - 75 	<p>The NZDF had 81 personnel deployed to Timor-Leste, primarily undertaking security, surveillance and logistical tasks. They are under the command of an ADF-led Combined Joint Task Force (CJTF). This includes:</p> <ul style="list-style-type: none"> Senior National Officer (SNO) as the Deputy Commander of CJTF 631. A National Support Element (NSE) of four personnel based in Darwin, Australia. Five NZDF personnel under OP KAIHANGA are employed as Military Advisers (two Logistics, one Personnel, one Small Arms Instructor and one English as a Second Language Instructor) as part of the Office of Defence Force Development in Timor-Leste, embedded within the F-FDTL. <p>The NZDF officer under OP TOA was deployed to Dili as a UN Military Liaison Officer, as part of the UN Integrated Mission in Timor-Leste (UNMIT).</p>
UNTSO (Middle East) [OP SCORIA] - 8	Eight personnel were committed to this mission located in UNTSO HQ, Jerusalem; Observer Group Golan – Damascus and Tiberias (OGG-D and OGG-T); and Observer Group Lebanon (OGL).
MFO (Sinai) [OP FARAD] - 28	The NZDF contribution consisted of a 28 person contingent, providing driver tasking, courses and training along with monitoring the operation of the Egyptian Border Guard Force.
UNAMI (Iraq) [OP HAVEN, Task Group IRON] - 1	One Military Advisor/Liaison Officer was based in Baghdad.
<ul style="list-style-type: none"> OP ARIKI (Afghanistan) [Task Group CRIB] - 72 	<p>127 personnel were deployed as the Provincial Reconstruction Team (PRT) in Bamian, Afghanistan. In addition, 10 personnel provided a National Support Element.</p> <p>During the reporting period, force protection enhancements for Operation Crib were deployed in response to insurgent activity.</p> <p>Twice a year a RNZAF C-130 Hercules and approximately 30 NZDF personnel deploy to the Middle East in support of TG CRIB rotations in Afghanistan. A RNZAF Boeing 757 (12 personnel) conducts the strategic movement of personnel between NZ and the Middle East.</p>
<ul style="list-style-type: none"> NZ SAS contingent (Afghanistan) - 82 	Forty five Special Forces and support personnel were deployed to Afghanistan. An operational review during the reporting period resulted in a reduction of NZ SAS personnel deployed to Afghanistan.
<ul style="list-style-type: none"> OP ARIKI (Afghanistan) [Task Group KEA] - 5 	Six NZDF personnel were employed with the International Security Assistance Force (ISAF) HQ.
<ul style="list-style-type: none"> OP ARIKI (Tampa, Florida, USA) [Task Group SPEAK] - 2 	Two NZDF personnel are based at HQ Central Command to provide liaison.
<ul style="list-style-type: none"> OP ARIKI (Afghanistan) [Task Group AFFIRM] - 1 	One officer was deployed as a Military Advisor in the Military Advisory Unit (MAU) of the UN Assistance Mission Afghanistan (UNAMA).
<ul style="list-style-type: none"> OP ARIKI (Afghanistan) [Task Group RUA] - 2 	Two Army Senior Non-Commissioned Officers were attached to a British battalion as part of the United Kingdom Leadership Training Team (UKLTT-A) with the Office of Military Cooperation in Afghanistan (OMC-A).
<ul style="list-style-type: none"> OP ARIKI (Afghanistan) [Task Group MANAAKI] - Nil 	Nil. (A two-person NZDF medical team returned to NZ in Oct 09 and was not replaced.)
<ul style="list-style-type: none"> OP ARIKI (Arabian Sea area) [Task Group TROY] - 5 	Six personnel were deployed to the Gulf Region/Afghanistan to assist co-located coalition partners.
<ul style="list-style-type: none"> UNMIS [OP SUDDEN] (Sudan) - 3 	Three officers deployed to UNMIS.
<ul style="list-style-type: none"> OP RATA II (Solomon Islands) - 45 	Forty five personnel were deployed under an ADF-led combined Task Force. A NZDF Officer is the Deputy Commander of CTF 635.
<ul style="list-style-type: none"> UNCMAC (Republic of Korea) [OP MONITOR] - 3 	Three NZDF officers were deployed to the United Nations Command Military Armistice Commission (UNCMAC) in South Korea.
<ul style="list-style-type: none"> USCENTCOM Staff Officer - 1 	One staff officer was posted to the Coalition Planning Group in HQ Central Command, Tampa USA.

Costs for Output Expense 16 (GST Exclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
	Expenditure			
23.179	Personnel	25.181	23.757	19.401
49.089	Operating	46.961	50.036	51.583
0.001	Losses on Foreign Exchange	-	-	-
5.282	Depreciation	5.876	4.069	3.634
0.214	Capital Charge	0.428	0.433	0.433
77.765	Total Expenses	78.446	78.295	75.051
	Income			
95.041	Revenue Crown	77.861	77.710	77.710
0.332	Revenue Other	0.585	0.585	0.409
0.004	Other Gains	-	-	-
95.377	Total Income	78.446	78.295	78.119
17.612	Net Surplus (Deficit)	-	-	3.068

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2010/11 for this output expense was \$78.295 million and the total expenditure excluding remeasurements was \$75.051 million. There was no unappropriated expenditure for this output expense.

Services in Support of the Government and Community - including Multi-Agency Operations and Tasks (MAO&T)

General

Conducting the training activities needed to maintain the Directed Level of Capability (DLOC) for operational employment also produces within the NZDF the capacity to deliver a range of services in support of other government departments, the community, and foreign and defence policy objectives.

Approval levels for the provision of these services range from Cabinet/Ministerial level for significant events to unit commanders for minor local support tasks. Generally, however, tasks will be approved on the direction of the Chief of Defence Force, a Service Chief (Navy/Army/Air Force), or the Commander Joint Forces NZ. Details are contained in Defence Force Orders 1 (DFO 1), Chapter 13 - Assistance to Community Organisations.

Some general services are pre-planned or are, at least, reasonably predictable. Such tasks include ceremonial support, and planned assistance to the NZ Antarctica Programme, the Department of Conservation (DOC) and the NZ Police. The frequency of other tasks, primarily of an emergency nature such as search and rescue, assistance to civil defence and fire fighting, are less predictable. The NZDF maintains elements at specified degrees of notice (DON) for response to such emergencies.

Performance

The quality of general services provided by the NZDF to other government departments, the community, and foreign and defence policy objectives is that the services be provided to the satisfaction of the requesting authority. For MAO&T, the quality of assistance will be in accordance with the details of formal agreements and MOUs.

Elements Available for Emergency Tasks

Service	Performance	Achieved – Elements Available [with Degree of Notice (DON) where applicable]
Navy	One frigate (or alternative vessel) at eight hours' DON for emergency tasks, including Search and Rescue (SAR) and Medical Assistance/Evacuation.	One frigate or alternative vessel was available throughout the period for tasking at eight hours' DON.
	One Inshore Patrol Vessel (IPV) at eight hours' DON for emergency tasks, including SAR.	One IPV was available throughout the period for tasking at eight hours' DON.
	One Diving Team at 6 hours' DON for emergency tasks, including under-water search and Explosive Ordnance Disposal (EOD) and 12 hours' DON when embarked.	Diving Team capability was available throughout the period for tasking at 12 hours' DON.
	One 25-person Civil Defence Response Group.	One 25-person Civil Defence Response Group was available throughout the period at Devonport Naval Base.
	On-shore personnel for fire fighting, as available.	Personnel were available throughout the period for fire fighting tasking.
Army	Personnel in the North Island and South Island at 48 hours' DON for emergency tasks, including SAR, Fire Fighting, and Casualty/Medical Evacuation.	Personnel based at Waiouru, Linton, Trentham and Burnham were available at the designated DON throughout the period.

Service	Performance	Achieved – Elements Available [with Degree of Notice (DON) where applicable]
	Personnel On Call for Civil Defence: <ul style="list-style-type: none"> <li data-bbox="327 293 826 349">– HQ elements in the North Island and South Island to support a Civil Defence HQ. <li data-bbox="327 398 794 432">– Four 25-person Civil Defence Response Groups. <li data-bbox="327 533 743 566">– Two 100-person National Reserve Groups. <li data-bbox="327 616 587 649">– One 500-person Reserve 	HQ elements were on call and available through HQ JFNZ. Designated personnel making up Civil Defence Response Groups were available in Waiouru, Linton, Trentham and Burnham. Designated personnel were available from 2 and 3 Land Force Groups (Linton and Burnham). Personnel were available from 2 and 3 Land Force Groups (Linton and Burnham).
	EOD Teams in North Island and South Island at 12 hours' DON.	EOD teams were available throughout the reporting period at the designated DON in both the North and South Islands.
	In-camp personnel for fire fighting, as available.	Personnel were available as required throughout the period.
Air Force	One Iroquois helicopter at two hours' DON for emergency tasks, including SAR, Fire Fighting and Casualty Evacuation.	One Iroquois helicopter was available for tasking throughout the period at two hours' DON.
	One Orion (or one Hercules if an Orion is not available) at two hours' DON for emergency tasks, including SAR and Aeromedical Evacuation.	An aircraft (Orion/Hercules) was available as required at the designated DON. On occasion, the DON was extended for short periods due to aircraft servicing requirements or tasking.
	One Hercules at 14 hours' DON for emergency tasks.	One Hercules aircraft was maintained on 14 hours' notice for emergency tasks.
	One 25-person Civil Defence Response Group at each Air Base, and elements to support a Civil Defence HQ.	A 25-person Civil Defence response group was maintained at Whenuapai, Ohakea and Woodbourne. Staff Officers to support National Civil Defence Headquarters were available from HQ JFNZ.
	On-base personnel for fire fighting, as available.	Personnel were available throughout the period.

Multi-Agency Operations and Tasks (MAO&T)

The term Multi-Agency Operations and Tasks (MAO&T) is used in many of the NZDF output performance tables contained in this document. The term is used within the relevant tables to draw a clear distinction between “general support” to the community and the more formal, pre-planned support to specific government departments and agencies, under the whole of government approach to, for example, protection of the New Zealand EEZ and border security. MAO&T refer to the formal operational support and training for such operations and tasks that the NZDF (Navy, Army and Air Force) provides, and that are being developed, with other government departments and agencies - such as the Ministry of Fisheries, NZ Customs Service, NZ Police, Ministry of Foreign Affairs and Trade, Department of Conservation, Maritime New Zealand (MNZ), and related agencies.

The Navy and Air Force, in particular, work closely, individually and/or collectively, with such agencies. The Government has emphasised the general direction and increased importance of the civilian/military requirements associated with the NZ EEZ and border control.

The NZDF will continue to work closely with other government departments and agencies to plan formal arrangements for these requirements. It needs to be noted that, while existing formal support to other government departments and agencies will continue, significant increase in this support cannot be guaranteed until new/replacement/upgraded vessels and aircraft are introduced into service.

The reporting of MAO&T with government departments and other general support to the Government and the community is to be, by exception, against the table below.

During the reporting period, the NZDF provided a wide range of services in support of foreign and defence objectives, other government departments and the community. A summary of actual support provided is shown in the following table:

NZDF Support to:	Support Provided
NZ Police (excluding Search and Rescue)	<p>RNZAF 3, 5, 40 and 42 Squadron UH-1H, P-3K, B757, C-130 and B200 aircraft contributed 345.4 flying hours in support of the NZ Police for both training and operations during which 17,084kg of freight and 330 passengers were carried.</p> <p>RNZN, NZ Army and RNZAF units provided a variety of military support to the NZ Police for both training and operations. This involved 522 personnel for a total of 2,758 man days travelling 26,501km.</p>
Land, Sea and Air SAR (in support of NZ Police, Rescue Coordination Centre New Zealand (RCCNZ), NadiRCC, SuvaMCC, or other requesting agency)	<p>RNZN, NZ Army and RNZAF units provided 57 personnel for a total of 16 man days travelling 320km in support of SAR exercises and operations.</p> <p>RNZAF 3, 5 and 6 Squadron UH-1H, SH2G helicopters and P-3K aircraft contributed 364.7 flying hours carrying 11 passengers in support of SAR exercises and operations.</p> <p>The RNZN provided two sea days in support of CAA search for microlight aircraft in waters off Orewa.</p>
Ministry of Civil Defence and Emergency Management	<p>The NZDF provided 8,302 personnel for a total of 579,905 man days and 204,107km travelled in support of the Hawke's Bay floods, Pike River Mine explosion, Canterbury and Christchurch Quakes.</p> <p>RNZAF 3, 40 and 42 Squadron UH-1H, B757 and C-130 aircraft contributed 372.6 flying hours in support of MCDEM carrying 7,027 passengers and 536,344kg of freight.</p>
Department of Conservation (DOC)	<p>HMNZ Ships <i>Wellington</i>, <i>Otago</i>, <i>Pukaki</i> and <i>Rotoiti</i> conducted 23 maritime patrol sea days, including transit time to/from directed patrol areas, in support of DOC activities, as well as a resupply to the Sub Antarctic Islands.</p> <p>RNZAF 3 and 6 Squadron helicopters contributed 31.8 flying hours in the resupply of the Caroline and Muller huts in Mt Cook region, the Rex Simpson hut in the Tekapo region and Stevens Island.</p> <p>Youth Development Unit personnel assisted DOC with conservation tasks in the Peel Forest. These activities totalled 66 man days and 120km travelled.</p>
Department of Corrections	<p>RNZAF 40 Squadron C-130 aircraft provided 18.8 flying hours transporting 650 passengers and 5,450kg of freight in support of the Canterbury earthquakes.</p>
Environmental Risk Management Authority	<p>Nil</p>
NZ Fire Service and National Rural Fire Authority	<p>NZ Army and RNZAF personnel attended 306 callouts covering motor vehicle accidents, rural, domestic and structural fires, supply of fire fighting water, training, hazardous substances, collapsed buildings and alarm activations totalling 176 man days and 8,652 km driven.</p>
Ministry of Fisheries	<p>HMNZ Ships <i>Wellington</i>, <i>Hawea</i>, <i>Pukaki</i>, <i>Taupo</i> and <i>Rotoiti</i> conducted a total of 146 sea days of patrols off the NZ coast, including transit time to/from directed patrol areas.</p> <p>RNZAF 5 Squadron P-3K aircraft contributed standard fisheries patrols totalling 96.1 flying hours. Operational, intelligence and communications support was also provided to surveillance flights.</p> <p>RNZAF 6 Squadron SH2G helicopters provided 14.3 flying hours in support of operations.</p>

