



New Zealand
**DEFENCE
FORCE**
Te Ope Kātua O Aotearoa



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THE 2011-2012

ANNUAL REPORT

Year ended 30 June 2012

ANNUAL REPORT 2012

NEW ZEALAND DEFENCE FORCE *TE OPE KĀTUA O AOTEAROA*

Presented to the House of Representatives Pursuant to Section 44(1) of the Public Finance Act 1989 and Section 91 of the Defence Act 1990

On the Cover:

Navy divers in March 2012 when they were searching for the missing fishing vessel *Easy Rider* in Foveaux Strait, off Stewart Island.

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SECTION 1: OVERVIEW BY THE CHIEF OF DEFENCE FORCE

The Government's Defence White Paper 2010 confirmed the role of the New Zealand Defence Force is to be ready, and able to deliver on operations – be they combat, peacekeeping, or humanitarian assistance. This is the *raison d'être* of the NZDF. Preparing for, and delivering on operations, has been an ever present component of Service life over the last twelve months, including: in Afghanistan, Timor-Leste, Solomon Islands, the Middle East, another successful summer season in Antarctica, as well as deploying observers as part of a new United Nations mission in Syria.

But behind these highly visible operations, the NZDF requires robust and complex organisational systems to ensure we can respond, often at short notice, to likely contingencies in our region or beyond. To this end, in the latter part of 2011/12 I introduced 'Future 35' (F35) – a strategy to prepare the NZDF for the challenges we will face out to 2035. We must deliver capabilities and services that are relevant, combat oriented, and of value to the New Zealand Government and New Zealanders generally. A key enabler in F35 is the Joint Amphibious Task Force (JATF), which will be in place by 2015. While the JATF will primarily be structured for the deployment of combat forces, the most likely contingencies it will be used for is disaster relief and conducting exercises in our region in support of nation building. In 2011/12 we have made good progress toward F35. Work commenced on developing joint amphibious training; a deployable joint headquarters (land) stood up; and the first of the new NH-90 helicopters arrived.

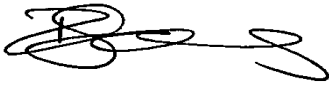
Meanwhile, to ensure we are matching our military excellence with organisational excellence I also introduced a reform campaign. The reform campaign is about the changes we need to implement to deliver the Defence Force of the future. The first phase (2011/12 – 2014/15) within the reform campaign is about "Reorganising": reducing costs; optimising infrastructure; improving the way we organise our people; and strengthening corporate management within the Headquarters. In 2011 we initiated a single, consolidated NZDF Annual Plan which set the work plan for 2011/12. Implementation of this consolidated Plan ensures that the NZDF remains focused on priorities and that our activities remain fit for purpose. Work has also continued in developing our Total Defence Workforce strategy, while civilianisation of non-operational military positions was largely completed. An output review is underway that will make it easier to demonstrate the delivery of value for money. In addition, we are establishing a Defence-wide business improvement framework, utilising the Baldrige Criteria for performance excellence, and we have commenced a review of organisational cultural issues.

All of these changes will help the NZDF reach our goal for 2014/15 of redistributing between \$350 million - \$400 million annually from efficiency savings to sustain and enhance our front-line capabilities. At the end of 2011/12 savings for re-investment in front-line priorities of around \$140 million had been achieved. The NZDF is committed to identifying further opportunities to meet our end goal and while this is one of the most ambitious change programmes in the Public Sector, it remains on track for success.

At the same time, other significant milestones achieved during 2011/12 included: providing a high readiness platoon as part of the ANZAC Ready Response Force, capable of responding to regional contingencies in the South-West Pacific including humanitarian and disaster relief; assisting nations in the South Pacific that were suffering drought; responding to the MV *Rena* incident and the associated clean up activities; improving satellite communications for the NZDF; and commissioning of the new A109 helicopter training simulator. In significant milestones of a different kind, the Royal New Zealand Navy and Royal New Zealand Air Force celebrated their 70th and 75th anniversaries in October 2011 and April 2012 respectively.

There have also been important enhancements in our international defence relations. The Review of the Australia-New Zealand Defence relationship was endorsed, leading to a more flexible structure for engagement between our two already close forces. Signing of the Washington Declaration in June 2012 – the sequel to the Wellington Declaration of 2010 – put a framework around our defence engagement, and signalled enhanced co-operation in the Asia-Pacific region with the United States of America. Navy and Air Force involvement in the world's largest maritime exercise Rim of the Pacific (RIMPAC) for the first time in 28 years was but one of a number of tangible outcomes to spring from the enhanced relationship.

As Chief of Defence Force, I have seen the NZDF make a valuable contribution to the security and welfare of the people of New Zealand throughout 2011/12. Our credibility and reputation stands or falls on our demonstrated performance. This is enhanced by operating in line with our core values. So I thank all the men and women of the Defence Force for their courage, commitment, comradeship and integrity. As we continue to deliver our Mission, reform our organisation, and renew our capabilities, I have every confidence we will continue to meet the expectations of the Government and the people of New Zealand.



R.R. JONES
Lieutenant General
Chief of Defence Force

15 August 2012

Introduction

This report highlights the business of the New Zealand Defence Force (NZDF) for 2011-2012 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 300 – 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, 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 families 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.

SIGNIFICANT EVENTS

Significant events during the reporting year were as follows:

- HMNZS *Otago* operated in the South Pacific conducting training exercises with two Australian Defence Force (ADF) frigates, HMA Ships *Perth* and *Sydney*, and conducted patrolling of the Cook Island's exclusive economic zone.
- A senior NZDF officer assumed command of Combined Task Force 151 for three months. The task force is made up of coalition naval ships and aircraft tasked with disrupting acts of piracy in the sea lanes around the Gulf of Aden and Somali Basin.
- Army Territorial Force personnel continued to work around the clock in support of the Christchurch earthquake recovery efforts. Personnel are dedicated to providing cordon patrols set up around the CBD Red Zone 24 hours a day.
- The NZDF achieved \$143 million in savings for reinvestment in new military capabilities.
- NZ Special Air Services personnel supported the Afghan Police Crisis Response Unit in engaging insurgents who had launched a complex night attack in the Intercontinental Hotel in Kabul, Afghanistan.
- A detachment of three Iroquois helicopters along with aircrew, maintenance and support personnel deployed to Papua New Guinea (PNG) as part of an ADF-led Combined Joint Task Force to provide assistance to the PNG Electoral Commission in transporting election staff and materials to and from remote areas.
- The Navy celebrated its 70th Anniversary and the Air Force celebrated its 75th Anniversary.
- A joint NZDF, ADF and United States operation provided emergency water supplies to drought-stricken islands in the South Pacific.
- NZDF personnel assisted the MV *Rena* Incident Control Team in Tauranga as they moved to remove oil and containers from the *Rena* that ran aground on the Astrolabe reef outside Tauranga harbour.
- The NZDF contributed six personnel in support of the United Nations Supervision Mission in Syria.
- HMNZS *Resolution* captured 3D sonar imagery of WWII wrecks in Simpson Harbour, Rabaul, Papua New Guinea.
- NZDF personnel embarked on Exercise Bersama Lima 2011 hosted by the Singapore Armed Forces. The exercise aimed to improve the interoperability of the combined air, ground and naval forces of Five Power Defence Arrangements (FPDA) partners to enhance regional security.
- A new flight simulator complex for the A109 helicopter was commissioned at Ohakea.
- The NZDF joined an international partnership to give it guaranteed satellite communications for the next 20 years.
- NZDF and Veterans' Affairs NZ staff accompanied 32 RNZAF WWII veterans to the United Kingdom to participate in the unveiling and dedication by Her Majesty the Queen of the Bomber Command memorial in Green Park, London.
- The NZDF undertook its biggest joint exercise involving New Zealand's Navy, Army and Air Force since the late 1990s. Exercise Alam Halfa involved approximately 1,500 personnel bringing together maritime, land and airmobile forces.
- Around 350 NZDF personnel prepared for the world's largest international maritime exercise, Exercise Rim of the Pacific (RIMPAC), in Hawaii.

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 are four 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 for details of these outputs).

The following tables and figures are shown below in this section:

Table 1: NZDF Operations and Missions Overseas

Figure 1: NZDF High-Level Functional Organisation as at 30 June 2012

Table 2: Table 2: Major NZDF Units within New Zealand

Table 3: NZDF Personnel Strength as at 30 June 2012

Figure 2: NZDF Personnel Total Number by Year

Figure 3: NZDF Regular Force Attrition by Year (12-month Rolling Average)

Figure 4: Aggregated Operational Preparedness of NZDF Force Elements

Figure 5: Operating Expenditure by Function

Figure 6: Operating Expenditure by Service/Function

Table 1: 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 (PRT) (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). The PRT will be withdrawn in 2013. The NZSAS ceased operations on 31 March 2012 and the contingent returned to New Zealand in April 2012.
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 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. During the reporting year, six NZDF personnel were deployed to Syria as part of the United Nations Supervision Mission.
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 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 the Regional Assistance Mission to Solomon Islands (RAMSI). The final NZDF platoon contribution to RAMSI is expected to conclude its rotation in November 2012.
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. The New Zealand Government recently agreed to extend the mandate for NZDF forces in Timor until 31 December 2012, in synchronisation with the cessation of the UNMIT mandate.
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.

More detail on overseas operations and missions is shown under Output Expense 16 – Operationally Deployed Forces in Section 3.