NZDF Support to:	Support Provided
Ministry of Foreign Affairs and Trade (MFAT)	<p>HMNZ Ships <i>Te Kaha</i>, <i>Te Mana</i>, <i>Canterbury</i>, <i>Endeavour</i> and <i>Otago</i> conducted good will/diplomacy visits to foreign ports totalling 173 days during the reporting period.</p> <p>RNZAF 40 Squadron B757 and C-130 aircraft transported a total of 233 passengers and 3,377kg of freight totalling 84.1 flying hours.</p> <p>RNZAF 5 Squadron P-3K aircraft conducted Southern Ocean/Ross Sea and Pacific Island Patrols transporting 10 passengers on flights totalling 277.8 flying hours.</p>
Support to Antarctica New Zealand [for the NZ Antarctic Programme (NZAP)]	<p>RNZAF 5 and 40 Squadron P-3K, B757 and C-130 aircraft contributed 119.1 flying hours (included a medical evacuation and Erebus Commemoration flight) carrying 340 passengers and 58,407kg of freight.</p>
Government House	<p>NZDF personnel and vehicles provided support to Government House ceremonies totalling 64 man days and travelling 160 km.</p> <p>RNZAF 3 and 42 Squadron UH-1H and B200 aircraft contributed 23 flying hours in support of the Governor General carrying 28 passengers.</p>
Ministry of Health	<p>RNZAF Base Woodbourne provided support to the Marlborough PHO Children's Obesity programme.</p>
Department of Internal Affairs	<p>NZDF personnel provided ceremonial and logistical support (guards, wreath layers, bands, door openers, transport, crowd control, saluting batteries etc) for foreign royalty, dignitaries and state occasions. Other support was accorded to Waitangi celebrations, ANZAC and Commonwealth Day ceremonies. A total of 5,028 personnel provided a total of 3,622 man days with 13,582kms driven.</p> <p>RNZAF 40 Squadron C-130 aircraft contributed three flying hours carrying 54 passengers.</p>
Maritime New Zealand (MNZ)	<p>HMNZS <i>Pukaki</i> conducted seven sea days in support of MNZ.</p>
New Zealand Customs Service	<p>HMNZ Ships <i>Hawea</i>, <i>Pukaki</i>, <i>Taupo</i> and <i>Rotoiti</i> conducted 147 sea days of patrols, including transit time to/from directed patrol areas.</p> <p>RNZAF 5 Squadron P-3K aircraft contributed 161.4 flying hours of standard patrols and surveillance.</p>
Department of the Prime Minister and Cabinet (DPMC)	<p>NZDF units provided 164 personnel for a total of 744 man days and 6,000km travelled in support of DPMC activities (included the Tangi for Sir Archie Tairaoa and the Maori King's Coronation celebrations).</p> <p>RNZAF 3, 5, 40 and 42 Squadron UH-1H, P-3K, B757, C-130 and B200 aircraft contributed 286 flying hours carrying 495 passengers and 15,895kg of freight in support of DPMC activities.</p>
General Medical Assistance/Support	<p>The RNZN Hyperbaric Chamber and the associated medical staff treated 24 civilian divers and 77 elective treatment patients. These treatments involved 1,431 personnel for a total of 579 man days.</p>
General Community Support	<p>The NZDF continued to provide a wide range of support throughout the year to communities and organisations across New Zealand such as Rotary, Lions, Red Cross, RSA's and other service clubs, schools, Mayoral receptions, parades, concerts, youth organisations, expos, displays, marae etc. Activities included ceremonial, band performances, logistics support, Base visits, provision of personnel, transport and facilities, funeral support for ex-service personnel and training. 5,399 personnel provided a total of 9,558 man days and travelled 115,744km.</p>
General Training Courses	<p>The RNZN, NZ Army and RNZAF provided facilities; personnel, aircraft and vehicles for training visiting Indian Defence Force and USAF Officers, the NZ Red Cross, Service Academy Students and Sea Cadets. This involved 17 personnel for a total of 21 man days and 103 km travelled.</p>

Costs for the Delivery of Support to Multi Agency Operations and Tasks

The NZDF costs its outputs on the basis of maintaining training activities needed to maintain DLOC for operational employment, and pre-planned support to other government departments and agencies under MAO&T. As a consequence of the DLOC training activities, the NZDF also has the capacity to deliver a range of services to respond to emergencies and other tasks. No direct attribution of cost has been made for these services. All costs for these activities are budgeted within Output Expenses 2 to 14.

Section Four

Veterans' Affairs New Zealand

Information and Management

Veterans' Affairs New Zealand is the Government's principal adviser on veterans' issues. Veterans' Affairs New Zealand is responsible for providing advice on, and facilitating the delivery of, a range of services to individual veterans and their families, in recognition of the needs generated as a result of the veteran's service. To achieve this intent, Veterans' Affairs New Zealand is responsible for the delivery of a wide range of services.

Veterans' Affairs New Zealand does this by:

- Providing advice to the Minister of Veterans' Affairs and other Ministers, as well as departments and agencies on aspects of policy relating to veterans.
- Managing the Government's relationship with veterans and their representative organisations.
- Ensuring that the assessment of veterans' entitlements is undertaken fairly and accurately.
- Facilitating and co-ordinating the services provided to veterans and their families by other government departments and agencies.
- Facilitating veterans' access to services within the broader community.

Accountability Arrangements

The Chief of Defence Force, as 'Chief Executive', is responsible to the Minister of Veterans' Affairs for the financial management of Veterans' Affairs New Zealand under the Public Finance Act 1989, as amended by the Public Finance Amendment Act 2004. Veterans' Affairs New Zealand is subject to the accountability and monitoring frameworks under that Act.

The New Zealand Defence Force is not a Department of the Public Service under the First Schedule of the State Sector Act 1988 and Veterans' Affairs New Zealand does not come under the auspices of the State Sector Act 1988. Veterans' Affairs New Zealand is not, therefore, subject to the accountability and monitoring frameworks and processes under the State Sector Act 1988.

Primary Legislation

The primary legislation associated with Veterans' Affairs New Zealand is contained in:

- The War Pensions Act 1954
- The Burial and Cremation Act 1954
- The Patriotic and Canteen Funds Act 1947
- The Veterans' Affairs Act 1999
- The Defence Act 1990

Links with the Government's Policy and Themes

The Government's stated intent underpinning policy related to veterans is 'Respecting Veterans, Honouring Service'. This is substantiated by the broader principles of:

- Respecting Veterans
- Strengthening Communities
- Dignity for Older New Zealanders

The services provided to veterans support these principles and are focused on respecting the contribution made by veterans and honouring the service that they have given to the community.

Contracts for Service

Veterans' Affairs New Zealand maintains a number of contracts for the manufacture and installation of plaques and headstones, the maintenance and development of Services Cemeteries throughout New Zealand, and the provision of services under the auspices of case management.

Outcomes

Outcome One

Veterans are acknowledged and recognised for their service and sacrifice and the community is aware of the role veterans have played and continue to play in developing New Zealand as a nation.

The specific initiatives addressed within the Veterans' Affairs New Zealand outcomes for 2010/11 are reported below.

The management and administration of the commemorations programme which includes:

- Evaluation of the commemoration of the 95th Anniversary of the Gallipoli landings.
- The co-ordination of the yearly participation of the Anzac Day commemorations at Gallipoli.
- Planning for the centennial commemoration of the Gallipoli Landings.
- Planning for the 60th anniversary of the Korean War armistice.
- The ongoing provision of veterans' certificates of appreciation.

As the 2010 Gallipoli commemoration was a significant anniversary, it was used as a dress rehearsal for the 100th anniversary in 2015.

The management of the 2010 and 2011 commemorations was very successful. The New Zealand service at Chunuk Bair reflects the New Zealand approach to commemorations and it is important that the solemnity is maintained.

The involvement of an increasing number of Turks reflects the fact that the events on the Gallipoli Peninsula are as significant to Turkey's development as a nation as it is to New Zealand and Australia. This increased involvement is one of the things that will need to be taken into consideration for the 2015 commemoration.

A review of costs of staging the commemoration at Gallipoli is being undertaken as part of the planning for 2015 with the intent of identifying funding predictions through to 2015.

The Korean Government has a year long programme of events to mark the 60th Anniversary of the Korean War to honour the veterans of that conflict. To enable veterans to take part in these events the Korean Government has funded some veterans to travel to Korea to be part of the commemoration. The New Zealand Government has funded 22 veterans to travel to Korea to be part of the commemorations through the Veterans Affairs Ministers Commemorations Discretionary Fund.

2014 to 2018 marks the centenary of World War One. The Ministry for Culture and Heritage has put together an interdepartmental steering committee to co-ordinate the New Zealand based events. Veterans' Affairs New Zealand is part of this steering group. The centenary of the Gallipoli Landings, at Gallipoli, will be part of the broader commemoration of the World War One centenary.

The provision of veterans' certificates of appreciation is continuing when requested.

The administration of the Minister of Veterans' Affairs Commemorations Discretionary Fund continues to provide funding to veterans to enable them to attend commemorations of events related to their service. The Fund has made 100 grants. Of these grants, 83 have been made to assist veterans to attend overseas commemorations and 17 have been made to assist with reunions.

Reviewing the services VANZ provides in the Memorials and Cemeteries area:

- A review of the charges for ex-service memorials.
- The review of the five year capital works plan for the maintenance and development of services cemeteries. This will involve a review of the cost effectiveness of the spend on cemeteries and will be undertaken in consultation with local authorities.

A review of the charges for ex-service memorials is ongoing.

The five year capital works plan is always reviewed in consultation with local authorities and this is a continual process.

Outcome Two

Working in partnership with the NZDF, the impacts of service on eligible veterans and their dependants are monitored and veterans have information about and access to services and supports that promote wellbeing.

The specific initiatives addressed within this Veterans' Affairs New Zealand outcome for 2010/11 are reported below.

- Strengthening the case management in the community initiative to ensure that Veterans' Affairs New Zealand has a profile in the veteran community.
- Implementing a new IT system for case management and the payment of War Disablement Pensions.
- Provide staff with training to ensure that they have comprehensive knowledge of all the publicly funded services and support available to veterans and their families.
- Regularly review printed material to make sure it remains relevant and develop new publications on specific issues.
- Seek alternative mechanisms for disseminating information to younger veterans.

Case Management in the Community was introduced as a new initiative in 2009. A regular schedule of visits has been established to ensure that all areas of New Zealand are covered.

During this year, 1,841 veterans attended group meetings and 369 veterans had face to face meetings with case managers. This is being complemented by a column in *VANZ news* profiling a case manager.

Feedback provided has confirmed that these visits have been received positively by the veteran community and they are an excellent way of building the profile of services offered by VANZ. Similar seminars have been held in respect of disseminating information on the War Disablement Pension process. This has also been complemented by a column in *VANZ News*.

VANZ has let a contract for the development of a new IT system to replace the legacy system inherited from the Ministry of Social Development at integration. The system will integrate the payment of pensions and case management. This is due for implementation in 2012 and will improve the service delivery capacity of VANZ.

Ongoing training for staff is occurring on a regular basis to ensure knowledge of the services available to veterans and their families remains current.

All application forms in the War Disablement Pension's area were reviewed in consultation with key stakeholders and, as a result were redesigned to ensure ease of use. This has produced a significant improvement to the quality of information received. Other forms were also reviewed to ensure they remained up to date and provided relevant information.

VANZ undertakes pre deployment presentations to NZDF contingents to raise the profile of the services provided by VANZ. This ensures that information is reaching veterans of a younger demographic.

Ensure that service delivery is responsive to the needs of veterans. This includes:

- Training staff to assess need and to match the services provided to need.
- Establishing registration databases for various veteran cohorts, allowing veterans of those deployments to register to enable the monitoring of their ongoing health and wellbeing.
- Working with the Expert Panel on Veterans Health to ensure that international research relating to the impacts of service on the health of veterans is taken into account in primary level decision making.
- Monitoring the effectiveness and efficiency of service delivery to ensure that services are delivered in a timely manner and to the specification required.
- Establishing a register of providers that are able to provide services and support to veterans in the community.
- Ensuring that the primary level decision making is clear and consistent and that veterans understand the processes and how they apply to them.

NZDF is working on a registration database to capture information on veteran cohorts to enable VANZ to provide a service closely suited to their needs.

The Expert Panel has examined a number of issues referred to them by the Minister and has reported their findings.

In order to monitor the effectiveness and efficiency of service delivery, VANZ has implemented a survey to veterans to gauge the satisfaction they have in the services available to them. Implemented in December 2010, during the last two quarters of the reporting year approximately 5% of case managed veterans (150) completed the survey. Of these, 91% found case management useful and were satisfied with the services being provided by VANZ. The survey results will be fully evaluated at the end of 2011.

Initiatives have also been implemented to ensure consistency of decision making. These include a 10% check of all decisions and regular meetings of decision makers for peer review discussions.

Outcome Three

The veterans' perspective is considered as part of government decision-making on issues that impact on their lives.

The specific initiatives addressed within this Veterans' Affairs New Zealand outcome for 2010/11 are reported below.

Establish an ongoing mechanism for collecting key information. This includes:

- Monitoring key indicators that will assist with the development of a profile of the veteran community.
- Investigating the restoration of questions relating to war service in the national Census.
- Establishing a database that gives a background to deployments, the threat assessment and the numbers deployed.

The 2011 Census has been deferred to 2013.

VANZ has undertaken some work with Statistics New Zealand and the NZDF to build a statistical profile of the veteran community that can be extrapolated to give a population trend. This does not, however, provide an understanding of key social and economic indicators.

VANZ has developed effective working relationships with a wide range of agencies involved with the provision of policies and services that relate to veterans, and works closely with these agencies to provide and gather advice when necessary.

VANZ also takes an active part in the Veterans Administrations Senior Officials Forum and Networks in order to obtain information on international trends in the provision of services to veterans.

New Zealand is involved in ongoing dialogue with other countries in order to share information that is relevant.

Statement of Objectives and Service Performance

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Veterans are acknowledged and recognised for their service and sacrifice and the community is aware of the role veterans have played and continue to play in developing New Zealand as a nation.	Policy and Administration
	Services and Payments to Veterans
Working in partnership with the NZDF, the impacts of service on eligible veterans and their dependants are monitored and they have information about and access to services and supports that promote wellbeing.	Policy and Administration
	Services and Payments to Veterans
The veterans' perspective is considered as part of government decision-making on issues that impact on their lives.	Policy and Administration

Departmental Output Expense: Policy and Administration

Description

The purchase of the provision of policy advice on, and administration of, a wide range of issues relating to veterans' entitlements, care, and recognition. This includes the provision of administrative services to relevant boards and committees, the coordination of commemorations, the administration of contracts for service for, and undertaking quality audits of, maintenance and development work carried out in Services Cemeteries.

Performance

Performance Standards and Measures	Performance Achieved
Provide policy advice to the Minister of Veterans' Affairs on veterans' entitlements, care and recognition	
Replies to requests within 20 days of receipt of requests, if not otherwise specified. (95%)	19 briefings and Cabinet Papers were provided. 100% were completed within 20 days of receipt of requests.
The drafts of policy papers presented to the Minister will be accepted on their first presentation. (95%)	50% were accepted without significant amendment.
Policy papers will meet defined characteristics of quality advice (purpose, logic, accuracy, options, consultation, practicality and presentation).	Met.
Responses to submissions, other than policy papers, accepted without amendment. (95%)	100% were accepted without substantive amendment.
Provide Ministerial Servicing and Support	
Replies to requests within 20 days of receipt of requests, if not otherwise specified. (95%)	315 ministerials; 50 Parliamentary Questions; 40 Official Information requests. 84% were completed within 20 days of receipt of requests.
Responses accepted without amendment. (95%)	85% were accepted without significant amendment.
Provide Administration for War Pensions Appeal Board and War Pensions Advisory Board	
Arrangements and actions meet Boards requirements.	Met.
Actions defined by Boards will be completed within 20 working days after decisions made, unless other wise specified. (95%)	100% of actions defined by Boards were completed within 20 working days after decisions were made.

Performance Standards and Measures	Performance Achieved
Management of Rehabilitation Loan Scheme	
Provide information in timely manner to enable payments to be made. (100%)	100% of schedules were completed within 7 days after the end of the month.
Administration of maintenance agreements and contracts for service relating to the maintenance and development of Services Cemeteries	
Contracts to be current, legally correct and clearly specify maintenance and development requirements.	Met.
No breaches of contract by Veterans' Affairs New Zealand.	100%
Breaches of contracts by contractors will be managed as per the conditions in the contract.	There were no breaches of contract.
Services Cemeteries will have maintenance agreement specifying the maintenance standards in place.	100% of Services Cemeteries have maintenance agreements in place.
Quality Audits of Services Cemeteries	
Specifications outlined in contracts for service have been met.	100% of the specifications outlined in contracts for service were met.
Coordinate New Zealand's participation in the commemoration of significant military anniversaries	
Participation to be delivered in accordance with agreed parameters and budget.	Met.