Figure 1: NZDF HIGH LEVEL FUNCTIONAL ORGANISATION AS AT 30 JUNE 2012

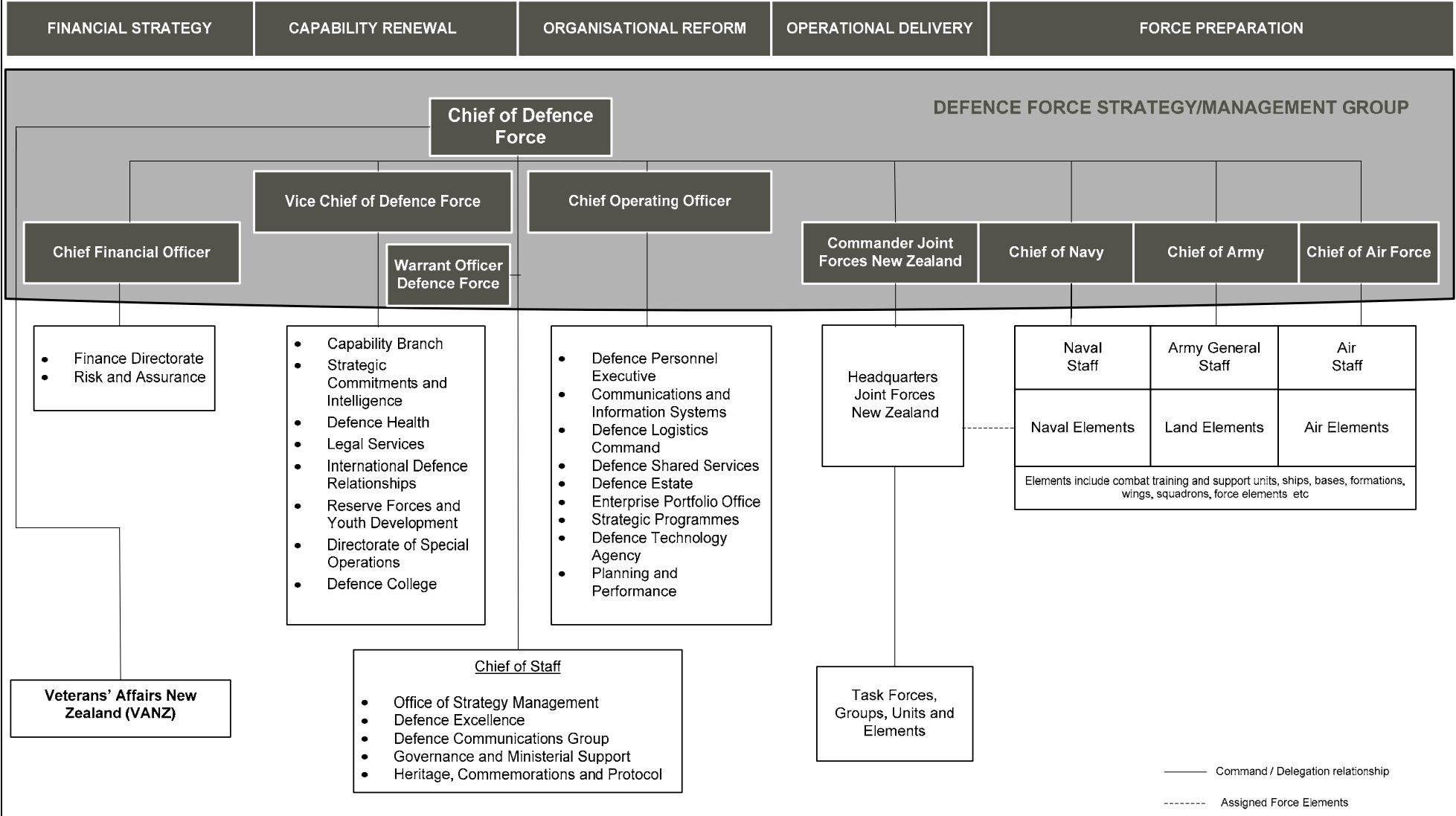


Table 2: Major NZDF Units within New Zealand

<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) Geospatial Intelligence NZ (located at Devonport Naval Base)</p> <p><i>Joint Forces New Zealand</i></p> <p>Trentham Operational Headquarters Joint Forces New Zealand Commander Joint Forces New Zealand</p> <p><i>Royal New Zealand Navy</i></p> <p>Auckland Naval Support Command RNZN Naval College HMNZ Dockyard HMNZS Ngapona (Reserve Unit)</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> (decommissioned on 27 April 2012)</p> <p>Naval Patrol Force HMNZS <i>Otago</i> HMNZS <i>Wellington</i> HMNZS <i>Rotoliti</i> HMNZS <i>Hawea</i> HMNZS <i>Pukaki</i> HMNZS <i>Taupo</i></p> <p>Wellington HMNZS <i>Olphert</i> (Reserve Unit)</p> <p>Christchurch HMNZS <i>Pegasus</i> (Reserve Unit)</p> <p>Dunedin HMNZS <i>Toroa</i> (Reserve Unit)</p> <p><i>New Zealand Army</i></p> <p>Auckland HQ 3rd Auckland and Northland Battalion Group (Reserve Unit)</p> <p>Papakura 1st (New Zealand) Special Air Service Regiment Combat Service Support Company (North)</p> <p>Tauranga HQ 6th Hauraki Battalion Group (Reserve Unit)</p>	<p>Napier HQ 7th Wellington and Hawkes Bay Battalion Group (Reserve Unit)</p> <p>Wanganui HQ 5th Wellington West Coast and Taranaki Battalion Group (Reserve Unit)</p> <p>Waiouru Headquarters Training and Doctrine Command Army Command School The Army Depot Waiouru Military Training Facility</p> <p>Linton Headquarters 1st (New Zealand) Brigade 16th Field Regiment Queen Alexandra's Mounted Rifles 2nd Engineer Regiment 1st (New Zealand) Signals Regiment 1st Battalion RNZIR 2nd Combat Service Support Battalion 2nd Health Support Battalion Linton Regional Support Centre</p> <p>Hokowhitu Land Operations Training Centre</p> <p>Trentham 1st (New Zealand) Military Intelligence Company 1st (New Zealand) Military Police Company Wellington Regional Support Centre</p> <p>Burnham Headquarters Deployable Joint Task Force (Land) 2nd/1st Battalion RNZIR 3rd Combat Service Support Battalion Army Leadership Centre Southern Regional Support Centre</p> <p>Tekapo Military Training Area</p> <p>Dunedin HQ 4th Otago and Southland Battalion Group (Reserve Unit)</p> <p><i>Royal New Zealand Air Force</i></p> <p>Auckland: 485 Wing No 5 Squadron 6 x Lockheed P-3K/2 Orion No 6 Squadron 5 x Kaman SH-2G(NZ) Seasprite No 40 Squadron 2 x Boeing 757-200 5 x Lockheed C-130H Hercules No 209 (Expeditionary Support) Squadron No 230 (Mission Support) Squadron Parachute Training Support Unit</p> <p>Ohakea: 488 Wing No 3 Squadron 10 x Bell UH-1H Iroquois No 42 Squadron 5 x Beech King Air B200 Pilot Training Squadron 13 x Aerospace Industries CT-4E Airtrainer Helicopter Transition Unit 5 x Augusta Westland A 109 T/LUH 2 x NATO Helicopter Industries NH 90 MUH</p> <p>Woodbourne Ground Training Wing</p>
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Table 3: NZDF Personnel Strength as at 30 June 2012

	Regular	Reserves	Total
Navy	1,902	298	2,200
Army	4,288	1,824	6,112
Air Force	2,336	191	2,527
Total	8,526	2,313	10,839

Notes:

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

(2) The median length of current regular force service is 6.07 years.

	Regular ⁽³⁾	Reserves ⁽³⁾	Total ⁽³⁾
HQ NZDF	391	26	417
HQ JFNZ	157	1	158
Defence Logistics Command	799	8	807
Defence Support Services	21	2	23
Defence Personnel Executive	140	11	151
New Zealand Defence College	210	24	234

Notes:

(3) Military personnel (regular and reserve) of these units are already counted within Service totals.

	Civil Staff ⁽⁴⁾
Navy	179
Army	375
Air Force	247
HQ NZDF	724 ⁽⁵⁾
HQ JFNZ	38 ⁽⁶⁾
Defence Logistics Command	450
Defence Support Services	269
Defence Personnel Executive	179
New Zealand Defence College	136
Total	2,597

Notes:

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

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

(6) HQ JFNZ civil staff total includes civil staff deployed overseas

Regular Force Gender Ratio	Male	Female	Percent Male	Percent Female
Navy	1,492	410	78.4%	21.6%
Army	3,736	552	87.1%	12.9%
Air Force	1,944	392	83.2%	16.8%
Total	7,172	1,354	84.1%	15.9%

Figure 2: NZDF Personnel Total Number by Year

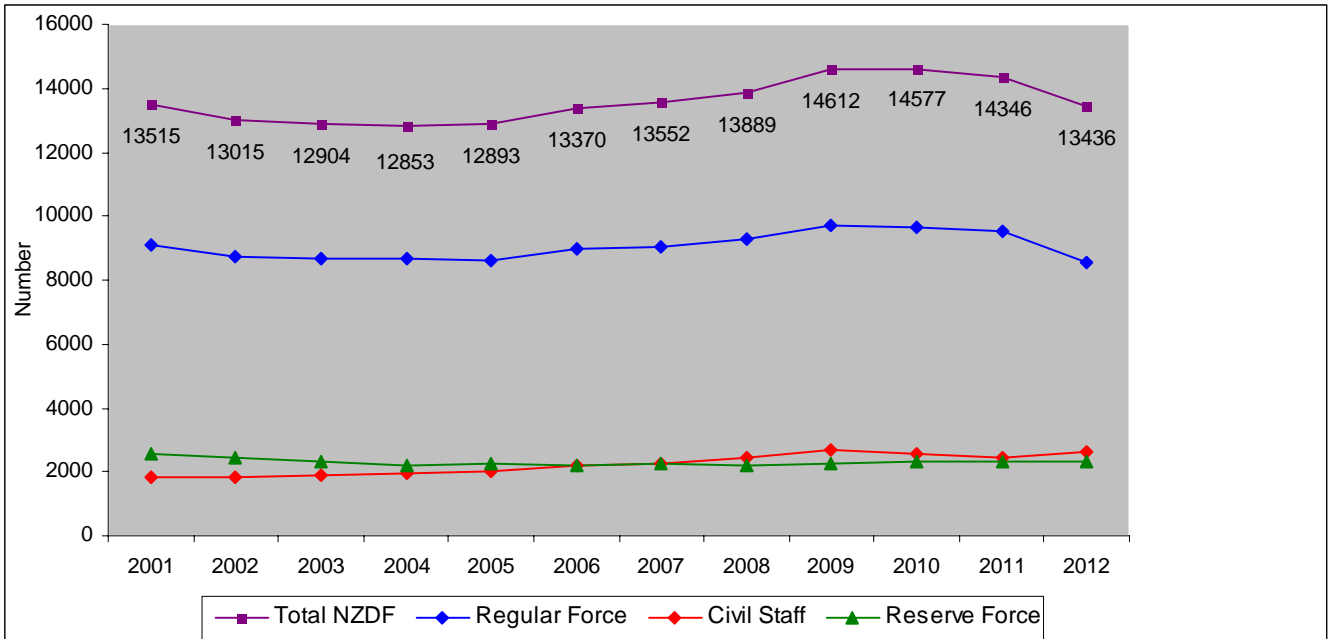
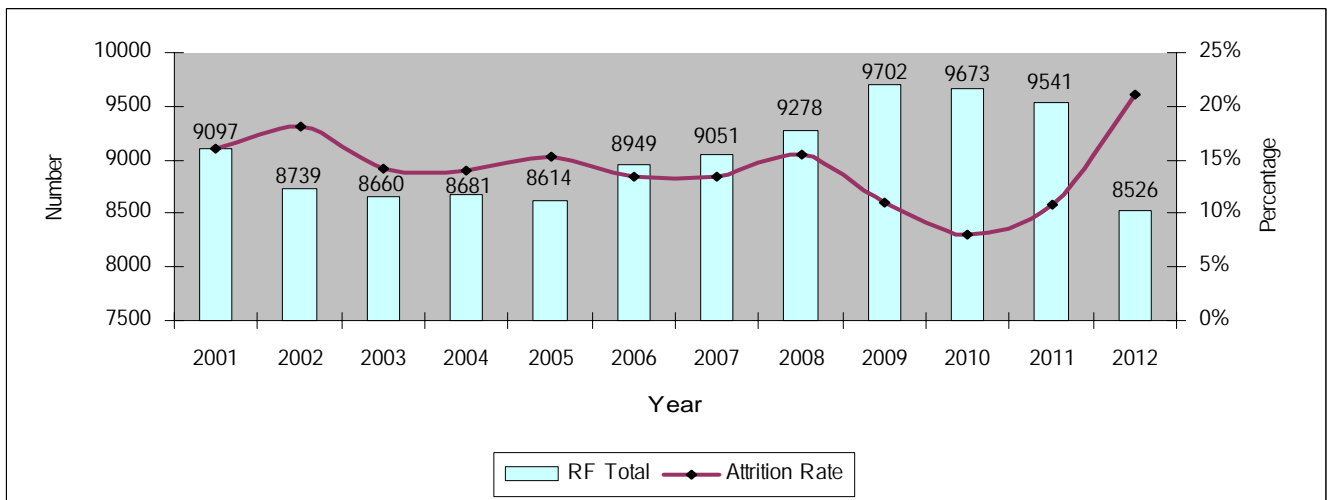


Figure 3: NZDF Regular Force Attrition by Year (12-month rolling average)



The RF attrition rate (12 month rolling attrition) for the 12 months to 30 June 2012 was 21.33% (excluding Short-Term Employees).

Regular Force (RF) Personnel Strength and Attrition

The two graphs above show that since 30 June 2011, RF strength has decreased by 1,015 (a decrease of 10.6%), while the RF attrition rate has increased from 10.7% to 21.3% (an increase of 10.6 percentage points). Of the 21.3% RF attrition, 3.4% can be attributed to Impacted Military Personnel (IMP) leaving the NZDF under the civilianisation programme. Therefore, attrition, excluding IMP, is 17.9% - an increase of 7.2 percentage points.

Attitude Survey

Overall, RF satisfaction has trended downwards over the past 12 months. From July 2011 to June 2012, 38% 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.

Response to Changes

In response to the changes in attrition and morale, CDF has identified four key areas that need to be addressed: pay and benefits, impact of change, workload and leadership and development.

Public Perceptions of the NZDF

A summary of the TNS survey of public perceptions of the NZDF (February 2012) is as follows:

- Most New Zealanders remain aware of the Defence Force and continue to have a general idea of it.
- Most New Zealanders remain satisfied with the overall performance of the Defence Force.
- The overall reputation of the Defence Force remains stable and strong.
- Most New Zealanders agree that members of the Defence Force are ready to defend New Zealand with their lives, that members reflect Kiwi values and that the Defence Force is a professional organisation with a strong command culture.
- The overall image of the Defence Force remains linked to the people – dedicated, professional, trustworthy and intelligent, while weaker attributes are modern and innovative – more equipment based.

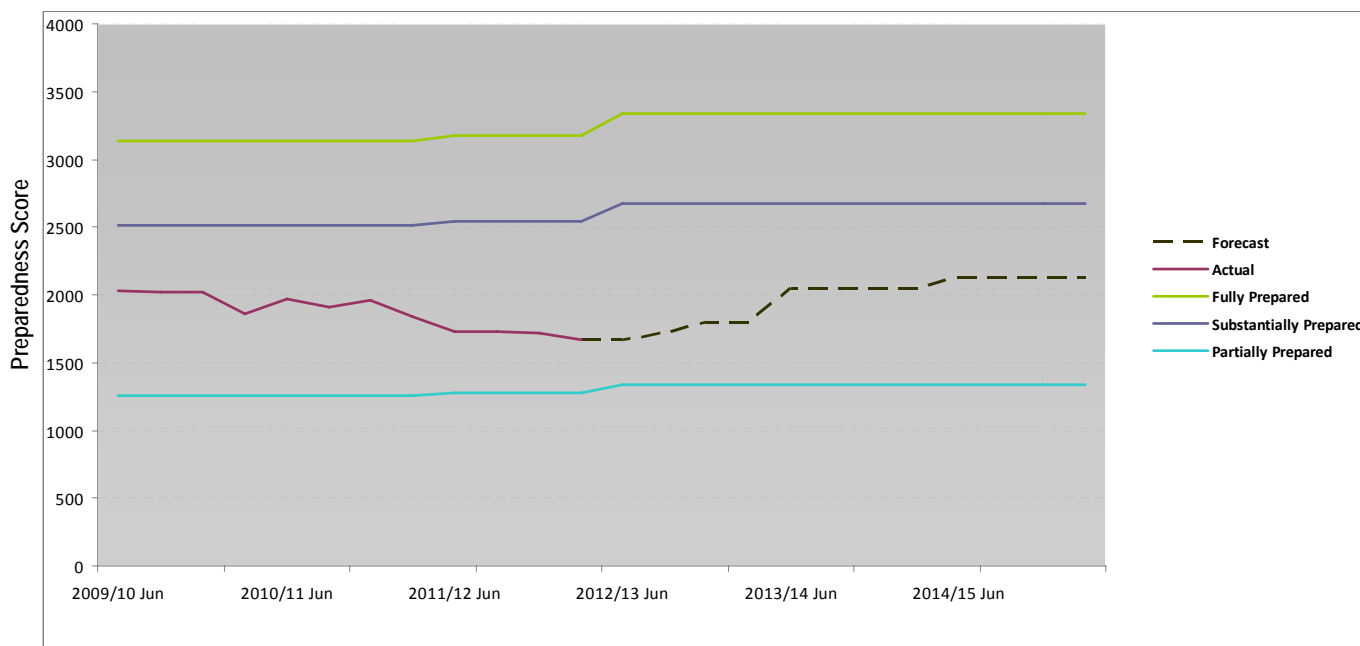
Equal Employment Opportunities

The NZDF is committed to ensuring the identification and elimination of any policy, procedural or institutional barriers that have the potential to impact on equal employment opportunities. The NZDF recognises that the application of equity and diversity principles enables optimal operations in all environments.