Conditions

Reference	Conditions
Quality Characteristics	Description
Purpose	The aims of the papers are clearly stated and answer the questions the Minister has raised.
Logic	The assumptions behind the advice are explicit, the argument is logical and supported by facts.
Accuracy	The facts in the papers are accurate and all material facts have been included.
Options	An adequate range of options has been presented and each is assessed for benefits, costs and consequences to the Government and the community.
Consultation	Evidence of adequate consultation with interested parties and possible objections to proposals have been identified.
Practicality	The problems of implementation, technical feasibility, timing and consistency with other policies have been considered.
Presentation	The format meets Cabinet Office requirement, the material is effectively and concisely summarised, has short sentences in plain English, and is free from spelling and grammatical errors.

Costs for Output Expense: Policy and Administration (GST Exclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
	Expenditure			
0.518	Personnel	0.669	0.669	0.510
1.771	Operating	1.725	1.725	1.533
0.056	Capital Charge	0.056	0.056	0.056
2.345	Total Expenses	2.450	2.450	2.099
	Income			
2.350	Revenue Crown	2.450	2.450	2.450
2.350	Total Income	2.450	2.450	2.450
0.005	Net Surplus (Deficit)	-	-	0.351

Departmental Output Expense: Services and Payments to Veterans**Description**

To purchase the assessment of entitlements and benefits and the provision of appropriate services. This includes the assessment and review of entitlements and benefits - War Disablement Pension, Veterans' Pension and burial in Services Cemeteries, the provision and installation of ex-service memorials for eligible veterans and the provision of case management for veterans and their families.

Performance

Performance Standards and Measures	Performance Achieved
Assess and Review Entitlements to War Disablement Pension	
Assessments and Reviews will be conducted against extant policy.	Met.
War Disablement Pension Claims will be resolved within two months of receipt where all the required documentation has been provided with the application. (85%)	The War Pensions Claims Panels made decisions on 8,309 applications for disabilities for War Disablement Pensions. When correct documentation was supplied, 30% of War Disablement Pension claims were resolved within two months of receipt.
Reviews and re-openings will be completed within 3 months of receipt by the National Review Officer. (95%)	The National Review Officer considered 1417 reviews and the re-opening of 499 claims for re-consideration by War Pensions Claims Panels. 11% of reviews and re-openings were completed within three months of receipt. Additional resources have been allocated during 2010/11 to improve results in this area. This has seen significant improvement which is expected to continue into 2011/12.
Reviews will be completed within 3 months of receipt by the Secretary for War Pensions. (95%)	The Secretary for War Pensions undertook 82 administrative reviews of War Disablement Pension claims. 100% of reviews of were completed within three months of receipt.
Appeals will be heard within 3 months of receipt by the War Pensions Appeal Board. (95%)	The War Pensions Appeal Board considered 111 appeals. None of the appeals were heard within 3 months of receipt. This performance measure is driven by the availability of the War Pensions Appeal Board to sit. Additional sitting days have been introduced to reduce waiting times.

Performance Standards and Measures	Performance Achieved
Provide Ex-Service Memorial Plaques and Headstones for Eligible Veterans	
Ex-service memorials will be factually correct, meet technical specifications as contracted and be correctly installed. (99.5%)	1,851 orders for ex-service memorial plaques and headstones were assessed for eligibility, ordered from the manufacturer and installation arranged. 100% were factually correct, technically correct and correctly installed.
Decisions on eligibility for an ex-service memorials will be made within legislative parameters.	Met.
Where correct documentation has been supplied with the application an ex-Service memorials will be manufactured and installed within four months of receipt of the order. (75%)	When correct documentation was supplied 88% of all ex-service memorials were manufactured and installed within four months of receipt.
Provide Case Management	
New referrals to case management will be assigned a case manager within 5 working days. (95%)	100% of all new referrals to case management were assigned a case manager within five working days.
Active cases will be contacted every 4 months (in the range 1 to 4 months) to monitor progress and effectiveness of the interventions put in place.	3528 veterans and their family members were case managed. 100% of all active cases were contacted in this quarter.
The intervention packages that are put in place by case management will meet the identified need of the veteran.	Met.
Performance Standards and Measures	Performance Achieved.
Deal with Enquiries	
Calls will be resolved on first contact. (80%)	98% of all calls were resolved on first contact.
Calls will be resolved within 5 working days. (100%)	100% of all calls were resolved within 5 working days.
The resolution provided by the enquiry line will meet the identified need of the caller.	Met.

Conditions on Use of Appropriation

Reference	Conditions
Extant Policy	Policy complies with the War Pensions Act 1954.
Technical specifications for ex-service memorials	Ex-service memorials must meet specified size, material composition and finish as per the relevant contract specifications.
Eligibility for ex-service memorials	Decision on eligibility for ex-service memorials will be made on the basis of Section 15 of the Burial and Cremation Act 1964.

Costs for Output Expense: Services and Payments to Veterans (GST Exclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
	Expenditure			
3.913	Personnel	4.129	4.146	3.995
1.768	Operating	1.848	1.848	1.611
0.010	Depreciation	-	-	0.012
5.691	Total Expenses	5.977	5.994	5.618
	Income			
5.500	Revenue Crown	5.500	5.517	5.517
0.387	Revenue Other	0.477	0.477	0.363
5.887	Total Income	5.977	5.994	5.880
0.196	Net Surplus (Deficit)	-	-	0.262

Non-Departmental Output Expenses

Development and Maintenance of Services Cemeteries

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Veterans are acknowledged and recognised for their service and sacrifice and the community is aware of the role veterans have played and continue to play in developing New Zealand as a nation.	Development and Maintenance of Services Cemeteries
	Support for Veterans and their Families
Working in partnership with the NZDF, the impacts of service on eligible veterans and their dependants are monitored and they have information about and access to services and supports that promote wellbeing.	Support for Veterans and their Families

Description

The purchase of the development and maintenance of Services Cemeteries.

Performance

Performance Standards and Measures	Performance Achieved
Develop and Maintain Services Cemeteries	
Works carried out under contract will comply with agreed contract standards. (90%)	100% of all work carried out under contracts complied with agreed contract standards.
Services Cemeteries will be maintained to specified standards.(100%)	100% of all Services Cemeteries were maintained to specified standards.
Works in Services Cemeteries will be managed in accordance with an agreed annual programme.	Met.
Service Cemeteries will be maintained to the satisfaction of Local Authorities, the RSA and veterans' representative organisations.	Met.

Conditions

Reference	Conditions
Standards for Services Cemeteries	These define the maintenance standards for service cemeteries that Local Authorities need to meet in order to receive maintenance grants.
Works in Services Cemeteries	All work funded under this appropriation is contracted with specifications around the work to be undertaken.

Costs for Development and Maintenance of Services Cemeteries (GST Inclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
0.720	Expenses	0.746	0.746	0.651
-	Non-Departmental GST	-	-	0.049
0.720	Total	0.746	0.746	0.700

Support for Veterans and Their Families

Description

This appropriation is limited to providing for the support of veterans and their families. This includes the provision of counselling for veterans' families, the reimbursement of out of pocket expenses for veterans' children with specified conditions; additional support for veterans to facilitate them remaining in their own homes for as long as possible; additional support to facilitate veterans' rehabilitation; support for the surviving partner after the death of the veteran and for the provision of grants to Non-Government Organisations for the support of veterans and their families.

Performance

Performance Standards and Measures	Performance Achieved
The services provided will be to the satisfaction of the veteran and/or the veteran's family.	Met.
Works carried out under contract will comply with agreed contract standards. (95%)	100% of all work carried out under contracts complied with agreed contract standards.

Conditions

Reference	Conditions
Services	All interventions are contracted with specifications around the work to be undertaken.

Costs for Support for Veterans and their Families (GST Inclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
1.723	Expenses	1.277	1.977	1.870
-	Non-Departmental GST	-	-	0.105
1.723	Total	1.277	1.977	1.975

Benefits and Other Unrequited Expenses

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Working in partnership with NZDF, the impacts of service on eligible veterans and their dependants are monitored and they have information about and access to services and supports that promote wellbeing.	Medical Treatment Support for Veterans and their Families War Disablement Pensions

Interest Concessions Land and Buildings

Description

This appropriation is limited to provision for grandparented loans of the differential between the 3% or 5% Rehabilitation Loan rate and the current market rate as set out in the Rehabilitation Act 1941.

Costs for Interest Concessions Land and Buildings (GST Exclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
0.014	Total Expenses	0.009	0.015	0.010

Medical Treatment**Description**

This appropriation is limited to the payment of assessment costs as set out in the War Pensions Regulations 1956 for War Disablement Pension applications and reviews, medical treatment costs for accepted service-related disabilities, and the costs of appliances and aids required as a result of an accepted disability.

Costs for Medical Treatment (GST Inclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
21.307	Expenses	24.317	21.689	20.661
-	Non-Departmental GST	-	-	0.053
21.307	Total	24.317	21.689	20.714

Special Annuities**Description**

This appropriation is limited to paying annuities authorised by Cabinet to recognise a special contribution by the recipient to New Zealand society.

Costs for Special Annuities (GST Inclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
0.021	Total Expenses	0.044	0.036	0.031

(This was previously administered by the Ministry of Social Development. It was transferred to Veterans' Affairs New Zealand as the Special Annuities are paid as a War Disablement Pension equivalent.)

War Disablement Pensions**Description**

This appropriation is limited to the payment of War Disablement Pensions to ex-service people who have a disability attributable to, or aggravated by, service in a declared war or emergency at any time, or in routine service prior to 1 April 1974 as set out in the War Pensions Act 1954, the payment of Surviving Spouse Pensions as set out in the War Pensions Act 1954 and the payment of allowances as set out in the War Pensions Act 1954 and the War Pensions Regulations 1956.

Costs for War Disablement Pensions (GST Inclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
137.193	Expenses	135.302	136.753	135.155
-	Non-Departmental GST	-	-	0.258
137.193	Total	135.302	136.753	135.413

Non-Departmental Other Expenses**Debt Write-down for Benefits and Other Unrequited Expenses (BOUE)****Description**

This appropriation is limited to the write-down of Crown debtors administered by the New Zealand Defence Force due to the requirement to comply with Crown accounting policies and generally accepted accounting principles (GAAP).

Costs for Write-down for Benefits and Other Unrequited Expenses (GST Exclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
0.036	Total Expenses	0.250	0.250	0.163

Ex-Gratia Payments and Comprehensive Medical Assessments for Vietnam Veterans**Description**

This appropriation is limited to the ex-gratia payments to Vietnam veterans and/or members of their family with accepted conditions and for the annual comprehensive medical assessments for Vietnam Veterans.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
The provision of up to 2,000 annual medical checks for Vietnam veterans	513 medical checks were provided.
Up to 13 ex-gratia payments likely to be made to Vietnam veterans and/or members of their family with accepted conditions.	3 ex-gratia payments were made to veterans

Conditions on Use of Appropriations

Reference	Conditions
Accepted Conditions	A condition on the Institute of Medicine of the United States National Academy of Sciences 'Sufficient Evidence of Association' list, or one of five conditions accepted as being related to parental dioxin exposure.
Comprehensive Medical Assessments	An assessment of the impact of service and exposure to a toxic environment on Vietnam Veterans.

Costs for Ex-Gratia Payments and Comprehensive Medical Assessments for Vietnam Veterans (GST Inclusive)

Actual 2009/10 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2010/11 (\$ million)
0.376	Expenses	1.700	1.000	0.175
-	Non-Departmental GST	-	-	0.013
0.376	Total	1.700	1.000	0.188

Section Five

NZDF Financial Statements

Statement of Responsibility

In terms of the Public Finance Act 1989, I am responsible, as Chief Executive of the New Zealand Defence Force, for the preparation of the New Zealand Defence Force's financial statements and statement of service performance, and for the judgements made in them.

I have the responsibility of establishing and maintaining, and I have established and maintained, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the New Zealand Defence Force for the year ended 30 June 2011.

Signed by:

Countersigned by:



R.R. JONES
Lieutenant General
Chief of Defence Force

28 September 2011



M. HORNER
Chief Financial Officer

28 September 2011

Independent Auditor's Report

**To the readers of the
New Zealand Defence Force's
financial statements and non-financial performance information
and schedules of non-departmental activities
for the year ended 30 June 2011**

The Auditor-General is the auditor of the New Zealand Defence Force (the Defence Force). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements, the non-financial performance information and the schedules of non-departmental activities of the Defence Force on her behalf.

We have audited:

- the financial statements of the Defence Force on pages 141 to 176, that comprise the statement of financial position, statement of commitments and statement of contingent liabilities and assets as at 30 June 2011, the statement of financial performance, statement of comprehensive income, statement of movements in taxpayers' funds, statement of departmental expenses and capital expenditure against appropriations, statement of departmental unappropriated expenditure 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 non-financial performance information of the Defence Force that comprises the report about outcomes on pages 20 to 36 and 124 to 127, the summary of aggregated operational preparedness on page 15, and the statement of service performance on pages 39 to 122 and 128 to 135; and
- the schedules of non-departmental activities of the Defence Force on pages 177 to 183 that comprise the schedule of non-departmental assets and schedule of non-departmental liabilities as at 30 June 2011, the schedule of non-departmental expenditure and appropriations, schedule of non-departmental expenditure, statement of non-departmental unappropriated expenditure and statement of trust monies for the year ended on that date and the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Defence Force on pages 141 to 176:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Defence Force's:
 - financial position as at 30 June 2011;
 - financial performance and cash flows for the year ended on that date;
 - expenses and capital expenditure incurred against each appropriation administered by the Defence Force and each class of outputs included in each output expense appropriation for the year ended 30 June 2011; and

- unappropriated expenses and capital expenditure for the year ended 30 June 2011.
- the non-financial performance information of the Defence Force on page 15, pages 20 to 36, 39 to 122 and 124 to 135:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the Defence Force's service performance and outcomes for the year ended 30 June 2011, including for each class of outputs:
 - its service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
 - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.
- the schedules of non-departmental activities of the Defence Force on pages 177 to 183 fairly reflect:
 - the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2011 managed by the Defence Force on behalf of the Crown; and
 - the expenses, expenditure and capital expenditure against appropriations and unappropriated expenditure for the year ended on that date managed by the Defence Force on behalf of the Crown.

Our audit was completed on 28 September 2011. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Chief of Defence Force and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements the non-financial performance information and the schedules of non-departmental activities are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements, the non-financial performance information and the schedules of non-departmental activities. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements, the non-financial performance information and the schedules of non-departmental activities. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, the non-financial performance information and the schedules of non-departmental activities, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Defence Force's preparation of the financial statements, the non-financial performance information and the schedules of non-departmental activities that fairly reflect the matters to which they relate. We consider internal control 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 Defence Force's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Chief of Defence Force
- the appropriateness of the reported non-financial performance information within the Defence Force's framework for reporting performance;
- the adequacy of all disclosures in the financial statements, the non-financial performance information and the schedules of non-departmental activities; and
- the overall presentation of the financial statements, the non-financial performance information and the schedules of non-departmental activities.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, the non-financial performance information and the schedules of non-departmental activities. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Chief of Defence Force

The Chief of Defence Force is responsible for preparing:

- financial statements and non-financial performance information that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the Defence Force's financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses and capital expenditure; and
 - fairly reflect its service performance and outcomes; and
- schedules of non-departmental activities, in accordance with the Treasury Instructions 2010 that fairly reflect those activities managed by the Defence Force on behalf of the Crown.