In the 2011/12 year, NZDF equity and diversity activities have included:

- convening an inaugural pan-NZDF Women's Development Forum entitled 'Developing Our Future'. The two-day forum was attended by approximately 130 NZDF personnel representing each of the Services, and included regular force, reserve and civilian women. Speakers included Hon Hekia Parata (then Minister of Women's Affairs), Hon Judith Collins (then Minister of Police), and Rear-Admiral Jennifer Bennett of the Royal Canadian Navy;
- establishing a RNZAF Women's Steering Group to perform a range of responsibilities, including advocating women's development initiatives and supporting the outcomes of Women's Development Fora:

- establishing 'OverWatch', a group that provides peer support, guidance and advice to the NZDF's gay, lesbian, bisexual, transgender and intersex community, and advice to commanders and managers;
- reaching out to designated equal employment opportunity groups, for example the NZDF:
 - celebrated military women in a press release on International Women's Day;
 - partnered with Mana magazine to run a series of feature stories profiling Maori women and men from a range of ranks and trades across the NZDF;
 - developed new Army and Air Force television recruiting campaigns, which specifically included a diverse range of real NZDF personnel, with the aim of increasing the number of potential applicants who can 'see themselves' in the Services;
 - regularly featured a diverse range of personnel in our Service magazines;
- participating in an inter-governmental agency / council bodies' kapahaka evening and entering a regional kapahaka competition for Te Matatini;
- holding a special exhibition at the Air Force Museum of New Zealand, titled *Breaking the Glass Ceiling: Celebrating 70 years of Women in Air Force Blue*;
- releasing guidance on establishing internal EEO network groups;
- providing equity and diversity training for 2,630 personnel across the NZDF, including training 117 new Anti-Harassment Advisors (these are voluntary personnel who provide confidential assistance and support to individuals who feel that they may have been harassed or discriminated against);
- developing an E-Learning package to support equity and diversity training on military promotion courses; and
- continuing to measure personnel's perceptions of equity and diversity, as part of the NZDF organisational Ongoing Attitude Survey.

Figure 4: 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 Figure 4 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 current level of preparedness reflects the unavailability of platforms due to the introduction into service of new and modernised capabilities. Another factor is the sustainment of operational commitments overseas, e.g., Afghanistan and Solomon Islands, which sometimes meant that personnel and their equipment were unavailable within designated response times to prepare for additional missions. As shown above, aggregate preparedness levels are forecast to increase as upgraded and new military capabilities enter service in accordance with the Defence Capability Plan.

(The increases to the fully, substantially and partially prepared baselines are due to the renaming of the Mine Countermeasures (MCM) and MCM Diving Forces to Littoral Warfare Support Forces from 1 July 2012. This renamed output now incorporates military hydrography, after the decommissioning of HMNZS *Resolution* on 27 April 2012).

Summary of Expenditure

NZDF expenditure for the year ended 30 June 2012 was \$2.162 billion, exclusive of GST. Of this total, \$452 million (21%) was returned to the Crown as capital charge for the use of Defence assets.

A graphical summary of expenditure by function and Service is shown in Figures 5 and 6 below. The full financial statements and notes are shown in Section 5 of this report.

Figure 5: Expenditure by Function

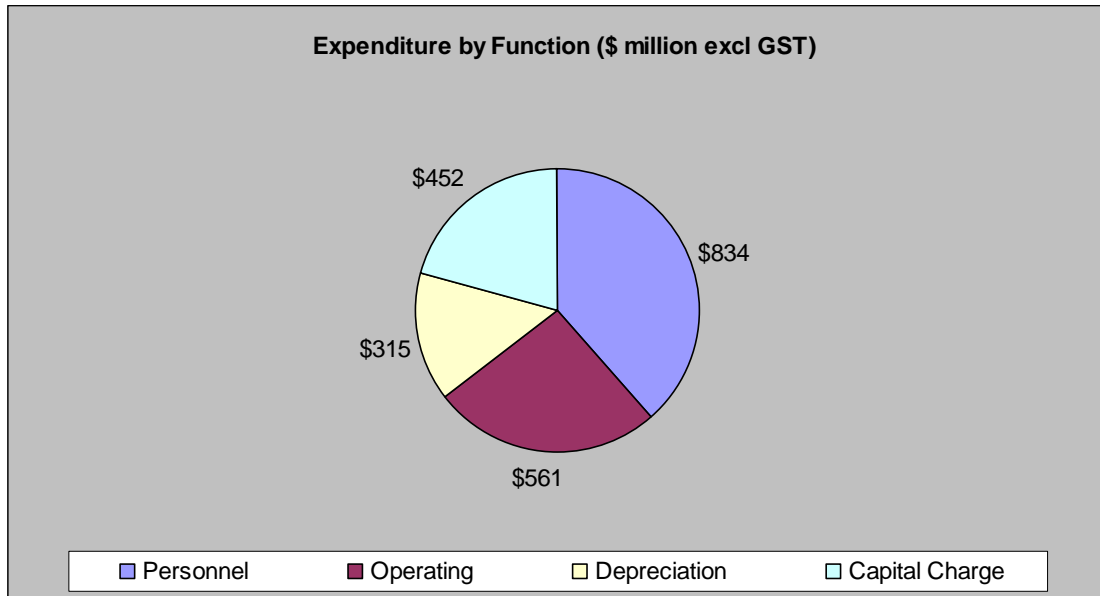
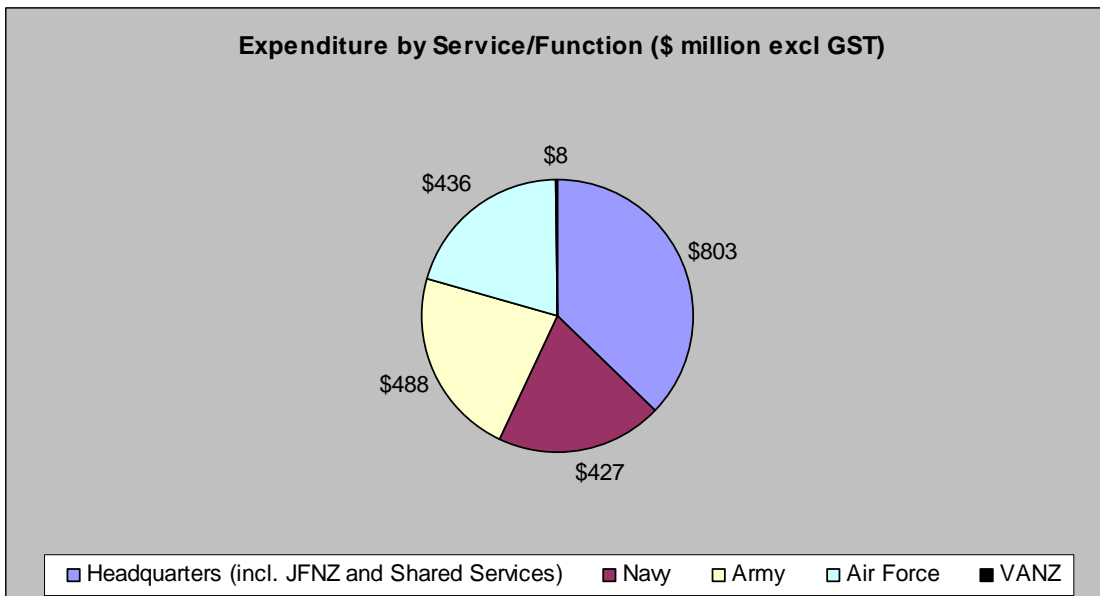


Figure 6: Expenditure by Service/Function



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 websites and sources:
 New Zealand Defence Force: www.nzdf.mil.nz and <http://www.facebook.com/NewZealandDefenceForce>

Defence Communications Group: dcg@nzdf.mil.nz

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 and <http://www.facebook.com/pages/Royal-New-Zealand-Navy/317342038008>

Navy Today:

(Monthly publication)

Torpedo Bay Navy Museum: – www.navymuseum.co.nz

Torpedo Bay, Devonport, Auckland

Army: www.army.mil.nz and <http://www.facebook.com/OfficialNZArmy>

Army News:

(Fortnightly publication)

National Army Museum: – www.armymuseum.co.nz

Waiouru

Air Force: www.airforce.mil.nz and <http://www.facebook.com/RoyalNewZealandAirForce>

Air Force News:

(Monthly publication)

Air Force Museum of New Zealand: – www.airforcemuseum.co.nz

Wigram, Christchurch

Ministry of Defence: www.defence.govt.nz**Legislation**

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. The Defence Amendment Bill, subject to the Government's legislative programme, will be enacted during financial year 2012/13.

SECTION 2: 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 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.”

Outcome Measures

In response to the 2010/11 financial review of the NZDF by the Foreign Affairs, Defence and Trade Select Committee of Parliament, the NZDF has developed more realistic and measurable measures for its higher level outcomes. These were included in the 2012-2015 Statement of Intent and are reported on, as far as data is available and controllable by the NZDF, in the following section. A number of case studies have also been provided to supplement these measures.

During the year, the NZDF also commenced a review of its output structure in conjunction with the Ministry of Defence and central agencies. The intent of the review is to provide clearer linkages to the Government's expected outcomes, therefore making it easier to demonstrate that value for money is being achieved. As a result, the outcome measures reported on below will be further refined to support these linkages.

Outcome Framework

The NZDF's outcome framework is shown at Figure 7 below.

Figure 7: NZDF OUTCOME FRAMEWORK

MISSION

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

NATIONAL SECURITY INTERESTS

A safe and secure New Zealand, including its border and approaches	A rules-based international order, which respects national sovereignty	A network of strong international linkages	A sound global economy underpinned by open trade routes
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DEFENCE OUTCOMES

A 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
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IMPACTS/EFFECTS

Reduced risk of a direct threat to New Zealand and its territories	Reduced illegal activities within New Zealand and South Pacific EEZs	Reduced risk of a direct threat to a member of the Pacific Islands Forum	Mitigate the risk of a direct threat to Australia	Lessen the adverse effects of conflict and humanitarian crisis in the Asia-Pacific region as part of New Zealand's contribution to FPDA	Lessen the threats to international peace and security if requested or mandated by the UN	Reduced risk of not detecting any serious deterioration in the international strategic environment
Increased opportunities for New Zealanders	Increased awareness of New Zealand's military heritage	Lessen the adverse effects from natural and man-made disasters				

PRINCIPAL TASKS

New Zealand's sovereignty defended	Contribute to all of government efforts at home and abroad in resource protection, disaster relief, and humanitarian assistance	Contribute to, and where necessary, lead peace and security operations in the South Pacific	Obligations as an ally of Australia discharged	Make a credible contribution in support of peace and security in the Asia Pacific region	Protect New Zealand's wider interests by contributing to international peace and security, and the international rule of law	Participate in all-of-government efforts to monitor the international security environment	Prepared to respond to sudden shifts and other disjunctions in the strategic environment
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EMPLOYMENT CONTEXTS (Likely security challenges that could threaten National Security Interests and Defence Outcomes)

OUTPUTS (Operationally Deployed Forces, Government & Community Support, Operational Preparedness, Policy Advice)

Contributions Made to Achievement of Outcomes

Table 5: Outcome 1: Secure New Zealand, including its people, land, territorial waters, exclusive economic zone, natural resources and critical infrastructure

Impacts/Effects	Outcome Measures	Target	Results
Reduced risk of a direct threat to New Zealand and its territories.	Assessment of New Zealand's security environment.	Low current risk status and stable direction of change.	The 2012-2015 Statement of Intent of the Ministry of Defence states that New Zealand, and its associated states, are highly unlikely to face a direct military threat over the next 25 years. However, more pressure on maritime resources and increased illegal migration are likely. As the lead agency for armed conflict and maritime threats within New Zealand's EEZ, the NZDF has contributed to reducing the risk of a direct threat to New Zealand and its territories and provided deterrence through regular surveillance patrols and interdiction capabilities. The NZDF has also provided strategic military intelligence advice and military input to threat assessments.
	Collection, collation and dissemination of military intelligence and operational policy advice on areas of interest to New Zealand.	High quality products and high satisfaction from relevant stakeholders.	Contributions to National Assessments Committee Reports, liaison provided to intelligence groups, production of military threat assessments and other reports as required in relation to military operations. In conjunction with the Ministry of Defence, the provision of operational policy advice and threat assessments on operational deployments.
	Assets available to meet security challenges and defence tasks in New Zealand and its environs.	Force elements available at designated degrees of notice (DON) and directed levels of preparedness. Where applicable, to satisfaction of agency concerned.	Appropriate force elements were available at DON and directed levels of preparedness to meet security challenges within New Zealand and its territories. Counter-Terrorist and Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal (CBRE IEDD) response teams available at designated degrees of notice to support NZ Police. 27 IEDD and one CBRE callouts. Support provided to Antarctica New Zealand. (See section on support provided to the Government and community).
Reduced illegal activities within New Zealand and South Pacific EEZs.	Assets available to the National Maritime Coordination Centre (NMCC) to meet requirements for border patrol and maritime surveillance tasks within the New Zealand EEZ, South Pacific region and Southern Ocean.	Provide sea days and flying hours and planned patrol and support/response tasks to the satisfaction of NMCC.	Assets (primarily Orion aircraft and Patrol vessels) made available to NMCC for planned patrols and short notice response tasks, including Tapestry (NZ EEZ), Mawsoni (Southern Ocean) and NORPAT (South Pacific) patrols. Ministry for Primary Industries (Fisheries) assessed the NZDF's effectiveness of pre-planned surveillance/patrol services and effectiveness of response tasks as very good. (Also see case study below). New Zealand Customs Service assessed the NZDF's effectiveness of pre-planned surveillance/patrol services as very good and