The Chief of Defence Force is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements, non-financial performance information and schedules of non-departmental activities that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements, the non-financial performance information and the schedules of non-departmental activities and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Defence Force.



S.B. Lucy
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters Relating to the Electronic Presentation of the Audited Financial Statements and Statement of Service Performance

This audit report relates to the financial statements and statement of service performance of the New Zealand Defence Force for the year ended 30 June 2011 included on the New Zealand Defence Force's website. The New Zealand Defence Force's Chief Executive is responsible for the maintenance and integrity of the New Zealand Defence Force's website. We have not been engaged to report on the integrity of the New Zealand Defence Force's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and the related audit report dated 28 September 2011 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

NZDF Financial Statements

Statement of Financial Performance for the Year ended 30 June 2011

30 June 10			30 June 11	30 June 11	30 June 11
Actual		Note	Actual	Main Estimates	Supplementary Estimates
(\$000)			(\$000)	(\$000)	(\$000)
	Income				
2,201,375	Crown	3	2,224,144	2,253,969	2,224,144
15,344	Departmental	4	19,087	25,142	25,830
6,694	Other revenue		5,797	8,777	8,777
15,915	Gains	5	11,554	-	-
14	Interest		32	100	100
2,239,342	Total Income		2,260,614	2,287,988	2,258,851
	Expenditure				
837,276	Personnel costs	6	852,844	862,172	867,012
597,389	Operating costs	7	623,993	607,297	631,400
41	Finance costs	8	408	-	-
342,306	Depreciation and amortisation	9	333,380	382,695	336,646
428,864	Capital charge	10	423,693	435,724	423,693
2,205,876	Total Output Expenditure		2,234,318	2,287,888	2,258,751
2,485	Other operating expenses	11	2,015	-	3,250
2,208,361	Total Expenditure		2,236,333	2,287,888	2,262,001
30,981	Net Surplus/(Deficit)		24,281	100	(3,150)

Statement of Comprehensive Income for the year ended 30 June 2011

30 June 10			30 June 11	30 June 11	30 June 11
Actual		Note	Actual	Main Estimates	Supplementary Estimates
(\$000)			(\$000)	(\$000)	(\$000)
30,981	Net Surplus/(Deficit)		24,281	100	(3,150)
(79,447)	Gains/(Losses) on revaluation	12	554	-	-
(75,335)	Loss on impairment	12	(150)	-	-
(123,801)	Total Comprehensive Income		24,685	100	(3,150)

The accompanying accounting policies and notes form part of these financial statements

Statement of Movements in Taxpayers' Funds for the Year Ended 30 June 2011

30 June 10			30 June 11	30 June 11	30 June 11
Actual		Note	Actual	Main Estimates	Supplementary Estimates
(\$000)			(\$000)	(\$000)	(\$000)
	Balance at 1 July				
3,618,986	General funds	12	3,713,286	3,619,899	3,716,671
2,101,943	Revaluation reserve	12	1,939,440	2,101,943	1,933,893
5,720,929			5,652,726	5,721,842	5,650,564
30,981	Net surplus for the year		24,281	100	(3,150)
(79,447)	Total revaluation gains/(losses)	12	554	-	-
(75,335)	Total impairment losses	12	(150)	-	-
(123,801)	Total Comprehensive Income for the Year		24,685	100	(3,150)
(38,615)	Repayment of surplus	18	(28,190)	(100)	(100)
94,384	Capital contribution		6,635	-	-
(171)	Capital withdrawal		-	-	-
5,652,726	Balance as at 30 June		5,655,856	5,721,842	5,647,314
3,713,286	General funds	12	3,738,457	3,619,899	3,713,421
1,939,440	Revaluation reserve	12	1,917,399	2,101,943	1,933,893

Reconciliation of Changes in Taxpayers' Funds

30 June 10			30 June 11	30 June 11	30 June 11
Actual		Note	Actual	Main Estimates	Supplementary Estimates
(\$000)			(\$000)	(\$000)	(\$000)
	General Funds				
3,618,986	Balance as at 1 July		3,713,286	3,619,899	3,716,671
30,981	Net surplus/(deficit)		24,281	100	(3,150)
(38,615)	Repayment of surplus		(28,190)	(100)	(100)
94,384	Capital contribution		6,635	-	-
(171)	Capital withdrawal		-	-	-
7,721	Transfer from revaluation	12	22,445	-	-
3,713,286	Balance as at 30 June		3,738,457	3,619,899	3,713,421
	Revaluation Reserve				
2,101,943	Balance as at 1 July		1,939,440	2,101,943	1,933,893
(79,447)	Revaluation gains/(losses)		554	-	-
(75,335)	Loss on impairment		(150)	-	-
(7,721)	Gain on assets disposed	12	(22,445)	-	-
1,939,440	Balance as at 30 June		1,917,399	2,101,943	1,933,893
5,652,726	Total Taxpayers' Funds		5,655,856	5,721,842	5,647,314

Statement of Financial Position as at 30 June 2011

30 June 10			30 June 11	30 June 11	30 June 11
Actual		Notes	Actual	Main Estimates	Supplementary Estimates
(\$000)			(\$000)	(\$000)	(\$000)
	Assets				
	Current Assets				
93,031	Cash and cash equivalents		81,387	10,863	53,072
13,759	Debtors and other receivables	13	9,764	15,800	20,386
213,407	Debtor - Crown		333,403	-	213,407
39,573	Prepayments		27,351	35,000	37,000
88,216	Inventories	14	105,386	110,704	111,433
607	Derivatives in gain	23	245	-	-
448,593	Total Current Assets		557,536	172,367	435,298
	Non - Current Assets				
5,297,308	Property, plant and equipment	15	5,219,463	5,606,120	5,232,389
11,973	Intangible assets	16	8,608	15,025	9,975
199,030	Inventories	14	194,706	185,595	206,946
243	Derivatives in gain	23	11	-	-
5,508,554	Total Non - Current Assets		5,422,788	5,806,740	5,449,310
5,957,147	Total Assets		5,980,324	5,979,107	5,884,608
	Liabilities				
	Current Liabilities				
169,623	Creditors and other payables	17	192,488	180,015	147,758
38,615	Surplus repayable to the Crown	18	28,190	100	100
4,374	Provisions	19	8,237	-	7,624
35,196	Employee entitlements	20	38,229	26,150	35,587
200	Finance lease	21	1,465	-	256
9,349	Derivatives in loss	23	9,172	-	-
257,357	Total Current Liabilities		277,781	206,265	191,325
	Non - Current Liabilities				
43,706	Employee entitlements	20	38,006	51,000	43,315
2,691	Finance lease	21	6,537	-	2,654
667	Derivatives in loss	23	2,144	-	-
47,064	Total Non - Current Liabilities		46,687	51,000	45,969
304,421	Total Liabilities		324,468	257,265	237,294
5,652,726	Net Assets		5,655,856	5,721,842	5,647,314
	Taxpayers' Funds				
3,713,286	General funds	12	3,738,457	3,619,899	3,713,421
1,939,440	Revaluation reserve	12	1,917,399	2,101,943	1,933,893
5,652,726	Total Taxpayers' Funds		5,655,856	5,721,842	5,647,314
5,957,147	Total Liabilities and Taxpayers' Funds		5,980,324	5,979,107	5,884,608

The accompanying accounting policies and notes form part of these financial statements

Statement of Cash Flows for the Year Ended 30 June 2011

30 June 10			30 June 11	30 June 11	30 June 11
Actual		Notes	Actual	Main Estimates	Supplementary Estimates
(\$000)			(\$000)	(\$000)	(\$000)
	Cash Flow – Operating Activities				
2,149,212	Receipts from Crown		2,104,148	2,417,376	2,224,144
15,086	Receipts from departments		22,470	25,142	25,587
5,922	Receipts from other		17,995	8,877	3,243
(834,591)	Payments to employees		(837,619)	(863,521)	(857,238)
(591,179)	Payments to suppliers		(600,417)	(625,609)	(684,772)
(428,864)	Payments for capital charge		(423,693)	(435,724)	(423,693)
4,792	Goods and services tax (net)		(508)	(4,781)	(7,610)
320,378	Net Cash Flow from Operating Activities	28	282,376	521,760	279,661
	Cash Flows – Investing Activities				
16,579	Receipts from sale of property, plant and equipment		926	-	1,207
(323,926)	Purchase of property, plant and equipment		(260,713)	(542,943)	(276,830)
(3,307)	Purchase of intangible assets		(2,253)	(3,000)	(4,000)
(310,654)	Net Cash Flow from Investing Activities		(262,040)	(545,943)	(279,623)
	Cash Flows from Financing Activities				
94,384	Capital contribution		6,635	-	6,635
(171)	Capital withdrawal		-	-	-
(24,005)	Repayment of surplus		(38,615)	(18,100)	(38,614)
70,208	Net Cash Flow from Financing Activities		(31,980)	(18,100)	(31,979)
79,932	Net increase / (decrease) in cash		(11,644)	(42,283)	(39,959)
13,099	Cash at the beginning of the year		93,031	53,146	93,031
93,031	Cash and Cash Equivalents at the End of the Year		81,387	10,863	53,072

GST has been presented on a net basis as the gross amounts do not provide meaningful information for financial statement purposes.

Statement of Commitments as at 30 June 2011

30 June 10		30 June 11
Actual (\$000)		Actual (\$000)
	Capital Commitments	
561,739	Property, plant and equipment	501,708
561,739		501,708
335,680	Not later than one year	239,227
226,059	Later than one year and not later than five years	262,481
561,739	Total Capital Commitments	501,708
	Non - Cancellable Operating Lease Commitments	
15,149	Not later than one year	14,340
32,913	Later than one year and not later than five years	33,576
55,238	Later than five years	61,650
103,300	Total Non - Cancellable Operating Lease Commitments	109,566
	Other Non - Cancellable Contracts	
122,636	Not later than one year	36,029
53,674	Later than one year and not later than five years	136,222
28,228	Later than five years	31,340
204,538	Total Other Non - Cancellable Contracts	203,591
869,577	Total Commitments	814,865

Capital Commitments

The majority of the capital commitments are with the Ministry of Defence who manage the procurement of major military assets on behalf of the NZDF.

Non - Cancellable Operating Lease Commitments

The majority of these leases are for premises. These lease commitments are based on lease review dates that range from two months to 14 years.

The previous year's commitments have been restated based on lease review dates.

Other Non - Cancellable Contracts

Other contracts are for the purchase of goods and services and include outstanding purchase orders.

A 10-year term logistics contract requires work schedules to be agreed regularly. The commitment is included over the term of the contract based on the initial work schedule.

Statement of Contingent Liabilities and Assets as at 30 June 2011**Quantifiable Contingent Liabilities**

30 June 10		30 June 11
Actual (\$000)		Actual (\$000)
1,627	Potential claims from legal proceedings and disputes	2,000
3,205	Restructuring cost	3,055
4,832	Total quantifiable contingent liabilities	5,055

The potential claims from legal proceedings and disputes represent the amounts claimed by plaintiffs in relation to the performance of the NZDF's statutory role. The NZDF is currently disputing these claims.

The NZDF is jointly responsible for redundancy compensation payments if a restructuring of the dockyard contract occurs.

Contingent Assets

The NZDF has no contingent assets (2010: nil).

Statement of Indemnities for the Year Ended 30 June 2011

The Accident Compensation Corporation (ACC) against all claims, costs, liabilities and losses suffered by ACC in connection with the hyperbaric oxygen treatment services at the Devonport Naval Base.

Airways Corporation in respect of air traffic control services.

Auckland International Airport Limited in respect of an agreement to permit the NZDF to access the airport and aircraft for training activities.

Canterbury District Health Board against loss or damage resulting from negligence or omission by Army medical personnel training at Christchurch Hospital.

Capital Properties (Wellington) Ltd under the Development Agreement and Lease for the Defence Headquarters Building. The NZDF will also have granted indemnities in respect of other premises it leases.

City Forests Limited in respect of an agreement to permit the NZDF to train on City Forests Limited's land.

Commonwealth of Australia, Aurecon and Matair in respect of provision of data for the design of a battle training facility.

Federal Republic of Germany in respect of radar transmitters purchased for the use on P-3K Orion aircraft.

GAEA Technology Inc in respect of a contract for provision of information relating to Seasprite engines.

The NZ Blood Services in respect of blood products.

United Airlines in respect of a contract for the provision of flight simulation training services to the NZDF.

Wenita Forest Products Limited in respect of an agreement to permit the NZDF to train on Wenita Forest Products Limited's land.

Statement of Departmental Expenses and Capital Expenditure against Appropriations for the Year Ended 30 June 2011

30 June 10			30 June 11	30 June 11	30 June 11	30 June 11	30 June 11	30 June 11	30 June 11
Actual Expenditure Including Remeasurements (\$000)			Main Estimates (\$000)	Supplementary Estimates (\$000)	Section 26A Changes (\$000)	Total Appropriation (\$000)	Actual Expenditure Excluding Remeasurements (\$000)	Remeasurements (\$000)	Actual Expenditure Including Remeasurements (\$000)
		Vote: Defence Force							
		Output Appropriations							
14,348	1	Military Policy Development, Coordination & Advice	16,334	15,795	-	15,795	15,046	-	15,046
402,308	2	Naval Combat Forces	398,139	402,504	(5,900)	396,604	387,255	6,837	394,092
107,952	3	Naval Support Forces	106,026	104,849	(4,500)	100,349	96,635	2,016	98,651
26,312	4	Mine Countermeasures (MCM) and MCM Diving Forces	24,854	24,592	500	25,092	23,766	271	24,037
101,199	5	Naval Patrol Forces	127,452	125,523	-	125,523	121,458	2,038	123,496
16,628	6	Military Hydrography and Hydrographic Data Collection and Processing for LINZ	16,360	15,384	500	15,884	15,138	78	15,216
383,911	7	Land Combat Forces	405,762	389,889	(3,000)	386,889	380,895	6,696	387,591
207,544	8	Land Combat Support Forces	211,524	211,712	(2,000)	209,712	204,101	3,638	207,739
155,118	9	Land Combat Service Support Forces	154,720	154,137	-	154,137	149,377	2,716	152,093
68,382	10	Special Operations Forces	71,251	73,630	-	73,630	71,475	1,747	73,222
84,171	11	Naval Helicopter Forces	87,939	89,745	400	90,145	91,135	1,088	92,223
169,208	12	Maritime Patrol Forces	178,708	165,650	6,800	172,450	167,266	2,232	169,498
234,684	13	Fixed Wing Transport Forces	244,441	248,843	7,200	256,043	248,766	3,450	252,216
126,963	14	Rotary Wing Transport Forces	131,988	123,025	-	123,025	120,135	910	121,045
1,942	15.1	Support to Mutual Assistance Programme	2,388	2,810	50	2,860	2,674	-	2,674
3,458	15.2	Support to New Zealand Cadet Forces	3,399	3,555	50	3,605	3,294	-	3,294
7,240	15.4	Support to Military Museums	6,260	6,198	(150)	6,048	5,875	-	5,875
8,707	15.5	Support to Youth Development	13,470	14,171	50	14,221	13,542	-	13,542
77,765	16	Operationally Deployed Forces	78,446	78,295	-	78,295	75,051	-	75,051
2,197,840		Total Vote: Defence Force Output Appropriations	2,279,461	2,250,307	-	2,250,307	2,192,884	33,717	2,226,601
		Other Expense Appropriations							

30 June 10			30 June 11	30 June 11	30 June 11	30 June 11	30 June 11	30 June 11	30 June 11
Actual Expenditure Including Remeasurements (\$000)			Main Estimates (\$000)	Supplementary Estimates (\$000)	Section 26A Changes (\$000)	Total Appropriation (\$000)	Actual Expenditure Excluding Remeasurements (\$000)	Remeasurements (\$000)	Actual Expenditure Including Remeasurements (\$000)
2,485		Asset Write Off		3,250	-	3,250	2,015	-	2,015
2,485		Total Vote: Defence Force Other Expense Appropriations	-	3,250	-	3,250	2,015	-	2,015
2,200,325		Total Vote: Defence Force	2,279,461	2,253,557	-	2,253,557	2,194,899	33,717	2,228,616
		Vote: Veterans' Affairs - Defence Force							
2,345	1	Policy & Administration	2,450	2,450	-	2,450	2,099	-	2,099
5,691	2	Services & Payments to Veterans	5,977	5,994	-	5,994	5,618	-	5,618
8,036		Total Vote: Veterans' Affairs - Defence Force	8,427	8,444	-	8,444	7,717	-	7,717
2,208,361		Total Appropriations	2,287,888	2,262,001	-	2,262,001	2,202,616	33,717	2,236,333

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are defined under the Public Finance Act as a revision of prices or estimates resulting from revised expectations of future benefits or obligations that change the carrying amount of an asset or liability. The remeasurements detailed above relate to losses on foreign exchange.

Statement of Capital Expenditure

30 June 10		30 June 11	30 June 11	30 June 11
Actual		Actual	Supplementary	Total
(\$000)		(\$000)	Estimates	Appropriation
			(\$000)	(\$000)
	Capital Expenditure			
326,752	Capital expenditure	261,631	400,000	400,000
326,752	Total Capital Expenditure	261,631	400,000	400,000

Statement of Departmental Unappropriated Expenditure for the Year Ended 30 June 2011**Vote: Defence Force***Naval Helicopter Forces Unappropriated Expenditure*

There was unappropriated expenditure for this output expense of \$0.990 million due to three Seasprite helicopter rotor blades found to be beyond economic repair and written off following a detailed review of assets. Engineering advice was sought on options to remediate the blades to a serviceable state when the damage was discovered and the advice received was that the only viable option was to replace the blades.

The carrying values of the remaining blades are higher than the replacement cost but current accounting standard IAS16 requires that any adjustment to the carrying values need to be made on a class of asset basis rather than individual items within the asset class. This effectively overstates the carrying values of the rotor blades by \$4.000 million and will be updated during the next Specialist Military Equipment revaluation.

There was no other unappropriated expenditure for Vote: Defence Force.

Vote: Veterans' Affairs – Defence Force

There was no unappropriated expenditure for Vote: Veterans' Affairs – Defence Force.

Notes to the Financial Statements

Note 1: Statement of Accounting Policies for the Year Ended 30 June 2011

Reporting Entity

The New Zealand Defence Force (NZDF) is a government department as defined by Section 2 of the Public Finance Act 1989 and is domiciled in New Zealand.

In addition, the NZDF has reported on Crown activities administered on behalf of Vote: Veterans' Affairs – Defence Force.

The primary objective of the NZDF is to provide services to the public rather than making a financial return. Accordingly, the NZDF has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the NZDF are for the year ended 30 June 2011. The financial statements were authorised for issue by the Chief of Defence Force on 28 September 2011.

Basis of Preparation

Statement of Compliance

The financial statements of the NZDF 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 practices (NZ GAAP) and Treasury Instructions.

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable financial reporting standards, as appropriate for public benefit entities.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land, buildings, specialist military equipment and certain financial instruments including derivative instruments.

Functional and presentation currency

The financial statements are presented in New Zealand dollars, which is the NZDF's functional currency and all values are rounded to the nearest thousand dollars (\$'000).

Changes in Accounting Policies

There have been no changes in accounting policies during the financial year.

Standards, amendments and interpretations issued but not yet in effect and have not been early adopted

The following Standards, amendments and interpretations issued (which are relevant to the NZDF) but not yet in effect, have not been early adopted:

- a. NZ IAS 24 *Related Party Disclosures (Revised 2009)*. This standard replaces NZ IAS 24 *Related Party Disclosures (Issued 2004)* and is effective for reporting periods commencing on or after 1 January 2011. The revised standard:
 - (i) removes the previous disclosure concessions applied by the NZDF for arms length transactions between the NZDF and entities controlled or significantly influenced by the Crown. The effect of the revised standard is that more information is required to be disclosed about transactions between the NZDF and entities controlled or significantly influenced by the Crown;
 - (ii) provides clarity on the disclosure of related party transactions with Ministers of the Crown. Further, with the exception of the Minister of Defence, the NZDF will be provided with an exemption from certain disclosure requirements relating to transactions with other Ministers of the Crown. The clarification could result in additional disclosures should there be any related part transactions with the Ministers of the Crown; and
 - (iii) clarifies that related party transactions include commitments with related parties.

The NZDF intends to adopt this standard for the year ending 30 June 2012.

- b. NZ IFRS 9 *Financial Instruments*. This standard relates to the classification and measurement of financial assets. NZ IFRS 9 will ultimately replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics and subsequently measures the financial assets at either amortised cost or fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013.

The NZDF intends to adopt this standard for the year ending 30 June 2014 and has not determined the potential impact of the new standard.

Use of Accounting Estimates and Judgements

The preparation of financial statements requires the use of certain accounting estimates. It also requires the NZDF to exercise judgement in the process of applying the NZDF's accounting policies. Accounting estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Any area involving a high degree of judgement or complexity or where accounting estimates are significant to the financial statements are disclosed under the applicable accounting policies below.

Accounting Policies

The following particular accounting policies which materially affect the measurement of financial results and financial position have been applied.

Budget Figures

The Budget figures are consistent with the financial information presented in the Main Estimates. In addition, the financial statements also present the updated information from the Supplementary Estimates. The appropriation figures include transfers made under Section 26A.

Revenue

The NZDF derives revenue through the provision of outputs to the Crown and for services to third parties. Revenue is measured at the fair value of consideration received. This revenue is recognised when earned and is reported in the financial period to which it relates.

Foreign Currency

Foreign currency transactions are converted to New Zealand currency using the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities in foreign currencies at reporting date are translated at the closing mid-point exchange rate prevailing at that date.

Gains and losses resulting from foreign currency transactions are recognised in the Statement of Financial Performance.

Interest

The NZDF derives interest income on funds held in overseas bank accounts and is recognised using the effective interest method.

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight line basis over the lease term.

The NZDF leases training aircraft, office premises and office equipment (mainly multi-functional reprographic equipment). As the lessor retains all the risks of ownership, these leases are classified as operating leases.

Finance Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset, whether or not the title is eventually transferred.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance costs are charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the NZDF will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Maintenance Costs

The cost of major airframe engines and ship overhauls are capitalised and depreciated over the shorter of the period between major overhauls or the remaining life of the asset.

All other maintenance costs are expensed as incurred.

Borrowing Costs

The NZDF has deferred the adoption of NZ IAS 23 *Borrowing Costs (Revised 2007)* in accordance with its transitional provisions that are applicable to public benefit entities.

Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

Goods and Services Tax (GST)

The financial statements and schedules are prepared on a GST exclusive basis except for Debtors and Other Receivables and Creditors and Other Payables in the Statement of Financial Position, which are GST inclusive.

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

The net GST paid to, 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.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

Government departments are exempt from income tax as public authorities. Accordingly no charge for income tax has been provided for.

Taxpayers' Funds

Taxpayers' Funds are the Crown's investment in the NZDF and are measured as the difference between total assets and total liabilities.

Taxpayers' Funds is disaggregated and classified as general funds and property, plant and equipment revaluation reserves.

Financial Instruments

The NZDF is party to financial instruments as part of its normal operations. These financial instruments include cash balances, receivables, payables and foreign currency forward exchange contracts or derivatives.

All financial instruments are recognised in the Statement of Financial Position. All revenue and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance.

Cash and Cash Equivalents

Cash means cash balances on hand and funds on deposit with banks and is measured at its face value.

Debtors and Other Receivables

Debtors and other receivables are initially recorded at fair value and subsequently at amortised cost after providing for impairment. Impairment of a receivable is established when there is objective evidence that the NZDF will not be able to collect amounts due according to the original terms of the receivable.

Inventories

Inventories are held for distribution or consumption in the provision of services and are comprised of munitions, technical spares and consumable items.

Inventory intended to be kept for more than one year has been classified as non-current inventory. No inventory is pledged as security for liabilities.

Inventories are recorded at weighted average cost and the total value of inventory reflects any obsolescence or other impairment.

The obsolescence provision is calculated by identifying specific obsolete inventory items and slow moving inventory lines.

Derivative Financial Instruments

The NZDF uses derivative financial instruments to manage its exposure to foreign exchange risks.

Derivative financial instruments are initially recognised at fair value on the date a contract is entered into and then restated at their fair value every reporting date. Movements in the fair value of derivatives are recognised in the Statement of Financial Performance.

Property, Plant and Equipment

Property, plant and equipment (PPE) consists of land, buildings, leasehold improvements, specialist military equipment, plant and equipment, office and computer (hardware) equipment.

PPE is shown at cost or valuation less accumulated depreciation and accumulated impairment losses.

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.

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

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 will flow to the NZDF and the cost of the item can be measured reliably.

Part of the cost of a purchased aircraft and ship is linked to its service potential that reflects the maintenance condition of the main components. The cost of the major aircraft engine and ship overhauls are capitalised and depreciated over the shorter of the period between major overhauls or the remaining life of the asset.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the Statement of Financial Performance. When a revalued asset is sold, the amount included in the property, plant and equipment revaluation reserve in respect of the asset is transferred to general funds.

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 NZDF and the cost of the item can be measured reliably.

Revaluation

Land, buildings (including housing and infrastructure) and specialist military equipment asset classes are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from fair value and at least once every five years. Valuations use a market based approach except where reliable market evidence is unavailable and then optimised depreciated replacement cost (ODRC) is used to calculate fair value. The carrying values of revalued items are reviewed at each reporting date to ensure that those values are not materially different to fair value.

Land holdings are individually revalued using a market-based approach.

Buildings with a net book value greater than or equal to \$0.250 million are individually revalued. Buildings with a net book value of less than \$0.250 million are revalued using an appropriate market or construction cost based index.

Valuations for land and buildings are determined by an independent registered valuer.

Revaluation gains and losses on disposal are included in the Statement of Financial Performance and are determined by comparing the proceeds from the disposal with the carrying value. When a revalued asset is sold, the amount included in the property, plant and equipment Revaluation Reserve in respect of the asset is transferred to General Funds.

Depreciation

Depreciation is provided on a straight line basis on all PPE except freehold land and capital work in progress so as to allocate the cost, or valuation, of the assets, less any estimated residual value, over their estimated economic useful lives. The estimated economic useful lives are within the following ranges:

Buildings	5 - 100 years
Leasehold improvements	2 - 20 years
Specialist Military Equipment	5 - 55 years
Plant and Equipment	5 - 50 years
Office and Computer Equipment	2 - 20 years

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

Intangible Assets

Computer application software with a finite useful live costing more than \$5,000 is capitalised and recorded at cost less accumulated amortisation. Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation is charged to the Statement of Financial Performance on a straight-line basis over the useful life of the asset. The estimated economic useful life for computer application software is 3 - 20 years.

Impairment

Non-financial assets are reviewed every reporting date to determine whether there are any indicators that the carrying amount may not be recoverable. If indicators do exist, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. In assessing value in use, the risks specific to the asset are considered.

An impairment loss is recognised in the Statement of Financial Performance as the amount by which the asset's carrying amount exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount.

Employee Entitlements

A provision is made in respect of the NZDF's liability for annual, long service, incentive leave and retirement benefits. Annual leave has been calculated on an actual entitlement basis at current rates of pay. Long service, incentive leave and retirement benefits have been calculated on an actuarial basis, by the NZDF based on the estimated present value of future entitlements and inflation and discount rates advised by The Treasury.

Inflation has been assumed to be 3.00% and a discount rate between 2.84% and 6.00% has been used for future years.

ACC Partnership Programme

The NZDF is an ACC Accredited Employer under the ACC Partnership Programme whereby NZDF accepts the management and financial responsibility for work related illnesses and accidents of employees. Under the ACC Partnership Programme, the NZDF is effectively providing accident insurance to employees and this is accounted for as an insurance contract.

The NZDF manages ACC claims for work related injuries until the claim is closed or for a period of 48 months following the year in which the claim was registered. At the end of this period, any open claims still requiring entitlements are handed back to ACC for management together with the life time cost of these claims. ACC calculates the life time cost of open claims at hand back. The NZDF liability for these claims ceases at this point.

The value of the liability for ACC claims is measured as the expected future payments to be made for claims already registered up to the reporting date for which the NZDF has responsibility under the terms of the Partnership Programme.

Inflation has been assumed to be 3.00% and a discount rate between 2.84% and 6.00% has been used for future years.

Superannuation

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver, Government Superannuation Fund, Armed Forces Superannuation Scheme and Civil Staff Superannuation Scheme are accounted for as defined contribution schemes and are recognised as an expense in the Statement of Financial Performance as incurred.

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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are referred to below:

Revaluation

Specialist Military Equipment (SME) is manufactured overseas and recent cost comparisons of similar capability equipment are required under the ODRC valuation principle. The recent cost of similar SME is based in overseas currencies and movements in foreign exchange will directly impact the valuation as well as market values.

Owing to the nature of the military environment and the unique specifications of the SME manufactured for the NZDF, comparable capability and equipment type is difficult to determine. An international index of military ship building was used to value the ships since the last directly comparable ship replacement cost. Costings from local suppliers and manufacturer catalogues were used for small SME items. Similar military variants were used for the valuation of the aircraft based on purchase information made available.

Critical Judgments in Applying Accounting Policies

Finance Leases

Determining whether a lease agreement is a finance lease or an operating lease requires judgment as to whether the agreement transfers substantially all the risk and rewards of ownership to the NZDF. Judgment is required on various aspects that include, but are not limited to, the fair value of the lease asset, the economic life of the leased asset, whether or not to include the renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant and equipment, whereas with an operating lease no such asset is recognised.

The NZDF has exercised its judgment on the appropriate classification of equipment leases and has determined a number of lease arrangements to be finance leases.

Statement of Cost Accounting Policies

The NZDF has determined the cost of outputs using the cost allocation system outlined below.

Vote: Defence Force

Direct costs of a force element (for example, a squadron, a frigate, a battalion) are attributed directly to an appropriate output.

Support unit costs are charged to outputs using long term drivers that reflect the use of that activity to produce outputs. Drivers for support units include:

- Planned maintenance and sea-days (Outputs 2 - 6),
- Personnel numbers directly related to the force elements (Outputs 7 - 10), and
- Maintenance and logistic support for aircraft fleets (Outputs 11 - 14).

Overhead costs are charged to outputs using the percentage of that output's gross operating budget (exclusive of capital charge) to the total gross budget (exclusive of capital charge) for all outputs.

The allocation rules are reviewed if there is significant organisational change to alter the continued appropriateness of the rules.

Vote: Veterans' Affairs – Defence Force

All costs associated with the delivery of outputs are attributed directly to the appropriate output.