Impacts/Effects	Outcome Measures	Target	Results
			<p>effectiveness of response tasks as acceptable.</p> <p>The Department of Conservation assessed the NZDF's effectiveness of pre-planned surveillance/patrol services and sea and air transport to off-shore islands as excellent.</p> <p>The New Zealand Police assessed the NZDF's performance as excellent for the support provided (helicopter support, Rugby World Cup, search and rescue and training).</p> <p>The National Maritime Coordination Centre assessed the NZDF's performance as excellent for effort and acceptable for achievement. (Also see case study below).</p>
<p>Lessen the adverse effects arising from natural and manmade disasters.</p>	<p>Responses to emergency call outs achieved within DON and to the satisfaction of the agency concerned.</p>	<p>Assets available at designated DON for call outs to satisfaction of requesting agencies.</p>	<p>Applicable assets were available within DON, apart from 11 days when alternative arrangements were made to provide Orion/Hercules search and rescue coverage.</p> <p>Assistance provided to the sinking of the cargo ship MV <i>Rena</i>. (Also see case study below).</p> <p>NZDF provided territorial force personnel as part of the Red Zone cordon force as part of Operation Christchurch earthquake.</p>
<p>Increased opportunities for New Zealanders.</p>	<p>Support to New Zealand Cadet Forces (NZCF) and Youth Development.</p>	<p>Provision of training and support staff and resources.</p>	<p>25 courses conducted for NZCF officers and 33 courses conducted for NZCF cadets. 18 Limited Service Volunteer courses provided, and an average of 20 Service Academies, and four Military-Style Camps supported.</p>
<p>Increased awareness of New Zealand's rich military heritage.</p>	<p>Support to Service Military Museums.</p>	<p>Provision of staff, infrastructure and resources.</p>	<p>Support provided to Navy, Army and Air Force Museums. A new directorate within Defence Headquarters (the Heritage, Commemorations and Protocol Group) was established to assist CDF in the planning and conduct of overseas military commemorations.</p>

Table 6: Case Study - Support to Fisheries

<p>During the reporting year, the then Ministry of Fisheries Minister Phil Heatley acknowledged the crew of the HMNZS <i>Wellington</i> with a presentation in September 2011 to mark the first high seas fisheries compliance operation involving the Royal New Zealand Navy's new offshore patrol vessels.</p> <p>Operation Zodiac was a superb example of how collaborative, inter-agency work could protect New Zealand's wider fisheries interests, the Minister said.</p> <p>The operation took place in the most northern part of New Zealand's exclusive economic zone and around the Kermadec Islands. Six fishery officers from Fisheries joined the crew to undertake the high seas boarding and inspection of foreign-flagged vessels.</p> <p>Eighteen foreign-flagged tuna longliners were boarded and inspected between 25 July and 1 August 2011, but no serious violations of Western and Central Pacific Fisheries Commission standards were detected, the Minister said. Information from Operation Zodiac would help identify issues that needed to be considered when determining appropriate fisheries management arrangements for the Te Vaka Moana countries of New Zealand, the Cook Islands, Tonga, Samoa, Niue and Tokelau. "This will ensure both long-term sustainability and improved economic benefits."</p> <p>"We are now able to monitor our own EEZ and also contribute to the wider Pacific," Minister Heatley said. "In future, New Zealand will have a higher maritime profile in the region and will conduct joint patrolling with other countries."</p> <p><i>Source: Wellington Raises Navy's Profile, Professional Skipper, November/December 2011, p.69</i></p>	<p>The then Ministry of Agriculture and Forestry (MAF) has welcomed the news that New Zealand was acknowledged as the leading country among 41 surveyed recently for the quality of its fisheries monitoring control and surveillance (MCS) work.</p> <p>MAF Director-General Wayne McNee says it is reassuring to learn we are right up there when it comes to this very important component of fisheries management. The Fisheries Centre at the University of Columbia, Canada, recently published a comprehensive 222- page compliance evaluation report on 41 fishing nations, from Angola to Vietnam. New Zealand topped the poll overall on 11 measures, covering infrastructure and vessel inspection.</p> <p>New Zealand scored maximum points on one measure: Does the country have adequate surveillance infrastructure (patrol aircraft, sea-based patrol vessels and coastal patrols) to effectively patrol fisheries resources within its EEZ and came very close on a number of others. Mr McNee says the collaborative work Ministry of Fisheries (now Ministry for Primary Industries) does with the NZ Defence Force and other agencies contributed greatly to the result.</p> <p><i>Source: New Zealand Recognised for Fisheries Monitoring, (2012, 19 January). Retrieved from: http://www.voy.co.nz/national/nz-recognised-fisheries-monitoring/5/112720.</i></p> <p>In providing feedback on the NZDF support provided to Fisheries during the reporting year, the Ministry for Primary Industries has provided the following comment on NZDF patrols and their impact on fishing fleet behaviour:</p> <ul style="list-style-type: none"> • Anecdotal information suggests fishers expect to be boarded by RNZN patrols. • Comments received after Orion patrolling on the South Island's East Coast suggests that the Orion patrol flying in advance of the surface patrol had a deterrence effect. Few commercial vessels were located by the surface patrol after the Orion patrol passed through the area.
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Table 7: Case Study – Operation Rena

What the NZDF sought to achieve	What action was taken	What was the result
<p>To provide support and assistance to Maritime NZ planning and response to the <i>Rena</i> disaster, in accordance with the 2009 Memorandum of Understanding between Maritime NZ and the NZDF.</p>	<ul style="list-style-type: none"> • Joint Task Force (JTF) stood up to provide planning support to Maritime NZ and command NZDF forces. • Logistic support of NZDF forces, including health services, communications, movements and accommodation. • Navy vessels, including HMNZ Ships <i>Endeavour</i>, <i>Manawanui</i> and four inshore patrol vessels supported the response effort over a period of three months. • The Littoral Warfare Support Group provided sonar capability for locating debris in the harbour channel and port approaches. • Air Force fixed wing airlift contributed 31 hours providing airlift and reconnaissance flights. • Rotary wing support, including airlift and SAR crews contributed 104 flying hours. • 250 personnel contributed 4,690 personnel days to the operation for beach clean up. • Transport assisting civilian volunteer clean up teams. • At the steady state of support to the disaster relief effort (13 – 17 October 2011), around 380 NZDF personnel were involved in the operation. 	<ul style="list-style-type: none"> • A Maritime Exclusion Zone, patrolled by inshore patrol vessels, was established to reduce the hazard to shipping. • Beach cleanup teams provided public confidence in the Government response and enabled early reopening of public access to main beaches. • Searches for underwater containers were conducted in order to keep the Port of Tauranga and its harbour channel open. • Critical supplies of food, water and fuel were transported by NZDF helicopter to Motiti Island, which was otherwise cut off from supply. • Emergency evacuation of salvors and <i>Rena</i>'s crew was conducted by Air Force Iroquois and Navy Rigid Hull Inflatable Boats. • NZDF demonstrated its versatility, utility and flexibility in its response by contributing headquarters staff along with Maritime, Land and Air assets in a variety of roles. • NZDF's contribution was highly valued by Maritime NZ, and was described as the "centre of gravity for assurance and stability".

Table 8: Case Study – Support Provided to the National Maritime Coordination Centre

What the NZDF sought to achieve	What action was taken	What was the final result
<p>Further enhance multi-agency co-operation delivered by hosting the National Maritime Coordination Centre (NMCC) in order to achieve Maritime Domain Awareness and Security in New Zealand's area of Interest.</p>	<ul style="list-style-type: none"> • Provide air, sea and technological surveillance and patrol capabilities in support of a range of government agencies, as agreed through the NMCC Governance Framework 2006. • Support to Other Government Agencies was extensive and varied as detailed in the Statement of Service Performance section. A range of maritime air and sea patrols was coordinated through the NMCC. • NZDF assistance with Logistics Support and Training for Agencies was also coordinated by NMCC. • NZDF support to the NMCC was the focus of a MoD Audit report during the period (MoD report 3/2012). 	<ul style="list-style-type: none"> • The employment of assets has had a significant impact in improving the quality of compliance in NZ's EEZ. The number of regular patrols and vessel interceptions has increased and feedback from agencies indicate this has led to a positive change in the behaviour of vessels interacted with and those planning on entering the EEZ. <ul style="list-style-type: none"> • Patrol activities as detailed in the Statement of Service Performance section. • The MoD Audit concluded that NZDF support to NMCC was comprehensive and generally effective, and continues to develop as new naval and air assets mature in capability. • Consultative planning between NZDF, NMCC and Agency staff has led to enhanced planning processes and better management of availability of NZDF assets being introduced for the 2012/13 financial year. • A Risk Based Surveillance Planning tool developed by NMCC will provide necessary data to enhance long range forecasting as recommended by MoD Audit.
<p>Further enhance the inter-agency Common Operating Picture (COP)</p>	<ul style="list-style-type: none"> • Data from RNZN vessels at sea and RNZAF P3K aircraft input into COP. • Project engagement with Defence Technology Agency to automate data feeds. 	<ul style="list-style-type: none"> • The Restricted level COP was enhanced with accurate data. • A timely accurate COP produced and shared.

Table 9: Outcome 2: Reduced Risks from Regional and Global Insecurity

Impacts/Effects	Outcome Measures	Target	Achievement
Reduced risk of a direct threat to a member of the Pacific Islands Forum.	Surveillance and intelligence of South Pacific EEZs.	Provide planned sea days and flying hours for surveillance and presence.	Patrol vessel sea days and Orion air hours were made available to NMCC for tasking.
	Force elements available to respond to likely threats including EC 2B (Disaster Relief) and EC 2E (conflict in South Pacific).	Force elements at designated DON and able to meet RTs.	<p>Elements were available within the appropriate DON for EC 2B.</p> <p>Applicable elements were Substantially Prepared to respond to EC 2E events.</p> <p>High Readiness Platoon as part of ANZAC Ready Response Force was available at designated DON for humanitarian and disaster relief in South-West Pacific.</p> <p>Pacific Relief - NZDF support provided in response to states of emergency declared in Tuvalu and Tokelau as a result of severe water shortages.</p> <p>Participation in Exercise Tropic Twilight to undertake humanitarian assistance tasks in Tokelau and Vanuatu.</p>
	Mutual Assistance Programme.	110 – 140 activities planned.	<p>122 activities delivered within South Pacific and South-East Asia. In general the success rate of MAP students attending training was very high. Of the 83 related training activities only four were unsuccessful, one due to discipline, two to language difficulties and one to a misunderstanding of the course requested. (See also Output 15.1).</p> <p>In the reporting year, New Zealand has assumed the role of Maritime Surveillance Adviser in the Cook Islands. This position runs the Australian Defence Cooperation Programme Pacific Patrol Boat programme. It is a clear example of cooperation between the NZDF and ADF within the Pacific.</p>
Mitigate the risk of a direct threat to Australia	Force elements at designated DON and preparedness levels to respond to likely threats.	DON and Response Times met.	Force elements were available and prepared to respond to assist with likely threats for associated ECs.
	Joint planning and exercises.	Completion of Master Activity Schedule exercises and activities.	<p>Inter-operability and standardisation achieved through joint operations for the Regional Assistance Mission Solomon Islands, Timor-Leste, assistance with PNG elections, and joint exercises, including Exercises Triton Storm 12 and Fleet Experience 12 off Eastern Australia, Exercise Sea Lion (joint, multinational amphibious training), Exercise Hamel (collective training), Exercise Kiwi Black (commando training), EOD training, Exercise Bersama Lima (FPDA) and RIMPAC in Hawaii.</p> <p>Two NZDF personnel were based at the Australian Defence Force's Deployable Joint Force HQ in support of the ANZAC Ready Response Force.</p> <p>Participation in regular AUS/NZ Defence Co-ordinating meetings on the regional security situation, joint operations, and respective force development and capability plans.</p>