There have been no changes in the cost accounting methodology during the financial year.

Commitments

Future expenses to be incurred on contracts that have been entered into at reporting date are disclosed as commitments to the extent that there are equally unperformed obligations.

Cancellable commitments that have a penalty or exit cost 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.

Contingent Liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

Capital Management Programme

The NZDF's capital is its equity, which is comprised of general Taxpayers' Funds and Revaluation Reserves. Equity is represented by net assets.

The NZDF manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The NZDF's equity is largely managed as a by-product of managing income, expenses, assets, liabilities and in compliance with Government Budget processes and with Treasury Instructions.

Although the NZDF is more asset intensive than most Government departments, this is managed using robust systems, policies, the Capability Management Framework and the resultant NZDF Capital Programme.

The objective of managing the NZDF's equity is to ensure the NZDF effectively achieves its strategic goals and objectives for which it has been established, whilst remaining a going concern.

Note 2: Budget Composition

	Main Estimates (\$000)	Supplementary Estimates Changes (\$000)	Supplementary Estimates (\$000)
Income			
Crown	2,253,969	(29,825)	2,224,144
Departmental	25,142	688	25,830
Other	8,777	-	8,777
Gains	-	-	-
Interest	100	-	100
Total Revenue	2,287,988	(29,137)	2,258,851
Expenditure			
Personnel	862,172	4,840	867,012
Operating	607,297	24,103	631,400
Depreciation and amortisation	382,695	(46,049)	336,646
Capital charge	435,724	(12,031)	423,693
Total Output Expenses	2,287,888	(29,137)	2,258,751
Other expenses	-	3,250	3,250
Total Expenses	2,287,888	(25,887)	2,262,001

The main contributors to the Supplementary Estimates changes were:

		(\$000)
	Vote: Defence Force	
Personnel expenses	The change was due to additional funding required to meet revised tax treatment of non-operational allowances and the increase in the employer contribution for the Government Superannuation Fund (GSF).	4,840
Operating expenses	Asset revaluation funding transferred from depreciation allocations, for return to the Crown.	24,086
Depreciation	Funding for delayed capital projects converted to a 2011/12 capital injection. The asset revaluation outcome did not require additional funding and was retained within the operating allocation, for return to the Crown as part of the year-end surplus.	(46,049)
Capital charge	This reflects the impact of the June 2010 asset revaluation on Taxpayers' Funds.	(12,031)
Total Output Expenses		(29,154)
Other Expenses	This reflects the disposal of the decommissioned Air Combat Force and other costs to keep the assets in a saleable condition.	3,250
Total Expenses	Vote: Defence Force	(25,904)

		(\$000)
	Vote: Veterans' Affairs - Defence Force	
Operating expenses	The change was due to the increase in the employer contribution rate for the GSF.	17
Total Expenses	Vote: Veterans' Affairs - Defence Force	17

Variations from Budget

The final result for the year was a surplus of \$24.281 million, compared with a budget deficit of \$3.150 million. The main factors causing this surplus are:

- a decrease in Departmental income of \$6.743 million due to Ministry of Defence recoveries being offset against costs;
- an increase in Gains of \$11.554 million due to foreign exchange gains;
- a decrease in Personnel expenditure of \$14.168 million due to the reduced number of civilians;
- a decrease in Operating expenditure of \$7.407 million due to slower than anticipated servicing of airframes and delays in introduction into service of new capabilities;
- a decrease in Depreciation of \$3.266 million due to delays in capitalising major projects; and
- a decrease in Other operating expenses of \$1.235 million due to the final decommissioning costs of the Air Combat Force.

The Net Assets financial position at 30 June 2011 was \$5,655.856 million compared to the budget of \$5,647.314 million. The main factors causing this decrease are:

- an increase in Current Assets of \$122.238 million due to improved liquidity as a result of delays in the delivery and payment of capital projects with unused Crown funding received being transferred to Debtor - Crown;
- a decrease in Non-Current Assets of \$26.522 million due to the delay in capitalising capital projects;
- an increase in Current Liabilities of \$86.456 million due to higher than anticipated levels of accruals and payroll liabilities; and
- an increase in Non-Current Liabilities of \$0.718 million due to more finance leasing arrangements undertaken.

Note 3: Crown Revenue

This is revenue earned for the supply of outputs to the Crown.

Note 4: Departmental Revenue

30 June 10		30 June 11	30 June 11
Actual		Actual	Supplementary
(\$000)		(\$000)	Estimates
			(\$000)
6,926	Ministry of Social Development	11,600	5,657
5,778	Land Information New Zealand	4,991	6,238
2,224	State Services Commission	2,146	11,600
350	Ministry of Defence	350	2,335
57	Ministry of Justice	-	-
9	NZ Customs Service	-	-
15,344	Total Departmental Revenue	19,087	25,830

Note 5: Gains

30 June 10		30 June 11	30 June 11
Actual		Actual	Supplementary Estimates
(\$000)		(\$000)	(\$000)
9,414	Gain on realised foreign exchange	11,554	-
6,501	Gain on liability reduction to Australian Defence Force	-	-
15,915	Total Gains	11,554	-

Note 6: Personnel Costs

30 June 10		30 June 11	30 June 11
Actual		Actual	Supplementary Estimates
(\$000)		(\$000)	(\$000)
792,458	Salaries and wages	790,160	797,634
41,075	Superannuation contributions to defined contribution schemes	54,674	57,171
(1,252)	Retirement and accumulated leave adjustment	4,561	3,531
4,995	Accident Compensation Corporation (ACC) levies	3,449	8,676
837,276	Total Personnel Costs	852,844	867,012

Note 7: Operating Costs

30 June 10		30 June 11	30 June 11
Actual		Actual	Supplementary Estimates
(\$000)		(\$000)	(\$000)
188,409	Materials	205,847	233,467
63,978	Premises cost	67,245	68,318
97,922	Repairs and maintenance	86,516	88,797
57,082	Training and travel	53,127	56,867
47,061	Operating lease rentals and other license charges	44,633	47,791
5,596	Consultancy	4,387	4,139
414	Audit fees for financial statements audit: Audit NZ	350	360
9	Fees for other services: Audit NZ	30	-
-	Fees to auditors other than Audit NZ	-	-
(355)	Increase/(decrease) in provision for doubtful debts	186	-
13,605	Realised foreign exchange losses	24,431	-
9,820	Unrealised foreign exchange losses	9,286	-
889	Loss on sale of property, plant and equipment	8,091	2,214
112,959	Other operating costs	119,864	129,447
597,389	Total Operating Costs	623,993	631,400

Note 8: Finance Costs

30 June 10		30 June 11	30 June 11
Actual		Actual	Supplementary
(\$000)		(\$000)	Estimates
			(\$000)
41	Interest on finance leases	408	-
41	Total Finance Costs	408	-

Note 9: Depreciation and Amortisation

30 June 10		30 June 11	30 June 11
Actual		Actual	Supplementary
(\$000)		(\$000)	Estimates
			(\$000)
29,949	Buildings	33,546	34,196
285,545	Specialist military equipment	272,860	275,230
8,903	Plant and equipment	10,012	9,040
6,830	Office and computer equipment	6,345	-
5,547	Computer application software	5,618	12,960
5,532	Motor vehicles	4,999	5,220
342,306	Total Depreciation and Amortisation	333,380	336,646

Note 10: Capital Charge

The NZDF pays a capital charge to the Crown on its average Taxpayers' Funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2011 was 7.5% (2010: 7.5%).

Note 11: Other Operating Expenses

30 June 10		30 June 11	30 June 11
Actual		Actual	Supplementary
(\$000)		(\$000)	Estimates
			(\$000)
2,485	Air Combat Force disposal costs	2,015	3,250
2,485	Total Other Operating Expenses	2,015	3,250

Note 12: Taxpayers' Funds**General Funds**

30 June 10		30 June 11
Actual		Actual
(\$000)		(\$000)
3,618,986	Opening Balance	3,713,286
30,981	Net surplus for the year	24,281
7,721	Transfers from revaluation reserve on disposal of assets	22,445
94,384	Capital contribution	6,635
(171)	Capital withdrawal	-
(38,615)	Repayment of surplus	(28,190)
3,713,286	Closing Balance	3,738,457

Revaluation Reserve for Property, Plant and Equipment

30 June 10		30 June 11	30 June 11	30 June 11	30 June 11
Total		Land	Buildings	Specialist Military Equipment	Total
(\$000)		(\$000)	(\$000)	(\$000)	(\$000)
2,101,943	Opening Balance	622,072	707,157	610,211	1,939,440
(79,447)	Revaluation gains/(losses)	(4,947)	5,623	(122)	554
(75,335)	Impairment losses	-	(150)	-	(150)
(7,721)	(Gains)/losses transferred to general funds for assets disposed	(2,002)	(3,444)	(16,999)	(22,445)
1,939,440	Closing Balance	615,123	709,186	593,090	1,917,399

This reserve reflects revaluation changes of asset classes carried at current valuation.

Revaluation gains/(losses)

30 June 10		30 June 11	30 June 11	30 June 11	30 June 11
Total		Land	Buildings	Specialist Military Equipment	Total
(\$000)		(\$000)	(\$000)	(\$000)	(\$000)
(389,301)	Revaluation	(4,947)	(2,852)	500	(7,299)
290,501	Accumulated depreciation eliminated on revaluation	-	8,475	(622)	7,853
19,353	Reversal of impairment	-	-	-	-
(79,447)	Closing Balance	(4,947)	5,623	(122)	554

Note 13: Debtors and Other Receivables

30 June 10		30 June 11
Actual		Actual
(\$000)		(\$000)
4,007	Trade debtors: departments	624
10,089	Trade debtors: non departments	9,502
(337)	Less: provision for doubtful debts	(362)
13,759	Total Debtors and Receivables	9,764

As at 30 June 2011 and 30 June 2010, all overdue receivables have been assessed for impairment and appropriate provisions have been applied, as detailed below.

30 June 10				30 June 11		
Gross	Impairment	Net		Gross	Impairment	Net
(\$000)	(\$000)	(\$000)		(\$000)	(\$000)	(\$000)
13,307	-	13,307	Past due to 30 days	9,523	-	9,523
142	-	142	Past due 31 - 60 days	80	-	80
63	(43)	20	Past due 61 - 90 days	105	-	105
584	(294)	290	Past due >91 days	418	(362)	56
14,096	(337)	13,759	Total	10,126	(362)	9,764

Movements in the provision for doubtful debt

30 June 10		30 June 11
Actual (\$000)		Actual (\$000)
856	Opening Balance	337
(355)	Additional provisions made during the year	25
(164)	Charged against provision for the year	-
337	Closing Doubtful Debt Provision	362

Note 14: Inventories

30 June 10		30 June 11
Actual (\$000)		Actual (\$000)
88,216	Total Current Inventories	105,386
199,030	Total Non - Current Inventories	194,706
287,246	Total Inventories	300,092

The carrying amount of inventory held for distribution is current replacement cost as at 30 June 2011 of \$300.092 million.

The write-down of inventory held for distribution amounted to \$29.153 million (2010: \$3.553 million). There have been no reversals of write-downs.

The loss in service potential of inventory held for distribution is determined on the basis of obsolescence. All amounts are net of obsolescence.

No inventory has been pledged as security for liabilities (2010: nil). Some inventory is subject to retention of title clauses.

Inventories by Category

30 June 10		30 June 11
Actual (\$000)		Actual (\$000)
189,065	Equipment and spares	193,174
131,155	Ammunition	102,321
39,155	General materials and consumables	38,884
16,198	Stock on board ships	20,169
28,829	Fuel, clothing and other inventories	33,547
(117,156)	Obsolescence	(88,003)
287,246	Total Inventories	300,092

Note 15: Property, Plant and Equipment

	Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Plant & Equipment (\$000)	Office & Computer Equipment (\$000)	Total (\$000)
Cost or Valuation						
Balance at 1 July 2009	521,225	1,042,155	4,283,998	250,763	64,925	6,163,066
Additions	-	61,287	271,797	17,170	10,073	360,327
Impairment loss	-	(4,818)	(70,517)	-	-	(75,335)
Reversal of impairment	-	19,353	-	-	-	19,353
Revaluation	201,709	(3,890)	(587,120)	-	-	(389,301)
Disposal	(8,863)	(3,437)	(36,637)	(12,575)	(5,813)	(67,325)
Transfers	-	19,097	(21,292)	3,285	(1,090)	-
Work in progress movement	-	10,095	(36,921)	(192)	(7,682)	(34,700)
Balance at 30 June 2010	714,071	1,139,842	3,803,308	258,451	60,413	5,976,085
Accumulated Depreciation						
Balance at 1 July 2009	-	(32,574)	(466,738)	(143,654)	(37,188)	(680,154)
Depreciation expense	-	(29,949)	(285,544)	(14,436)	(6,830)	(336,759)
Eliminated on disposal	-	334	31,293	10,275	5,733	47,635
Eliminated on revaluation	-	45,619	244,882	-	-	290,501
Transfers	-	97	13	(49)	(61)	-
Balance at 30 June 2010	-	(16,473)	(476,094)	(147,864)	(38,346)	(678,777)
Net PPE at 30 June 2010	714,071	1,123,369	3,327,214	110,587	22,067	5,297,308

Cost or Valuation						
Balance at 1 July 2010	714,071	1,139,842	3,803,308	258,451	60,413	5,976,085
Additions	-	72,284	272,727	19,448	5,223	369,682
Impairment loss	-	(150)	-	-	-	(150)
Reversal of impairment	-	-	-	-	-	-
Revaluation	(4,947)	(2,852)	500	-	-	(7,299)
Disposal	(1,276)	(3,545)	(41,723)	(12,200)	(1,446)	(60,190)
Transfers	-	6,957	(7,017)	59	1	-
Work in progress movement	-	(29,429)	(87,305)	3,014	2,568	(111,152)
Balance at 30 June 2011	707,848	1,183,107	3,940,490	268,772	66,759	6,166,976
Accumulated Depreciation						
Balance at 1 July 2010	-	(16,473)	(476,094)	(147,864)	(38,346)	(678,777)
Depreciation expense	-	(33,546)	(272,860)	(15,011)	(6,345)	(327,762)
Eliminated on disposal	-	279	40,538	9,804	552	51,173
Eliminated on revaluation	-	8,475	(622)	-	-	7,853
Transfers	-	(1,171)	1,189	(18)	-	-
Balance at 30 June 2011	-	(42,436)	(707,849)	(153,089)	(44,139)	(947,513)
Net PPE at 30 June 2011	707,848	1,140,671	3,232,641	115,683	22,620	5,219,463

There are no restrictions over the title of the NZDF's property, plant and equipment, nor is any item of property, plant and equipment pledged as security for liabilities. The net carrying amount of computer equipment held under finance leases is \$7.773 million (2010: \$2.890 million). The NZDF owns land and housing around camps and bases to facilitate personnel postings. A number of surplus houses have been classified as held for sale with a carrying value of \$12.441 million (2010: \$14.905 million). The buildings revaluation reserve recognised in Taxpayers' Funds at 30 June 2011 is \$1.846 million.

Revaluation

The NZDF policy is to revalue property, plant and equipment at least once every five years, with the last revaluation at 30 June 2010. This year there was no requirement to revalue and property, plant and equipment was reviewed against economic and industry data to ensure that the carrying values were not materially different. However, a progressive revaluation of critical infrastructure at camps and bases is planned over a number of years.