Impacts/Effects	Outcome Measures	Target	Achievement
			<p>Progress made on implementing the Review of the Australia-New Zealand Defence Relationship, which was endorsed by Ministers in January 2012. This includes a revised relationship management framework and enhanced cooperation in capability development and procurement.</p>
<p>Lessen the adverse effects of conflict and humanitarian crisis in the Asia-Pacific region as part of New Zealand's contribution to FPDA</p>	<p>Force elements available to respond to likely threats under EC 4F (inter-state conflict)</p>	<p>Partially Prepared</p>	<p>Achieved, except for Airborne Surveillance and Response Forces (ASRF) at longer response times due to upgrade programme and Rotary Wing Transport Forces (RWTF) at longer response times due to limitations of the Iroquois helicopter.</p> <p>Participated in FPDA exercises and SE Asia deployments.</p> <p>In 2011, New Zealand also participated in the 40th Anniversary of the FPDA. This provided an opportunity to review progress on the future direction of the FPDA and reinforced the continuing commitment of member states to the FPDA.</p> <p>Participated in the Western Pacific Naval Symposium (WPNS). The WPNS comprises navies whose countries border the Pacific Ocean region. It aims to make the Pacific Ocean free from terrorism, smuggling and piracy, and to enhance cooperation among member states in natural disaster mitigation missions.</p> <p>Provided a NZDF Support Unit in Singapore.</p> <p>Provided a liaison officer to the Changi Information Fusion Centre in Singapore to combat piracy in the region.</p> <p>Contributed personnel to the Headquarters Integrated Area Defence System in Butterworth, Malaysia, as part of FPDA.</p>

Table 10: Outcome 3: New Zealand Values and Interests Advanced Through Participation in Regional and International Security Concerns

Impacts/Effects	Outcome Measures	Target	Achievement
Lessen the threats to international peace and security, if requested or mandated by the United Nations.	Provision of operational deployments.	OLOC requirements met. Mission tasks met Individuals and force elements replaced in a timely manner.	Overseas deployments sustained (see Output Expense 16). The NZDF supported the MoD and MFAT in contributing to the transition groups for the withdrawal of NZDF personnel from Afghanistan, Solomon Islands and Timor-Leste in 2013.
	Major exercises and training activities completed on the Master Activity Schedule. Overseas visit and exchange programme completed.		Most major exercises and activities in the 2011/12 Output Plan completed, as well as overseas visits and exchanges. Exercise Croix De Sud 12 (joint, combined, non-combatant evacuation and humanitarian aid and disaster relief in New Caledonia) was deferred to FY 2012/13 to allow additional international participation.
	Membership of principal standardisation agreements and multinational fora.	Maintain membership.	Participation in standing arrangements, including American, British, Canadian, Australian and New Zealand Interoperability Program (ABCA), Air and Space Interoperability Council (ASIC), Australia, Canada, New Zealand, United Kingdom, United States Agreement Naval Command, Control and Communications Board (AUSCANNZUKUS), Pacific Army Senior Officer Logistics Seminar (PASOLS), and The Technical Cooperation Program (TTCP).
	Support to regional security institutions.		Support provided to Minister of Defence for FPDA, NATO, ASEAN Regional Forum, ASEAN Defence Ministers' Meeting-Plus (ADMM+), and Shangri LA Dialogue activities. The highlight of the New Zealand-NATO relationship during the reporting year was the signing of the Individual Partnership and Cooperation Programme. Not only did this recognise over a decade of shared endeavour in Afghanistan, but it will also open doors for future collaboration with NATO as and where mutually beneficial, through further operations, training for the NZDF, or joint engagement on emerging threats such as cyber security. Also of note was New Zealand's co-chairmanship with the Philippines of the ADMM+ Experts Working Group on peacekeeping operations. As co-chair, a seminar on the legal aspects of peacekeeping operations was held in Wellington in November 2011, and a regional peacekeeping operations capability assessment workshop was held in Manila in June 2012. This represents a significant contribution by New Zealand to the evolution of a new and important building block in the regional security architecture. New Zealand also co-chaired with Cambodia the ASEAN Regional Forum Inter-Sessional meetings on confidence building and preventive diplomacy. The reporting year also featured the signing of the Washington Declaration, a new defence cooperation arrangement with the United States and a companion to the 2010 Wellington Declaration.

Impacts/Effects	Outcome Measures	Target	Achievement
			<p>The arrangement builds on the existing security cooperation between New Zealand and the United States. It focuses on regular high-level dialogue and enhanced cooperation in the Asia-Pacific region.</p>
		<p>Maintain membership of the Combined Maritime Forces (a multi-national partnership to promote stability, security and prosperity across international waters).</p>	<p>Contribution of personnel to Combined Task Force 151 for counter piracy operations in the Gulf of Aden and Somali Basin.</p>
<p>Reduced risk of not detecting any serious deterioration in the international strategic environment.</p>	<p>Force elements prepared to respond to global terrorist threats under EC 5D.</p> <p>Participation in Proliferation Security Initiative (PSI) activities.</p>	<p>Substantially Prepared.</p>	<p>All force elements at Substantially Prepared except for Land Combat Support Forces, Land Combat Service Support Forces, Naval Helicopter Forces, ASRF and RWTF at longer response times, due to personnel and equipment limitations.</p> <p>Attendance at PSI sessional meeting in Germany.</p> <p>To build and maintain international defence relationships, the NZDF provides officers accredited as defence advisors/attachés to 35 countries.</p>

Table 11: Case Study – MFO Sinai

What the NZDF sought to achieve	What action was taken	What was the result
<p>To effectively continue its long-standing support to the Multinational Force and Observer mission (MFO) based in Sinai. This Mission is tasked with “observing, verifying and reporting on the 1979 Peace accord between Egypt and Israel.” In so doing NZDF demonstrate NZ’s commitment to peace in this vital and volatile region of the globe.</p>	<ul style="list-style-type: none"> • Continued deployment of a contingent in support of the mission. This support has been ongoing since 1982. • The contingent currently consists of trainers, HQ staff members, liaison staff, engineering planning staff, drivers, Force Commander (FC) team and a national support team. • The NZ contingent provided essential support that enabled the mission to be conducted effectively. • The NZ driver training team based at the NZ Training Advisory Team ensured that all MFO drivers were of a suitable standard prior to licensing. • The NZ operational training team delivered operationally focused courses to trainers from all contingents and major units. They also planned, executed and assessed exercises and readiness inspections. • The Engineers staff planned and supervised engineering tasks with an emphasis on Force Protection measures and projects. • The Liaison staff formed part of the wider MFO Liaison team, which supported interaction between the principal parties. • The Operations Planning staff conducted planning for future and contingency operations and coordinated Force training efforts. • The driving team operated as part of a multinational transport unit and support operations and logistics across the mission area. • The FC support team provided personal support to the Force Commander. • The national support team ensured that NZ provided support was maintained for the NZ contingent. • The contingent as a whole provided representational and ceremonial functions for regular events and occasions. Among these were National day celebrations, medal parades, memorial events such as El Alamein commemorations and MFO anniversaries. 	<ul style="list-style-type: none"> • The security climate in Sinai has deteriorated over the last 18 months and remains volatile and unpredictable. This level of volatility is unprecedented and has led to an increased necessity for improved operational training and assessments across the force. The NZ contingent has been to the fore in training and exercise development and assessment, leading to an improved level of capability of contingents. • The engineering staff have been instrumental in improving force protection measures at the main camps and at the remote sites. These improvements have included complete redesign and rebuild of team sites to enhance safety, ballistic protection and conditions within and the redesign and construction of additional security measures around the perimeters of both main camps, which included a restructure of entry point security. • The Liaison team has been instrumental in ensuring effective links with the Egyptian military at times of increased threat to the MFO and in so doing have mitigated the risk associated with protracted protests and deliberate interference with MFO action. <ul style="list-style-type: none"> • New Zealand contingent (NZCON) provided ceremonial guards at El Alamein commemorations and cultural parties during a number of MFO and NZ centric events in North Camp. These events and the NZ participation received high praise from those present. • The NZ contingent participated fully in all MFO events and its level of involvement, commitment and success is far above that expected of a contingent of its size. • NZCON is seen, by all other MFO contingents, as an essential component in the delivery of the MFO effect. • NZDF personnel deployed to the Sinai marked 30 years of continuous commitment to the MFO. • The current Force Commander is a New Zealander (MAJGEN Warren Whiting).

Table 12: Outcome 4: New Zealand Able to Meet Future National Security Challenges

Impacts/Effects	Outcome Measures	Target	Achievement
Reduced risk of not detecting any serious deterioration in the international strategic environment.	Assessment of New Zealand's security environment	Low threat and stable direction of change.	See contribution to Outcome 1 above. International Engagement Programme.
	Collection, collation and dissemination of military intelligence and operational policy advice on areas of interest to New Zealand.	In conjunction with the Ministry of Defence (MoD), threat assessments provided to Cabinet for all new and extended operational deployments. Contributions relating to NZDF operations provided to National Committee Assessments Reports.	Military intelligence products provided and shared.
	Reporting the preparedness and evaluation of operational outputs.	Accurate, timely and complete reports.	Operational Preparedness reported quarterly to Defence Force Leadership Board.
	Policies and processes to manage requirement for the acquisition, introduction into service and through-life management of effective capabilities.	Improved capability management.	Worked closely with the MoD and Defence Industry New Zealand. Provided support to Defence Industry Conference in Wellington in October 2011. Defence Capability Plan released in September 2011. In 2010, the NZDF and Ministry of Defence (collectively "Defence") produced their first Major Defence Projects Report. It aimed to improve reporting on major defence acquisition projects, in response to a report from the Office of the Auditor-General, which criticised the way such projects were managed. In 2011, Defence produced a second Major Projects Report. This report is part of a broad set of reforms being undertaken by Defence and highlights problems relating to capability. In their report of 4 May 2012, the Foreign Affairs, Defence and Trade Select Committee of Parliament were pleased that Defence had improved the transparency of its reporting, and recognises the Major Projects Report as a valuable tool allowing parliamentarians to track the progress and risks of defence acquisitions. The appointment of external advisers to the Defence Capability Management Board is a significant innovation.
	Select Committee Reports	Satisfaction from Foreign Affairs, Defence and Trade and Finance and Expenditure Committees of Parliament.	The Foreign Affairs, Defence and Trade Committee noted in their 2010/11 financial review of the NZDF, that the "men and women serving in New Zealand's armed forces perform their duties to an extremely high standard, in challenging and frequently dangerous conditions."
	Results of MoD output evaluations.	Outputs delivered to the required standard.	Outputs evaluated by MoD's Evaluation Division during 2011/12 were delivered to the required standard.

Impacts/Effects	Outcome Measures	Target	Achievement
			<p>For the 2010/11 reporting year, four outputs were assessed as having been delivered to the standard required and one delivered with limitations due to the non-availability of aircraft undergoing modification.</p> <p>The MoD Audit on NZDF Support to the National Maritime Coordination Centre (NMCC) concluded that NZDF support to NMCC was comprehensive and generally effective, and continues to develop as new naval and air assets mature in capability.</p>

Table 13: Strategic Performance

Objectives	Measures	Results
Stakeholder Expectations		<ul style="list-style-type: none"> Force elements were at DLOC for likely events and OLOC for deployed operations. Future DLOC predictions provided as part of OPRES.
S1 – Provide Future Military Capability	<ul style="list-style-type: none"> OLOC² generation Plans to meet OE16 OPRES – Force Elements at DLOC² OPRES – Future predictions of DLOC Introduction of new Capabilities 	<ul style="list-style-type: none"> Upgrade programmes for Orion and Hercules aircraft progressed and first of new NH-90 helicopters delivered.
S2 – Deliver and Effective and Efficient NZDF	<ul style="list-style-type: none"> Ongoing Attitude Survey <ul style="list-style-type: none"> Confidence in leadership Long term Planning Budget Predictions NZDF Reputation 	<ul style="list-style-type: none"> Attitude survey continued. Four-Year Budget Plan produced. TNS Public Perceptions Survey of the NZDF conducted.
Adding Value through Processes and Systems		
W3 – Train for a Joint, Interagency, Multinational Capability	<ul style="list-style-type: none"> Joint training <ul style="list-style-type: none"> Activities conducted Qualitative assessment 	<ul style="list-style-type: none"> Master Activity Schedule (Joint Activities) largely completed and selected exercises evaluated. Deployable Joint Task Force (Land), the land element of the Headquarters Deployable Joint Inter-Agency Task Force, stood up. Sealift capability proven. Joint Amphibious Training commenced. Enhanced Infantry Company, 3rd Manoeuvre Unit and Deployable Field Surgical Team capability progressed. First of new NH-90 helicopters delivered. First of upgraded P-3K2 Orions delivered. Project plan for HMNZS <i>Canterbury's</i> remediation work completed. Remediation work will be carried out over the period August 2012 to April 2013.
W4 – Deliver Flexible, Relevant Future Capabilities	<ul style="list-style-type: none"> Capability Concepts for 2035 <ul style="list-style-type: none"> Joint Operational Concepts Environmental Experimental programme leading to future decisions 	<ul style="list-style-type: none"> Defence Capability Plan published September 2011. Development of Joint Operational Concepts.
W5 – Deliver Effective Logistics Support at a reduced cost	<ul style="list-style-type: none"> Reduced costs to logistics Logistic support Impact on DLOC/OLOC generation 	<ul style="list-style-type: none"> Logistics Change Programme developed and progressed.
W6 – Redistribute Resources	<ul style="list-style-type: none"> Reduce Costs across HQ NZDF Savings accumulated 	<ul style="list-style-type: none"> Savings of \$143 million achieved for redistribution. HQ Change Programme. Innovation and Improvement programme. NZDF Reform Programme.

² DLOC (Directed Level of Capability) is a lower level of capability, sufficient to allow operational standards to be reached within a prescribed response time. Holding a force element at lower levels of capability avoids expenditure on some training, personnel, and maintenance until such time as it is needed to generate higher levels of performance for particular operational situations. OLOC (Operational Level of Capability) is this higher level of capability performance, which enables a force element to deploy and commence operations. To bring a force element from DLOC to OLOC requires additional training and resources.

Objectives	Measures	Results
Obtain Resources		
<p>M7 – Equip our Forces to meet Future Outputs</p>	<ul style="list-style-type: none"> • Equipment deficiencies identified through OPRES • Delivery of equipment on time, budget and within specifications 	<ul style="list-style-type: none"> • Defence Capability Plan. • Four C-130 Hercules have been inducted into the upgrade programme, with one remaining to be introduced. • Two P-3K Orion aircraft are going through the test and evaluation phase, while another two are undergoing upgrades at Safe Air Blenheim. • New A-109 helicopters delivered. • First of Class Flight Trials (Seasprite helicopter) for HMNZS <i>Otago</i> completed. • Additional Night Vision Equipment, Combat Engineer Tractor, Bulk Fuel Storage, and Gap Crossing System introduced. • Following major projects were advanced: new pilot training capability, upgrade of ANZAC frigate systems, a maritime replenishment and sustainment capability, a network-enabled Army, and a land transport capability programme.
<p>M8 - Ensure we have the People we need for the Future</p>	<ul style="list-style-type: none"> • Critical military appointments filled • Ongoing Attitude Survey satisfaction with career management • Human Resource cost reduction 	<ul style="list-style-type: none"> • Total Defence Workforce framework being developed. • Civilianisation largely completed. • HQ Change Programme continued. • HR costs reduced. • Results from the Attitude Survey have shown that morale has trended downwards. In response to this, CDF has identified four key areas that need to be addressed: pay and benefits, impact of change, workload and leadership and development.
<p>M9 – Improve the Technology and Infrastructure to Support Effective Management of the NZDF</p>	<ul style="list-style-type: none"> • Assessment of Real Estate Footprint • Cost reduction of Real Estate portfolio • Cost reduction resultant from investment in Information and Communications Technology (ICT) 	<ul style="list-style-type: none"> • Analysis of the benefits of Manawatu consolidation completed. • A roadmap for Defence Estate to 2050 being completed. • Disposal of surplus housing continued. • Policy options developed to review the level of accommodation allowances provided and rent structures for NZDF-provided housing. • ICT Investment Programme progressed.

Performance Improvement Framework

No performance improvement framework reviews were carried out during the reporting year for the NZDF. It is planned to undertake a review during 2013.

Cost Effectiveness

While Vote Defence Force is appropriated by output expense, costs are not attributed to outcomes. It is difficult to estimate the dollar value of the effects of military capabilities and interventions. It is equally difficult to quantify in dollar terms the contributions NZDF military activities make to high level outcomes. This is especially so when the NZDF also contributes to a number of other departments' outcomes such as Customs, Primary Industries, MFAT and Police.

Nevertheless, the NZDF is committed to organisational cost effectiveness as part of its longer-term savings programme.

The Savings and Re-Investment Programme was developed to deliver on expectations set in the Defence White Paper 2010 that required the NZDF to generate \$350 - \$400 million of savings by 2014/15. The objective of these savings is to provide funding for reinvestment in support of anticipated increases in the cost of NZDF's operations including those arising from the acquisition and utilisation of new capability and to keep the operating plan in balance for as long as possible.

The programme is made up of a multi-year evolving group of over 50 initiatives designed to deliver savings for re-investment in the maintenance and introduction of new military capabilities. Projects within the programme will continue to evolve and new projects may be added over the life of the programme. In February 2011, Cabinet agreed to a target of \$130 - \$150 million to be achieved by the end of 2011/12. To date, the programme has achieved \$143 million of savings through a range of initiatives in the areas of support services, workforce, logistics, platforms and capability, property and real estate, other services and other NZDF initiatives.

Holding force elements at lower levels of capability than required is also a cost effective way of managing contingent output capabilities. In addition, the continued use of a balanced scorecard for management information and tracking contributes to efficiencies.

The NZDF is also participating in the Better Administrative Support Services (BASS) programme, which has identified opportunities to improve services through benchmarking, monitoring and evaluation.

Figure 8 below shows that NZDF administrative and support (A&S) costs, overall, have fallen by around \$25 million from 2009/10 to 2010/11.

Figure 8: Year on Year Comparison of NZDF Administrative and Support Costs

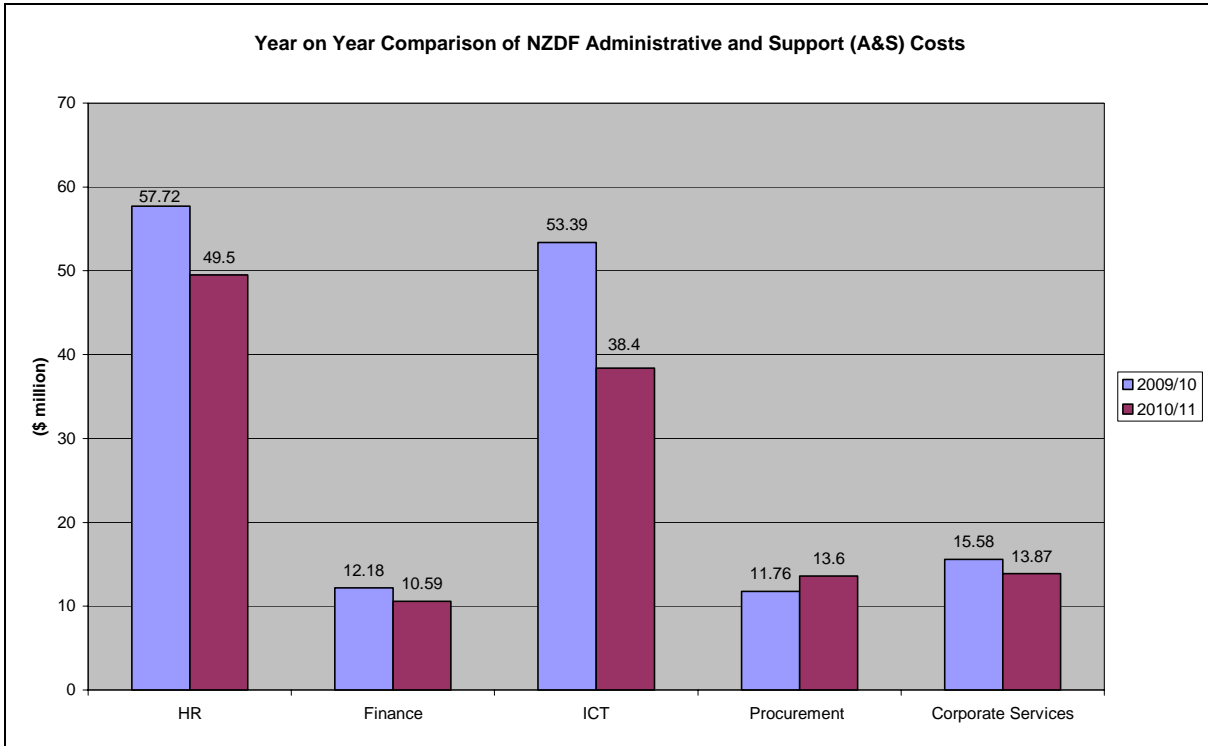
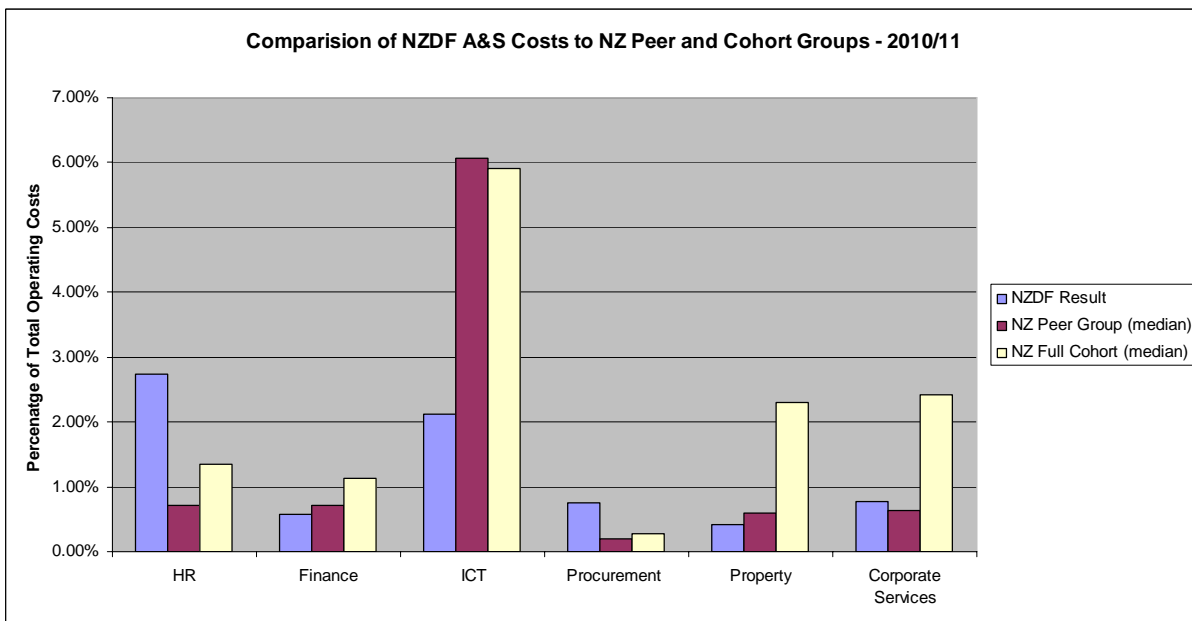


Figure 9 below shows that, in general, NZDF A&S costs compare favourably with other organisations' costs for 2010/11. As at the time of writing, comparison costs for 2011/12 were not available.

Figure 9: Comparison of NZDF Administrative and Support Costs to NZ Peer and Cohort Groups – 2010/11



SECTION 3: 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.

Table 14: Employment Contexts

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.
<p>Note: The ECs 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). Responses to EC 1 events are non-discretionary. Responses to EC 2 events involve limited discretion, aside from those territories for which New Zealand has constitutional or treaty obligations where responses are non-discretionary. Responses to EC 3 events involve limited discretion, while responses to EC 4 and 5 events are discretionary.</p>	

Military Capability

As noted in Section 1, the annual outputs of the NZDF fall into three main categories:

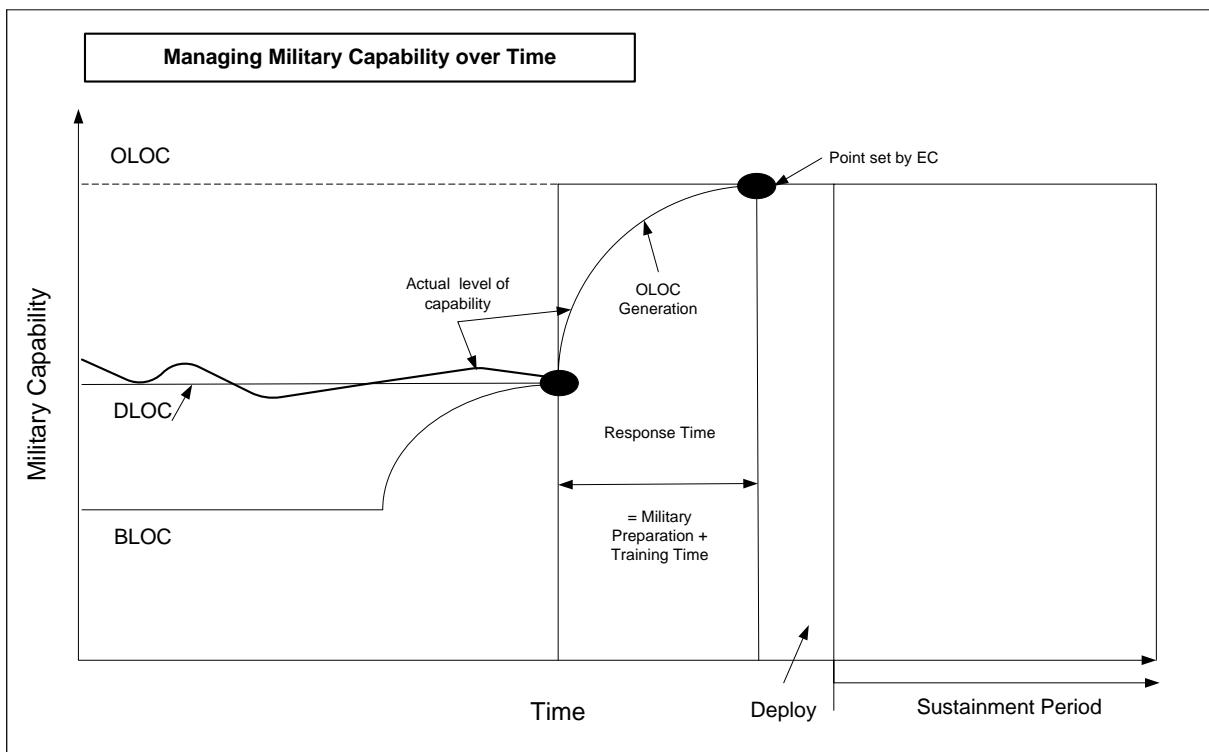
- sustaining currently approved operational missions;
- performing predictable or routine tasks, such as providing policy advice, completing multi-agency operations and tasks, including response to emergency situations, and community support; and
- maintaining the required level of military capability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

Figure 10 shows the relationship between DLOC and OLOC.

Figure 10: Managing Military Capability over Time



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.