There is potential contamination at some NZDF sites as a result of military activities over many years and the NZDF has valued those on a consistent basis with the adjacent land. In the event of any land being proposed for sale under the Government sale processes, potentially contaminated sites would be restored to normal before sale was considered and any obligations to restore to a saleable state will be recognised at that point in time.

Land, buildings and housing were revalued at 30 June 2010 by an independent registered valuer, Kerry Stewart Val Prof Urb, PG Dip Env Audit, MBA, FNZIV, FPINZ from Darroch.

Infrastructure at Linton and Devonport has been independently revalued at 30 June 2011 using detailed condition survey plans. This revaluation was completed by an independent registered valuer, Tony Pratt FPINZ from Jones Lang LaSalle Ltd. Infrastructure at Waiouru, Trentham, Ohakea and Woodbourne has been independently revalued at 30 June 2010 by an independent registered valuer, Tony Pratt, FPINZ from Darroch. The infrastructure at the remaining camps and bases are shown at book value.

The Specialist Military Equipment (SME) was valued at fair value as at 30 June 2010. The Navy ships have been valued based on historical cost adjusted by a military ship building index. All other SME is stated at the depreciated replacement cost of a comparable asset. This revaluation was independently reviewed by Marvin Clough BE (Electrical) Plant, MPINZ from Beca Valuations Limited, an independent registered valuer.

Work in Progress

The NZDF reimburses the Ministry of Defence twice annually for costs incurred on capital projects. This has the effect of transferring non-departmental capital expenditure from the Ministry of Defence to the NZDF Statement of Financial Position.

Total work in progress as at 30 June 2011 was \$876.346 million (2010: \$987.498 million). This included \$782.574 million for work in progress for capital projects managed by the Ministry of Defence (2010: \$872.805 million).

30 June 10		30 June 11
Actual		Actual
(\$000)		(\$000)
70,681	Buildings	41,252
907,491	Specialist military equipment	820,186
4,943	Plant and equipment	7,957
4,383	Office and computer equipment	6,951
987,498	Total Work in Progress	876,346

Note 16: Intangible Assets

30 June 10		30 June 11
Actual (\$000)		Actual (\$000)
	Cost or Valuation	
34,299	Opening balance	34,092
3,309	Additions	2,273
(3,516)	Disposals	(56)
-	Transfers	-
34,092	Closing Balance	36,309
	Accumulated Amortisation	
(20,086)	Opening balance	(22,119)
(5,547)	Less amortisation	(5,618)
3,514	Eliminated on disposal	36
-	Transfers	-
(22,119)	Balance	(27,701)
11,973	Net Intangible Assets	8,608

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

Note 17: Creditors and Other Payables

30 June 10		30 June 11
Actual (\$000)		Actual (\$000)
86	Trade creditors: departments	90
27,194	Trade creditors: non departments	28,759
98,947	Accrued expenses	120,574
17,167	Payroll liabilities	18,171
4,621	Other short term liabilities	3,794
148,015	Total Trade Creditors and Accruals	171,388
21,608	GST payable	21,100
169,623	Total Creditors and Payables	192,488

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

Note 18: Surplus Repayable to the Crown

30 June 10		30 June 11
Actual (\$000)		Actual (\$000)
30,981	Net operating surplus	24,281
2,485	Add: other expenses	2,015
5,149	Add: unrealised foreign exchange losses on derivative financial instruments	1,894
38,615	Net Surplus from Delivery of Outputs	28,190
38,615	Total Provision for Repayment of Surplus	28,190

The repayment of surplus is required to be paid by the 31st October of each year.

Note 19: Provisions

30 June 10		30 June 11
Actual \$(000)		Actual \$(000)
4,031	Opening Balance	4,374
1,613	Additional provisions made during the year	3,964
(1,270)	Charges against provision during the year	(101)
4,374	Closing Balance	8,237

These provisions relate to environmental liabilities arising from the requirement to address issues identified under the Resource Management Act and a restructuring liability for the civilianisation process. Both are expected to be utilised within the next 12 months.

Note 20: Employee Entitlements

30 June 10		30 June 11
Actual (\$000)		Actual (\$000)
	Current Entitlement	
2,268	Retirement, incentive and long service leave	2,488
32,928	Accrued and annual leave	35,741
35,196	Total Current Entitlement	38,229
	Non – Current Entitlement	
29,912	Retirement, incentive and long service leave	25,198
10,185	Accrued leave	9,146
391	Sick leave	623
3,218	ACC Accredited Employer Programme	3,039
43,706	Total Non – Current Entitlement	38,006
78,902	Total Provision for Employee Entitlements	76,235

Annual leave is calculated using the number of days owing as at the end of June 2011. Incentive and long leave are actuarially calculated by the NZDF based on inflation and discount rates advised by Treasury to reflect the likelihood of a liability being incurred. Accumulated leave and terminal benefits are paid out on release and their values are actuarially calculated using predicted terminal dates.

Inflation has been assumed to be 3.00% and a discount rate between 2.84% and 6.00% has been used for future years.

ACC Accredited Employer Programme

The liability for the ACC Partnership Programme has been actuarially calculated by the NZDF based on expected treatment costs, rehabilitation entitlements, income compensation and historical claims information. Claims management practices focus on limiting liability without compromising care and entitlements.

The value of the liability for ACC claims is measured as the expected future payments to be made for claims already registered up to reporting date for which the NZDF has responsibility under the terms of the Partnership Programme.

Inflation has been assumed to be 3.00% and a discount rate between 2.84% and 6.00% has been used for future years.

The claims management provision allows for the future cost of managing claims applying the ACC standard basis of 7.5% of the total liability.

The value of the liability is not material for the NZDF's financial statements, therefore any changes in assumptions will not have a material impact on the financial statements.

The NZDF has purchased high cost claim cover to limit liability for any one event to \$1.000 million. The NZDF has a stop loss limit since joining the Accredited Employer Programme set at \$10.022 million, which is 220% of the risk.

Note 21: Finance Lease

30 June 10		30 June 11
Actual (\$000)		Actual (\$000)
	Total Minimum Lease Payments Payable	
438	Not later than one year	2,070
1,751	Later than one year and not later than five years	6,730
2,079	Later than five years	1,239
4,268	Total Minimum Lease Payments	10,039
(1,377)	Future finance charges	(2,037)
2,891	Present Value of Minimum Lease Payments	8,002
	Present Value of Minimum Lease Payments Payable	
200	Not later than one year	1,465
992	Later than one year and not later than five years	5,442
1,699	Later than five years	1,095
2,891	Total Present Value of Minimum Lease Payments Payable	8,002
	Represented by:	
200	Current finance lease liabilities	1,465
2,691	Non-current finance lease liabilities	6,537
2,891	Total Finance Lease Liabilities	8,002

Description of Leasing Arrangements

The NZDF has entered into finance leases for computer equipment. The net carrying amount is shown in the Office and Computer Equipment class of property, plant and equipment in note 15.

The finance lease can be extended at the NZDF's option. The NZDF does not have the option to purchase the assets at the end of the lease term. There are no restrictions placed on the NZDF by the finance lease arrangements.

Finance lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default in payment.

Note 22: Events after Balance Date

There have been no significant events after the balance date.

Note 23: Financial Instruments

The NZDF's activities expose it to a variety of financial instrument risks. The NZDF has a series of policies to manage the associated risks and seeks to minimise exposure from financial instruments.

Credit Risk

Credit risk is the risk that a third party will default on its obligations to the NZDF, causing the NZDF to incur a loss.

In the normal course of its business, the NZDF incurs credit risk from trade debtors, transactions with various approved financial institutions and the New Zealand Debt Management Office (NZDMO). The NZDF does not have significant concentrations of credit in financial instruments.

The NZDF's maximum credit exposure for each class of financial instruments is represented by the total carrying amount of cash and cash equivalents, net debtors, and derivative financial instrument assets.

The NZDF does not require any collateral or security to support financial instruments with either the financial institutions that it deals with, or with the NZDMO, as these entities have high credit ratings.

Fair Value

With the exception of foreign currency forward contracts noted below, the fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

The fair value of foreign currency forward contracts based on NZDMO spot rates at balance date shows a net unrealised loss of \$11.060 million (2010 net unrealised loss of \$9.166 million).

Currency Risk

Currency risk is the risk that balances denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The NZDF has a Treasury Management Policy approved by Treasury.

The NZDF uses foreign exchange forward contracts to manage foreign exchange exposures. The notional principal amount outstanding at reporting date on hedged purchase and sale commitments was \$128.202 million (2010: \$147.916 million).

Sensitivity Analysis – Cash and Cash Equivalents

At 30 June 2011, if the NZ dollar strengthened by 5% against the major currencies with all other variables held constant, the unrealised gain for the year would have been \$0.402 million lower. Conversely, if the NZ dollar weakened by 5% against all the major currencies with all other variables held constant, the unrealised gain for the year would have been \$0.444 million higher. The movements are a result of the exchange gains or losses on translation of overseas currencies.

Sensitivity Analysis – Derivative financial instruments

At 30 June 2011, if the NZ dollar strengthened by 5% against all the hedged currencies with all other variables held constant, the unrealised loss for the year would have been \$4.912 million higher. Conversely, if the NZ dollar weakened by 5% against all the hedged currencies with all other variables held constant, the unrealised loss for the year would have been \$5.429 million lower. The movements are a result of the exchange gains or losses on translation of overseas currencies.

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate or the cash flows from a financial instrument will fluctuate due to changes in market interest rates.

The NZDF has no interest bearing financial instruments and accordingly has no exposure to interest rate risk.

Liquidity Risk

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

In meeting its liquidity requirements, the NZDF closely monitors its forecast cash requirements with expected cash draw downs from the NZDMO. The NZDF maintains a target level of available cash to meet liquidity requirements.

The following tables analyse the NZDF's financial instruments that will be settled based on the remaining period from reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

30 June 10	Less than 6 Months	Between 6 Months and 1 Year	Between 1 Year and 5 Years	Over 5 Years
	(\$000)	(\$000)	(\$000)	(\$000)
Assets				
Current Assets				
Cash and cash equivalents	93,031	-	-	-
Debtors and other receivables	227,166	-	-	-
Derivative financial instruments	251	356	-	-
Total Current Assets	320,448	356	-	-
Non Current Assets				
Derivative financial instruments	-	-	243	-
Total Non Current Assets	-	-	243	-
Total Assets	320,448	356	243	-
Liabilities				
Current Liabilities				
Creditors and other payables	169,623	-	-	-
Finance Leases	100	100	-	-
Derivative financial instruments	6,557	2,792	-	-
Total Current Liabilities	176,280	2,892	-	-
Non Current Liabilities				
Finance Leases	-	-	992	1,699
Derivative financial instruments	-	-	667	-
Total Non Current Liabilities	-	-	1,659	1,699
Total Liabilities	176,280	2,892	1,659	1,699
Net Liquidity of Operations	144,168	(2,536)	(1,416)	(1,699)

30 June 11	Less than 6 Months	Between 6 Months and 1 Year	Between 1 Year and 5 Years	Over 5 Years
	(\$000)	(\$000)	(\$000)	(\$000)
Assets				
Current Assets				
Cash and cash equivalents	81,387	-	-	-
Debtors and other receivables	343,167	-	-	-
Derivative financial instruments	110	135	-	-
Total Current Assets	424,664	135	-	-
Non Current Assets				
Derivative financial instruments	-	-	11	-
Total Non Current Assets	-	-	11	-
Total Assets	424,664	135	11	-
Liabilities				
Current Liabilities				
Creditors and other payables	192,488	-	-	-
Finance leases	1,034	431	-	-
Derivative financial instruments	5,633	3,539	-	-
Total Current Liabilities	199,155	3,970	-	-
Non Current Liabilities				
Finance leases	-	-	5,442	1,095
Derivative financial instruments	-	-	2,144	-
Total Non Current Liabilities	-	-	7,586	1,095
Total Liabilities	199,155	3,970	7,586	1,095
Net Liquidity of Operations	225,509	(3,835)	(7,575)	(1,095)

Note 24: 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 techniques 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; and
- 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 tables analyse the basis of the value of classes of the NZDF's financial instruments, measured at fair value in the Statement of Financial Position:

30 June 10	Quoted Market Price (\$000)	Observable Inputs (\$000)	Significant non Observable Inputs (\$000)	Total (\$000)
Assets				
Derivative financial instruments	-	850	-	850
Liabilities				
Derivative financial instruments	-	10,016	-	10,016

30 June 11	Quoted Market Price (\$000)	Observable Inputs (\$000)	Significant non Observable Inputs (\$000)	Total (\$000)
Assets				
Derivative financial instruments	-	256	-	256
Liabilities				
Derivative financial instruments	-	11,316	-	11,316

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

Note 25: Categories of Financial Instruments

30 June 10		30 June 11
Actual (\$000)		Actual (\$000)
	Loans and Receivables	
93,031	Cash and cash equivalents	81,387
227,166	Debtors and other receivables	343,167
320,197	Total Loans and Receivables	424,554
	Fair Value through Profit and Loss	
850	Derivative financial instrument assets	256
(10,016)	Derivative financial instrument liabilities	(11,316)
(9,166)	Total Fair Value through Profit and Loss	(11,060)
	Financial Liabilities Measured at Amortised Cost	
169,623	Creditors and other payables	192,488
169,623	Total Financial Liabilities Measured at Amortised Cost	192,488

Note 26: Derivative Financial Instruments

The notional principal amounts of outstanding forward exchange contracts as at 30 June 2011 and 30 June 2010 are noted below. The fair value of forward exchange contracts has been determined using a discounted cash flows valuation technique based on quoted market rates.

Currency	30 June 11	30 June 10
Australia	\$18,300,000	\$21,100,000
Canada	\$2,070,000	\$1,270,000
Euro	\$3,938,479	\$2,290,000
Great Britain	\$10,160,000	\$9,700,000
Norway	\$2,500,330	-
Sweden	\$16,319,978	-
USA	\$48,300,000	\$57,679,000

Note 27: Related Party Information

The NZDF is a wholly owned entity of the Crown. The Government significantly influences the roles of the NZDF as well as being its major source of revenue.

The NZDF enters into numerous transactions with other government departments, Crown agencies and state-owned enterprises on an arm's length basis. Where those parties are acting in the course of their normal dealings with the NZDF, related party disclosures have not been made for transactions of this nature.

No provision has been required, nor any expense recognised for the impairment of receivables from related parties.

Apart from those transactions described below, the NZDF has not entered into any related party transactions.

Service Museums and Non Public Funds**Financial Performance of Service Museums and Non Public Funds**

30 June 10		30 June 11
Actual (\$000)		Actual (\$000)
	Income	
3,875	Non public funds	4,285
1,392	Service museums	1,678
5,267	Total Income	5,963
	Expenditure	
2,825	Non public funds	2,235
1,105	Service museums	1,252
3,930	Total Expenditure	3,487
1,337	Total Net Surplus	2,476

Financial Position of Service Museums and Non Public Funds

30 June 10		30 June 11
Actual (\$000)		Actual (\$000)
	Assets	
15,894	Current assets - non public funds	17,648
4,666	Current assets - service museums	5,763
4,057	Property, plant and equipment - non public funds	4,217
5,361	Property, plant and equipment - service museums	6,777
15,489	Investments – non public funds	15,680
775	Investments – service museums	150
9,309	Property investment – non public funds	9,276
224	Museum collections – non public funds	224
37,310	Museum collections – service museums	37,310
93,085	Total Assets	97,045
	Liabilities	
626	Liabilities – non public funds	1,789
633	Liabilities – museums	1,324
1,259	Total Liabilities	3,113
91,826	Total Equity	93,932

Service Museums

The Service Museums are independent entities established by Trust Deed. The Boards have been updating the Trust Deeds to reflect the current operating rules and processes that will reinforce trustees' independence. The NZDF is represented on the governing bodies of these entities.

The NZDF provides support to Service Museums in the form of payment of some operating costs and provision of administrative support and facilities, for which no charge is made.

The Service Museums' collections have been valued at cost or market value as at 30 June 2008. The collections tend to have an indefinite life and are not of a depreciable nature, therefore depreciation is not applicable.

The collections were valued by Robin Watt and Associates, cultural and forensic specialists.

Non Public Funds

A number of non public funds (NPF) have been established under the Defence Act 1990 Section 58. These funds are established for the benefit of service personnel and are specifically defined as not being public money under the Public Finance Act 1989. Governance arrangements are generally established under Defence Force Orders issued by the Chief of Defence Force or Service Chiefs. The beneficiaries of these NPF are the service personnel who are the sole contributors to them. NPF include a wide range of entities such as sports and recreational funds, messes, unit funds, welfare funds, clubs for ranks, accommodation funds and benevolent funds.

The NZDF provides support to NPF in the form of administrative support and facilities, for which no charge is made. There are no other transactions with NPF.

Key Management Personnel

30 June 10 (\$000)		30 June 11 (\$000)
2,640	Salaries and short term employee benefits	2,975
4	Other long term benefits	-
2,644	Total Key Management Personnel	2,975

Key management personnel compensation includes the Chief of Defence Force, the Vice Chief of Defence Force, Chief of Navy, Chief of Army, Chief of Air Force, Commander of Joint Forces, Warrant Officer NZDF, Chief Operating Officer and Chief Financial Officer. There were new appointments of the Chief of Defence Force on 24 January 2011, Chief of Army on 14 February 2011, Chief of Air Force and Commander Joint Forces on 1 May 2011, and Warrant Officer NZDF on 25 January 2011.

The Defence Act 1990 sets out the statutory military operational responsibilities for the Chief of Defence Force and the Chief of Navy, Chief of Army, Chief of Air Force and Commander of Joint Forces. Civilian members of the Defence Force Leadership Board do not have military operational responsibilities.

Other

The Chief Financial Officer is a director of and, with a close family member, has a financial interest in four companies that deal with the NZDF and this relationship pre-dates his current term of employment. These relationships have been fully disclosed within the NZDF and conflicts managed where appropriate. The terms and conditions of all dealings are conducted on commercial terms and on an arms length basis. The outstanding amounts at 30 June 2011 were \$6,475 (2010: \$4,257).

The companies are Wright Technologies Ltd, who have supplied marine electronic services to the value of \$282,000 during the year (2010: \$319,000); Wright Satellite Communications Ltd for mobile satellite communication to the value of \$494,000 during the year (2010: \$399,000); Servotech Instrumentation Ltd who supplied industrial temperature equipment and services to the value of \$1,000 during the year (2010: nil); and Environmental Laboratory Services Ltd who conducted chemical analysis to the value of \$18,000 during the year (2010: nil).

There is a close family member of key management personnel employed by the NZDF. The terms and conditions of those arrangements are no more favourable than if the person was not related to management.

Note 28: Reconciliation of Net Surplus/ (Deficit) to Net Cash Flow from Operating Activities for the Year Ended 30 June 2011

30 June 10		30 June 11
Actual (\$000)		Actual (\$000)
30,981	Net Operating Surplus / (Deficit)	24,281
	Add / (less) Non – Cash Items	
342,306	Depreciation and amortisation expense	333,380
(815)	Inc / (Dec) in the provision for stock obsolescence	29,153
(519)	Inc / (Dec) in provision for doubtful debts	25
(5,373)	Inc / (Dec) in non - current employee entitlements	(5,700)
2,485	Write down of property, plant and equipment	-
(13,605)	Realised foreign exchange gain/(loss)	1,894
324,479	Total Non - Cash Items	358,752
	Add / (less) Items Classified as Investing Activities	
889	(Gains) / losses on disposal of property, plant and equipment	8,091
889	Total Investing Activity Items	8,091
	Add / (less) Movements in Working Capital Items	
(15,240)	(Inc) / Dec in debtors and receivables	(116,026)
(14,679)	(Inc) / Dec in inventories	(41,999)
(1,423)	(Inc) / Dec in prepayments	12,222
(13,886)	Inc / (Dec) in creditors and other payables	24,315
4,792	Inc / (Dec) in GST payable	(508)
343	Inc / (Dec) in provisions	3,863
4,122	Inc / (Dec) in current employee entitlements	9,385
(35,971)	Net Movements in Working Capital Items	(108,748)
320,378	Net Cash from Operating Activities	282,376

Note 29: Appropriation Movements

		(\$000)	(\$000)
Vote: Defence Force			
Main Estimates as at 1 July 2010			2,279,461
October Baseline Update – through Revenue Crown			
Expense Transfer from 2009/10	Joint Ministers	37,000	
Capital Charge for Protector Remediation 2010/11	Joint Ministers	249	
Vote Transfers	Joint Ministers	(134)	
Capital Charge Savings	Joint Ministers	(6,367)	
GSF Employer Contribution Rate Change	CAB Minute	1,551	
Recover Tax on Allowances	Joint Ministers	5,200	
			37,499
March Baseline Update – through Revenue Crown			
Vote Transfer	Joint Ministers	(162)	
			(162)
March Baseline Update – through Revenue Department			
Youth Opportunities Package - Expansion of the Limited Service Volunteer and Youth Life Skills schemes	Joint Ministers	688	
			688
Budget 2011 Adjustments – through Revenue Crown			
Expense Transfers	CAB Minute	(67,179)	
			(67,179)
Total Appropriation Changes			(29,154)
Total Supplementary Estimate of Appropriations			2,250,307

		(\$000)	(\$000)
Vote: Veterans' Affairs - Defence Force			
Main Estimates as at 1 July 2010			8,427
March Baseline Update – through Revenue Crown			
GSF Employer Contribution Rate Change	CAB Minute	17	
			17
Total Appropriation Changes			17
Total Supplementary Estimate of Appropriations			8,444

NON-DEPARTMENTAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Statement of Non-Departmental Expenditure and Appropriations for the Year Ended 30 June 2011

Vote: Veterans' Affairs – Defence Force

30 June 10			30 June 11	30 June 11	30 June 11	30 June 11	30 June 11
Actual		Description	Main Estimates	Supplementary Estimates	Section 26A Changes	Total Appropriation	Actual
(\$000)			(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
		Non-Departmental Output Classes					
720	1	Development & Maintenance of Services Cemeteries	746	746	-	746	700
1,723	2	Support for Veterans and Their Families	1,277	1,977	-	1,977	1,975
2,443		Total Non-Departmental Output Appropriations	2,023	2,723	-	2,723	2,675
		Other Expenses to be Incurred by the Crown					
376		Ex Gratia Payments	1,700	1,000	-	1,000	188
36		Debt Write-down for Benefits and Other Unrequited Expenses	250	250	-	250	163
412		Total Other Expenses to be Incurred by the Crown	1,950	1,250	-	1,250	351
		Benefits and Other Unrequited Expenses to be Incurred by the Crown					
137,193		War Disablement Pensions	135,302	136,753	-	136,753	135,413
21,307		Medical Treatment	24,317	21,689	-	21,689	20,704
14		Interest Concessions for Land and Buildings	9	15	-	15	10
21		Special Annuities	44	36	-	36	31
158,535		Total Benefits and Other Unrequited Expenses to be Incurred by the Crown Appropriations	159,672	158,493	-	158,493	156,158
161,390		Total Non-Departmental Expenditure	163,645	162,466	-	162,466	159,184

Veterans' Affairs New Zealand is responsible for making payments for services supplied under the above non-departmental output classes, and on behalf of the Minister of Veterans' Affairs, for monitoring the performance of non-departmental providers.

The accompanying accounting policies and notes form part of these financial statements

Statement of Non-Departmental Trust Monies for the Year Ended 30 June 2011

30 June 10			30 June 11
Opening Balance (\$000)	Deposits (\$000)	Distributions (\$000)	Closing Balance (\$000)
13	-	(13)	-

These proceeds from the sale of pins from The Year of The Veteran were distributed to the Veterans' Homes and the account closed.

Schedule of Non-Departmental Expenditure for the Year Ended 30 June 2011

30 June 10		30 June 11
Actual (\$000)		Actual (\$000)
Vote: Veterans Affairs - Defence Force		
137,193	War Disablement Pensions	135,154
21,307	Medical Treatment	20,652
1,723	Case Management Costs	1,871
720	Works Maintenance	651
376	Non-Recurring Expenses	174
-	Non-Deductible GST	478
36	Debt Write-Down for Benefits and Other Unrequited Expenses	163
21	Special Annuities	31
14	Interest Concessions for Land and Buildings	10
161,390	Total Non-Departmental Expenditure	159,184

Schedule of Non-Departmental Assets as at 30 June 2011**Vote: Veterans' Affairs – Defence Force**

30 June 10			30 June 11
Actual (\$000)		Note	Actual (\$000)
Current Non-Departmental Assets			
9,067	Cash and cash equivalents		8,864
675	Debtors and other receivables	2	448
9,742	Total Current Non-Departmental Assets		9,312
Non - Current Non-Departmental Assets			
3,870	Debtors and other receivables	2	3,870
3,870	Total Non - Current Non-Departmental Assets		3,870
13,612	Total Non-Departmental Assets		13,182

Schedule of Non-Departmental Liabilities as at 30 June 2011**Vote: Veterans' Affairs – Defence Force**

30 June 10			30 June 11
Actual (\$000)		Note	Actual (\$000)
	Current Non-Departmental Liabilities		
4,840	Creditors and payables	3	5,519
4,840	Total Non-Departmental Liabilities		5,519

There are no non-departmental commitments, contingent assets or contingent liabilities at 30 June 2011 (2010: nil).

Statement of Non-Departmental Unappropriated Expenditure for the Year Ended 30 June 2010

There was no unappropriated expenditure for Vote: Veterans' Affairs – Defence Force.

Notes to the Non-Departmental Financial Statements

Note 1: Statement of Accounting Policies for the Year Ended 30 June 2011

Reporting Entity

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

These non departmental balances are consolidated into the Financial Statements of the Government for the year ended 30 June 2011. For a full understanding of the Crown's financial position, financial performance and cash flows for the year, refer to the Financial Statements of the Government.

Basis of Preparation

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

Measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with New Zealand generally accepted accounting practice as appropriate for public benefit entities.

Goods and Services Tax (GST)

The financial statements and schedules are prepared on a GST exclusive basis except for Non-Departmental Output Classes: Development and Maintenance of Service Cemeteries, Support for Veterans and Their Families, Ex Gratia Payments, War Disablement Pensions and Medical Treatment in the Statement of Financial Performance and Debtors and Receivables and Creditors and Payables in the Statement of Financial Position, which are GST inclusive.

Cash and Cash Equivalents

Cash means cash balances on hand and funds on deposit with banks.

Debtors and Receivables

Debtors and other receivables are recorded at their fair value after providing for impairment. Impairment of a receivable is established when there is objective evidence that the NZDF will not be able to collect amounts due according to the original terms of the receivable.

Foreign Currency

Foreign currency transactions are converted to New Zealand currency using the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities in foreign currencies at reporting date are translated at the closing mid-point exchange rate prevailing at that date.

Gains and losses resulting from foreign currency transactions are recognised in the Statement of Non-Departmental Expenditure and Appropriations.

Financial Instruments

The NZDF is party to financial instruments as part of its normal operations. These financial instruments include cash balances, receivables, payables and foreign currency forward exchange contracts.

All financial instruments are recognised in the Schedule of Non-Departmental Assets and Liabilities. All revenue and expenses in relation to all financial instruments are recognised in the Statement of Non-Departmental Expenditure and Appropriations.

Budget Figures

The Budget figures are consistent with the financial information presented in the Main Estimates. In addition, the financial statements also present the updated information from the Supplementary Estimates.

Note 2: Debtors and Other Receivables

30 June 10		30 June 11
Actual (\$000)		Actual (\$000)
675	Other Receivables	448
675	Total Current Debtors and Receivables	448
2,725	Loan to Montecillo Trust	2,725
225	Loan to Rannerdale Trust	225
920	Loan to Vietnam Veterans' and their Families Trust	920
3,870	Total Non-Current Debtors and Receivables	3,870
4,545	Total Debtors and Receivables	4,318

As at 30 June 2011 and 30 June 2010, all overdue receivables have been assessed for impairment and appropriate provisions have been applied, as detailed below.

30 June 10				30 June 11		
Gross (\$000)	Impairment (\$000)	Net (\$000)		Gross (\$000)	Impairment (\$000)	Net (\$000)
138	-	138	Past due to 30 days	74	-	74
38	-	38	Past due 31 - 60 days	153	-	153
23	-	23	Past due 61 - 90 days	19	-	19
476	-	476	Past due >91 days	202	-	202
675	-	675	Total	448	-	448

Note 3: Creditors and Other Payables

30 June 10		30 June 11
Actual (\$000)		Actual (\$000)
75	Trade creditors	840
4,765	Other short term liabilities	4,679
4,840	Total Creditors and Payables	5,519

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

Note 4: Financial Instruments

Credit Risk

Credit risk is the risk that a third party will default on its obligations, causing the Crown to incur a loss.

Credit risk arises from debtors and deposits with banks.

The maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents and net debtors. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired. The NZDF is only permitted to deposit funds with *Westpac*, a registered bank.

Liquidity Risk

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

In meeting its liquidity requirements, the NZDF closely monitors its forecast cash requirements with expected cash draw downs from the NZDMO. The NZDF maintains a target level of available cash to meet liquidity requirements.

The tables on the next page analyses the NZDF's financial instruments that will be settled based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

30 June 10	Less than 6 Months	Between 6 Months and 1 Year	Between 1 Year and 5 Years	Over 5 Years
	(\$000)	(\$000)	(\$000)	(\$000)
Assets				
Current Assets				
Cash and cash equivalents	9,067	-	-	-
Debtors and other receivables	675	-	-	3,870
Total Current Assets	9,742	-	-	3,870
Total Assets	9,742	-	-	3,870
Liabilities				
Current Liabilities				
Creditors and other payables	4,840	-	-	-
Total Current Liabilities	4,840	-	-	-
Total Liabilities	4,840	-	-	-
Net Liquidity of Continuing Operations	4,902	-	-	3,870

30 June 11	Less than 6 Months (\$000)	Between 6 Months and 1 Year (\$000)	Between 1 Year and 5 Years (\$000)	Over 5 Years (\$000)
Assets				
Current Assets				
Cash and cash equivalents	8,864	-	-	-
Debtors and other receivables	448	-	-	3,870
Total Current Assets	9,312	-	-	3,870
Total Assets	9,312	-	-	3,870
Liabilities				
Current Liabilities				
Creditors and other payables	5,519	-	-	-
Total Current Liabilities	5,519	-	-	-
Total Liabilities	5,519	-	-	-
Net Liquidity of Continuing Operations	3,793	-	-	3,870

Note 5: Categories of Financial Instruments

30 June 10		30 June 11
Actual (\$000)		Actual (\$000)
	Loans and Receivables	
9,067	Cash and cash equivalents	8,864
4,545	Debtors and other receivables	4,318
13,612	Total Loans and Receivables	13,182
	Financial Liabilities Measured at Amortised Cost	
4,840	Creditors and other payables	5,519
4,840	Total Financial Liabilities Measured at Amortised Cost	5,519