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

Table 15 below shows the OPRES Performance Rating Scale used to quantify force element performance in achieving preparedness (DLOC³):

Table 15: OPRES Performance Rating Scale

Rating	Meaning
P1 (Fully Prepared)	The standards required for all measurement areas, under OPRES, have been achieved by between 90 to 100% .
P2 (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% .
P3 (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% .
P4 (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% .
P5 (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 into service.

³ 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.

Support to Government and the Community

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

The Evaluation Division of the Ministry of Defence assesses from time to time, 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.

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 2012 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	2010/11	2011/12	
	Actual	Budget Standard	Performance Achieved
Range of key submissions anticipated as follows:			
Number of Statutory Reports to Parliament (Statement of Intent and Annual Report)	2	2	2
Number of Submissions to Cabinet (in conjunction with the Ministry of Defence)	11	10 - 30	36
Number of Reports and Briefing Papers to Minister (in conjunction with the Ministry of Defence)	424	350 - 450	444 (includes 108 in conjunction with Ministry of Defence)
Numbers of Ministerial Correspondence ("Ministerials")	242	250 - 350	246 (includes 38 OIA requests)
Numbers of Parliamentary Questions (for Written and Oral answer)	144	50 - 150	242 (includes 7 oral)
Numbers of Select Committee Reports	No reports were required.	2 - 8	No reports were required.
Numbers of Select Committee Questions (Foreign Affairs Defence & Trade, and Finance and Expenditure Committees)	169	200 - 300	361
The supply of individual products, as above, of high quality - defined by the characteristics of quality advice (see note below).	Met	Meet	See comments below.
All reports and oral advice will be delivered within the agreed or statutory time frame:			
Percentage of replies to Ministerials will be provided within 20 working days of receipt of request	88%	95%	72%. An increased amount of ministerial correspondence, coupled with resource constraints, has meant the targets for delivery of replies have not been met. Improvements to streamline work processes are currently underway, which should improve response times for correspondence. The Ministerial Services team now has extra resources.
Percentage of replies to Parliamentary Questions for Written Answer will be provided by due date	72%	95%	83%. See comment for Ministerials above.
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	100%	95%	100%. The NZDF also responded to 188 non-Ministerial OIA requests during the reporting period.
Percentage of the first drafts of all policy papers accepted by the Minister	85%	95%	75% achieved for both measures. As noted above, improvements are being put in place to improve performance in these areas.
Percentage of other responses accepted without substantive amendment	95%	95%	
Degree of satisfaction expressed by the Minister, appropriate committee or agency (feedback from those for whom policy products have been produced)	Needs improvement	High Satisfaction	Overall, the current Minister of Defence is satisfied with policy products, but there needs to be improvement on the consequences of advice provided to the Minister. A quality control process is now in place to improve policy products.

Note: The quality characteristics for policy advice (dimension followed by relevant standard) are:

- **Purpose.** The aim of the advice is clearly stated and answers the questions set.
- **Logic.** The assumptions behind the advice are explicit, the argument is logical and supported by the facts.
- **Accuracy.** The facts in the papers are accurate and all material facts have been included.
- **Evaluation.** Advice provided includes, where appropriate and relevant, the outcomes to be achieved by the recommended course of action and the means by which that achievement will be evaluated.
- **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.
- **Presentation.** The format meets Cabinet Office and ministerial requirements; the material is effectively, concisely, and clearly presented, has short sentences in plain English, and is free of spelling or grammatical errors.
- **Timeliness.** Papers are provided in time to meet Cabinet Office and ministerial requirements, or as otherwise agreed.

Costs for Output Expense 1

Actual 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
	Expenditure			
11.678	Personnel	11.742	12.602	12.497
2.319	Operating	3.333	3.701	3.437
0.593	Depreciation	1.559	0.546	0.638
0.456	Capital Charge	0.547	0.549	0.549
15.046	Total Expenses	17.181	17.398	17.121
	Income			
15.758	Revenue Crown	17.146	17.113	17.113
0.036	Revenue Department	0.035	0.036	0.036
0.004	Revenue Other	-	0.249	0.247
0.032	Other Gains	-	-	-
15.830	Total Income	17.181	17.398	17.396
0.784	Net Surplus (Deficit)	-	-	0.275
	Cost by Output			
8.835	Output 1.1	10.612	10.135	10.154
2.956	Output 1.2	2.956	2.966	2.963
1.315	Output 1.3	1.276	1.256	1.197
1.940	Output 1.4	2.337	3.041	2.807

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2011/12 for this output expense was \$17.398 million and the total expenditure was \$17.121 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 within the South Pacific, while at the same time supporting operations in Afghanistan, Timor-Leste and Solomon Islands.

Navy – Output Expenses 2 – 6

- The operating environment for the 2011/12 reporting year has been characterised by the extremely challenging personnel circumstances in which Navy outputs have been delivered. Annualised Regular Force (RF) attrition has climbed from a manageable 11.25% at the start of the year to an unsustainable 22.96% at year's end. For the first half of the year, the Fleet was largely insulated from the direct impact of the personnel losses. This was achieved through the implementation of a range of temporary crewing strategies and through absorbing the vacancies in shore based support areas first. However, the significant reduction in the number of trained personnel available to crew the ships has in the later stages of the year seen the Fleet operating profile directly impacted, as the Navy could no longer absorb the shortages in shore based positions only.
- The Naval Combat Force (NCF) delivered the required levels of Mission Availability and Sea Days, albeit that the required level of output in this financial year was lower than historical norms. HMNZS *Te Mana* commenced an extended maintenance period in November 2011, which was to have included the second phase of the Platform Systems Upgrade (PSU) work package, meaning the ship would be operational for only four months of the reporting period. However, project and design delays deferred this part of the work package. Under normal circumstances, this would have allowed the ship to return to operations earlier than planned but due to the personnel situation, this option could not be pursued. HMNZS *Te Mana* will commence post maintenance sea trials in August 2012 as originally planned.
- HMNZS *Endeavour* delivered slightly higher than the target levels for Mission Availability and Sea Days. This was due to a range of minor programme adjustments that were made during the year, including such unexpected tasks such as supporting the Maritime NZ led response to the MV *Rena* grounding in the Bay of Plenty.
- HMNZS *Canterbury* largely met the Mission Availability performance target (96% achieved) and delivered nine Sea Days less than the target range due to minor programme changes during the year. The capability release process for the ship has continued at a steady pace with some elements of the remediation programme work package delivered during the reporting period. The vast majority of the warranty related material changes will occur in financial year 2012/13.
- HMNZS *Manawanui* met the target for Mission Availability days and achieved 115 Sea Days against a target range of 130 to 144. This reduced output was a result of cancelled or amended tasking.
- The Mine Countermeasures (MCM) Diving Forces met diving hour targets and maintained the required preparedness levels despite ongoing personnel issues. The Operational Diving Team (ODT) and Mine Countermeasures Team (MCMT) provided a significant amount of specialist support to NZ Police during the reporting period, where tasks were beyond the capabilities of the Police Dive Squad.

- The Naval Patrol Force (NPF) outputs were adversely affected by the deteriorating pan-Navy personnel environment. This was largely due to the fact that the Output Expense 5 operating tempo set for this year was much higher than for other output expenses. However, shortages in several critical specialist areas, essential to the safe and effective operation of the NPF ships, have impacted upon the crewing levels and operating tempo that could be maintained.
- Following advice by Land Information New Zealand (LINZ) that they would not renew the MOU between LINZ-RNZN for the provision of hydrographic data when it expired on 30 June 2012, the NZDF made the decision to decommission and dispose of HMNZS *Resolution* once the financial year 2011/12 contracted survey tasks were completed. This tasking was completed in March 2012 and the ship was decommissioned on 27 April 2012. At the time of writing, the disposal process is underway.

Army – Output Expenses 7 – 10

- Land Forces were prepared for war fighting operations, while continuing to carry the main responsibility for sustaining the equivalent of three infantry company groups for the current Output Expense 16 operational missions. They were able to respond to terrorist and asymmetric threats to New Zealand, provide a high readiness manoeuvre platoon for short notice contingencies within the South Pacific involving non-combatant evacuation operations, stability and support operations or humanitarian aid and disaster relief operations, and provide a combined arms task group for challenges to legitimate governments, including civil war and secessionist conflict also within the South Pacific.
- Due to supporting current operations in Afghanistan, Timor-Leste and Solomon Islands, the Light Task Group and Combined Arms Task Group (CATG), although available, could not be deployed concurrently.
- Effective interoperability with key allies was achieved with a number of exercises throughout the South Pacific and South East Asia. A key exercise was Alam Halfa, a joint and combined task force field training exercise based on a CATG and involving New Zealand, US Marine Corps, British and Australian personnel. 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. In addition, engineers deployed on Exercise Tropic Twilight. This was a joint inter-agency multinational activity providing assistance tasks and involved French, United States and New Zealand forces in Tokelau and Vanuatu operating effectively with NZAID.
- 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, and supported the NZ Police before and during the Rugby World Cup.

Air Force – Output Expenses 11 – 14

- During the reporting period, a continuous embarked Seasprite capability of the Naval Helicopter Forces was provided to the Navy's frigates. On numerous occasions, a Seasprite was deployed either domestically within New Zealand or on HMNZS *Canterbury*. During Operation Rena, a Seasprite was simultaneously deployed. Although still not achieving planned flying hour targets, the flying rate was higher than previous years, mainly due to increased airframe availability. Overall, there was a shortfall of Seasprite flying hours against that planned (1,138 hours achieved against a target of 1,400 hours or 81% delivered).
- The Airborne Surveillance and Response Forces (ASRF) met availability and preparedness targets for the NZ EEZ, South Pacific regional surveillance and search and rescue tasks, within the limitations of the mission systems upgrade programme. For short periods where no aircraft were available, alternative arrangements were made to provide coverage. However, due to equipment limitations and reduced training opportunities, the ASRF would take longer to respond to sustained regional military contingencies. This situation is expected to improve following successful introduction into service of the upgraded aircraft. The ASRF did not meet its planned flying hours due largely to delays in the upgrade programme, which significantly reduced the number of aircraft available to fly. The Orion fleet flew 1,553 hours against a planned target of 2,250 or 69% achieved.
- Availability and preparedness targets were substantially met for the Fixed Wing Transport Forces (Boeing and Hercules). C-130 Hercules availability continued to be affected by the life extension programme. Nevertheless, the Hercules fleet was able to meet most operational demands, including support to Afghanistan, Operation Antarctica, Rugby World Cup, and Operation Pacific Drought. The Boeing fleet flew 1,130 hours against a target of 1,400 hours, or 81% achieved. The Hercules fleet flew 1,686 hours against a target of 1,988 hours, or 85% achieved.
- 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. Total Iroquois flying hours were 3,515 against a target of 3,435 hours, or 102% achieved. Five A109 and two NH90 helicopters were delivered during the reporting period, but, due to operational testing and evaluation, were not available for military tasking.
- Effective standardisation with other forces was achieved with participation in a number of overseas exercises, including Exercise Bersama Shield in South-East Asia, Exercise Triton Fury in Australia, and Maple Flag in Canada.

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 output expense also includes contributions to a range of services provided to government and the community.

Contributions to Outcomes

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

Overview

Naval Combat Force (NCF) availability in this reporting period was forecast to be below historical norms. HMNZS *Te Mana* spent the majority of the reporting period in an extended maintenance period, which was to have included the second phase of the Platform Systems Upgrade work package. However, delays in completing design work and other risk factors led to the decision being made to defer the work with HMNZS *Te Kaha* to be the first platform to have the work done, programmed for financial year 2013/14. Despite the reduced scope of the work package, personnel considerations meant that HMNZS *Te Mana* could not be brought out of this maintenance period earlier than planned.

Other than the first two months of the reporting period when the ship was in maintenance, HMNZS *Te Kaha* was available at all times, participating in a variety of exercises in New Zealand, Australia, wider Pacific region and South East Asia. In terms of availability, the NCF was 29 days below the Mission Availability Days target for the year but exceeded the planned Sea Days delivery by 10 days.

Readiness Training Activities

The NCF achieved and maintained DLOC through training activities in New Zealand, the South Pacific, Australia and South East Asia. The majority of the training activities in which the NCF participated also included Australian Defence Force (ADF) units, which has ensured a high level of AS-NZ interoperability has been achieved and maintained. Participation in FPDA exercises permitted the NCF to demonstrate competence in a multi-national coalition environment. During the reporting period the NCF participated in the following activities:

- Operation Cutlass. HMNZS *Te Mana* returned from a deployment to South East Asia early in the reporting period. During the later part of this deployment the ship attended the Brunei Royal Fleet Review, rendezvousing with HMNZS *Endeavour* and visiting Port Vila in Vanuatu before returning to New Zealand.
- Five Power Defence Arrangements (FPDA) Exercise Bersama Lima. This exercise focused on joint operations in a multi-threat environment using a scenario centred on the defence of Malaysia and Singapore. The exercise offered the opportunity to enhance interoperability and strengthen professional relationships with the other FPDA nations.
- After Exercise Bersama Lima, HMNZS *Te Kaha* participated in bi-lateral naval exercises with Singaporean (Exercise Lion Zeal) and Malaysian (Ex Malzea) forces.

- Fleet Concentration Period (Exercise Triton Storm). Hosted by Australia with both the Royal Australian Navy (RAN) and the Royal Australian Air Force (RAAF) 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 both HMNZ Ships *Te Kaha* and *Endeavour*. On completion of the exercise, HMNZS *Te Kaha* participated in a Complex Group Warfare and Fleet Experimentation Period with the participating RAN units.
- HMNZS *Te Kaha* also conducted a period of in company training with the RAN units enroute to Hawaii for Exercise RIMPAC 2012. This period also saw HMNZS *Endeavour* with support from *Te Kaha* and HMAS *Darwin* participate in Operation Bunker, the resupply of fuel to northern Cook Islands.
- In New Zealand waters, both NCF ships participated in the RNZN 70th Anniversary Fleet Review and the associated Fleet training period that preceded the events in Wellington. Miscellaneous NCF support was provided to other government agencies including supporting the Rugby World Cup 2011 events and responding during the initial stages of the MV *Rena* grounding response.

Output Performance Measures and Standards

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
<p>Number of ANZAC frigates, capable of embarking a Seasprite helicopter when ordered, available for military tasks (from a total fleet of two ANZAC frigates).</p> <p>(Details on the Seasprite Helicopters are recorded under Output Expense 11 - Naval Helicopter Forces).</p> <p>Deployment Impact: The Naval Combat Forces will be able to reach a higher performance rating for the higher-end/combat-related tasks (under Employment Contexts 3 - 5) once a Self Defence Upgrade is completed.</p>	2	1 frigate (HMNZS <i>Te Mana</i> will be undergoing Phase 2 of the PSU)	<p>At least one frigate was available for military tasks with an embarked Seasprite helicopter throughout the period. For short notice tasks (e.g., search and rescue) when a frigate was not available, due to location or maintenance, an alternative platform provided coverage.</p> <p>The SDU project (now renamed the Frigate Systems Upgrade [FSU]) is progressing through the NZDF capability management process.</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 when not committed to operations, using the capabilities developed for the operational role.</p>	<p>Nil planned due to Naval Patrol Force tasking, but available for short-notice response tasks</p>	<p>Deliver to the satisfaction of supported department/agency</p>	<p>For details of MAO&T support provided, see the section on Services in Support of the Government and Community.</p> <p>HMNZS <i>Te Mana</i> was diverted to standby by the MV <i>Rena</i> as the initial naval response.</p> <p>HMNZS <i>Te Kaha</i> assisted HMNZS <i>Endeavour</i> in the execution of Operation Bunker (fuel resupply to Cook Islands) in support of MFAT.</p>

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
Undertake Defence diplomacy tasks in accordance with NZDF and Government/MFAT requirements. This normally involves ship visits to foreign ports.	Comprehensive programme completed	Deliver as required	The NCF participated in exercises in Australia and South East Asia demonstrating their interoperability with ADF and FPDA forces. Defence diplomacy tasks in Australia, the Pacific and South East Asia were undertaken, including port visits and the hosting of official functions.
HMNZS <i>Te Kaha</i> Mission Availability Days / Sea Days for the year (range in days plus or minus 5%)	239 / 154	227 / 139 - 153	HMNZS <i>Te Kaha</i> was mission available for 224 days (98%) and spent 149 days (102%) at sea.
HMNZS <i>Te Mana</i> Mission Availability Days / Sea Days for the year (range in days plus or minus 5%)	171 / 102	131 / 34 - 38	HMNZS <i>Te Mana</i> was mission available for 105 days (80%) and spent 43 days (119%) at sea.
Preparedness - Naval Combat Forces: Employment Context (see the preparedness rating scale earlier in this section for "P" ratings)			
<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)	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice.
Terrorist and Asymmetric Threats (EC 1D)	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice.
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>			
Natural and manmade disasters (EC 2B)	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)	P1	P2	P1
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)	P1	P2	P2
<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)	P2	P2	P2
Inter-State conflict (EC 4F)	P2	P2	P2
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>			
Terrorist Threats (EC 5D)	P2	P2	P2

Costs for Output Expense 2 (GST Exclusive)

Actual 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
	Expenditure			
103.994	Personnel	102.587	102.161	99.061
77.452	Operating	86.089	68.264	67.297
6.837	Losses on Foreign Exchange	-	-	3.476
96.058	Depreciation	109.415	72.916	72.710
109.751	Capital Charge	110.108	109.965	109.965
394.092	Total Expenses	408.199	353.306	352.509
	Income			
399.016	Revenue Crown	404.767	349.166	349.166
0.499	Revenue Department	1.624	1.961	0.435
1.529	Revenue Other	1.808	2.179	1.883
2.343	Gains on Foreign Exchange	-	-	1.332
403.387	Total Income	408.199	353.306	352.816
9.295	Net Surplus (Deficit)	-	-	0.307

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2011/12 for this output expense was \$351.086 million (including approved transfers under section 26A of the Public Finance Act 1989) and the total expenditure excluding remeasurements was \$349.033 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 output expense also includes contributions to a range of services provided to government and the community.

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.

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.

Note: The provision of Rapid Environmental Assessment and Advance Force tasks in support of littoral operations including sealift will be provided from Output Expense 4.

Contributions to Outcomes

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

Overview

HMNZS *Endeavour* achieved slightly higher than forecast Mission Availability and Sea Days delivery and met all preparedness targets. Nonetheless, the ship is now beyond its intended design life and as such presents a range of challenges in maintaining capability and availability. Added to these material challenges, the ship is a single hulled tanker and will no longer be compliant with International Maritime Organisation requirements from April 2013.

HMNZS *Canterbury* has met all output preparedness targets. The ship continues to release capability but full introduction into operational service has been delayed owing to warranty issues and the implementation of the associated remediation programme. Mission Availability Days and Sea Day outcomes were marginally below target levels due to a range of minor programme changes during the year.

Readiness Training Activities

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

- Operation Havre. HMNZS *Canterbury* conducted the re-supply of Raoul Island and the offload of Department of Conservation personnel and equipment to effect the installation of new power generation facilities.
- Exercise Sea Lion. An ADF hosted amphibious exercise during which the RNZN Amphibious Force looked to develop basic amphibious planning and embarkation skills within the framework of a Non-combatant Evacuation Organisation scenario.
- Operation Poseidon. HMNZS *Canterbury* supported the New Zealand Police Special Tactics Group in the Hauraki Gulf where they conducted boat drills and boarding operations with the Ship.
- Operation Calypso. HMNZS *Canterbury* deployed to the South Pacific for a Pacific community engagement task and to support MFAT through the delivery of stores to various Pacific Islands.

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

- Operation Cradock. HMNZS *Endeavour* deployed to Australia to uplift fuel stocks then proceeded to Papua New Guinea before rendezvousing with HMNZS *Te Mana* for training activities during a passage to Port Vila with both ships returning to New Zealand on completion.
- Operation Rena. HMNZS *Endeavour* was one of the first units to reach the scene, but was released early in the operation, remaining at short notice if required.
- Operation Crucible. HMNZS *Endeavour*, in company with HMNZS *Te Kaha*, participated in a multi regional deployment, which saw them conducting agency taskings in the South Pacific, en route to Exercise RIMPAC.
- Operation Bunker. HMNZS *Endeavour* was tasked to supply fuel to the northern Cook Islands. The ship transferred 3,800ltrs of fuel to Nassau Island, 6400ltrs to Pukapuka Island, and with the assistance of HMNZS *Te Kaha* and HMAS *Darwin*, transferred 60,000ltrs to Penrhyn Island to support the forward operating base of the Cook Islands Pacific Class Patrol Boat and the local community.
- Exercise Triton Storm. An exercise aimed at combined maritime training involving naval and air elements of the ADF and NZDF.
- Fleet Experimentation. HMNZS *Endeavour* participated in this exercise off the West Coast of Australia aimed at Complex Group Warfare.

Output Performance Measures and Standards

Performance Measures	2010/11	2011/12	
	Actual	Budget Standard	Performance Achieved
HMNZS <i>Endeavour</i> available for military tasks.	Available	Available	HMNZS <i>Endeavour</i> was available for military tasks.
<p>HMNZS <i>Canterbury</i>, with the capability to embark Seasprite helicopter/s when ordered, and transport NH-90 helicopters as required, once fully accepted into service, available for military tasks.</p> <p>HMNZS <i>Canterbury</i> will be capable of transporting four NH-90 medium utility helicopters - to be acquired by the NZDF in 2011/12 - on completion of ship/aircraft integration and first of class flight trials.</p> <p>Details of Seasprite helicopters are recorded under Output Expense 11 – Naval Helicopter Forces.</p> <p>Deployment Impact: HMNZS <i>Canterbury</i> will be able to reach a higher performance rating once warranty remediation projects are completed.</p>	Available within the Interim Operational Capability Statement	Available	<p>HMNZS <i>Canterbury</i>, with an embarked Seasprite helicopter when required, was available to support military tasks.</p> <p>The reporting period has seen the completion of some remediation programme work with the majority of the work package to be delivered in FY 12/13.</p> <p>Work was also undertaken on transporting four NH-90 helicopters. Full capability in this role will be achieved once ship/aircraft integration and first of class flight trials are completed.</p>
Undertake MAO&T and contribute 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.	Delivered	Deliver to the satisfaction of supported department/agency	<p>For details of MAO&T support provided, see the section on Services in Support of the Government and Community.</p> <p>These commitments included HMNZS <i>Canterbury</i> providing support to the Department of Conservation (DOC) for the resupply to Raoul Island. DOC assessed the NZDF's effectiveness for the resupply as excellent.</p> <p>HMNZS <i>Endeavour</i> supported MFAT during the resupply of fuel to the Northern Cook Islands.</p>
Both vessels undertake Defence Diplomacy tasks in accordance with NZDF and Government/MFAT requirements. This normally involves ship visits to foreign ports.	Delivered	Deliver as required	<p>HMNZS <i>Canterbury</i> delivered vehicles and stores to the New Zealand High Commission in Nukualofa.</p> <p>HMNZS <i>Endeavour</i> delivered fuel to the islands of Nassau, Pukapuka and Penrhyn.</p>
HMNZS <i>Endeavour</i> Mission Availability Days / Sea Days for the year (range in days plus or minus 5%):	123 / 73	261 / 110 - 122	HMNZS <i>Endeavour</i> was mission available for 272 days (104%) and spent 129 days (111%) at sea.
HMNZS <i>Canterbury</i> Mission Availability Days / Sea Days for the year (range in days plus or minus 5%):	247 / 135	239 / 126 - 140	HMNZS <i>Canterbury</i> was mission available for 229 days (96%) and spent 117 days (88%) at sea.
Preparedness - Naval Support Forces: Employment Context (see the preparedness rating scale earlier in this section for "P" ratings)			
<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>	P2	Available at the appropriate degree of notice	Available at the appropriate degree of notice

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
Terrorist and Asymmetric Threats (EC 1D)			
HMNZS <i>Canterbury</i>	P2	Available at the appropriate degree of notice	Available at the appropriate degree of notice
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>			
Natural and manmade disasters (EC 2B)			
HMNZS <i>Endeavour</i>	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
HMNZS <i>Canterbury</i>	P2	Available at the appropriate degree of notice	Available at the appropriate degree of notice
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)			
HMNZS <i>Endeavour</i>	P2	P2	P2
HMNZS <i>Canterbury</i>	P2	P2	P2. (Some constraints on operational employment remain pending completion of remediation work).
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)			
HMNZS <i>Endeavour</i>	P2	P2	P2
HMNZS <i>Canterbury</i>	P2	P2	P2. (Some constraints on operational employment remain pending completion of remediation work).
<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>Endeavour</i>	P2	P2	P2
HMNZS <i>Canterbury</i>	P2	P2	P2. (Some constraints on operational employment remain pending completion of remediation work).
Inter-State conflict (EC 4F)			
HMNZS <i>Endeavour</i>	P2	P2	P2
HMNZS <i>Canterbury</i>	P2	P2	P2. (Some constraints on operational employment remain pending completion of remediation work).
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>			
Terrorist Threats (EC 5D)			
HMNZS <i>Endeavour</i>	P2	P2	P2
HMNZS <i>Canterbury</i>	P2	P2	P2. (Some constraints on operational employment remain pending completion of remediation work).

Costs for Output Expense 3 (GST Exclusive)

Actual 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
	Expenditure			
34.873	Personnel	35.521	34.047	33.639
22.671	Operating	26.758	27.184	27.283
2.016	Losses on Foreign Exchange	-	-	1.025
16.213	Depreciation	18.199	15.215	13.265
22.878	Capital Charge	25.325	25.277	25.277
98.651	Total Expenses	105.803	101.723	100.489
	Income			
103.846	Revenue Crown	104.793	100.493	100.493
0.147	Revenue Department	0.479	0.579	0.128
0.423	Revenue Other	0.531	0.651	0.581
0.691	Gains on Foreign Exchange	-	-	0.393
105.107	Total Income	105.803	101.723	101.595
6.456	Net Surplus (Deficit)	-	-	1.106
	Cost by Output			
35.830	Output 3.1	33.397	35.771	35.604
60.805	Output 3.2	72.406	65.952	63.860

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2011/12 for this output expense was \$101.723 million and the total expenditure excluding remeasurements was \$99.464 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 Mine Countermeasures (MCM) Forces, including HMNZS *Manawanui*⁴ prepared to conduct route surveys and conditioning of selected New Zealand ports, and the provision of the Operational Diving Team (ODT) prepared to support MCM operations and to conduct independent diving tasks, under Employment Contexts 1 to 5.

This output expense also includes contributions to a range of services provided to Government and the community.

Note: This output expense also includes the provision of Rapid Environmental Assessment and Advance Force tasks in support of littoral warfare⁵ including sealift operations. This function is coordinated by the Littoral Warfare Support Group (LWSG), prepared to conduct diving, MCM, military hydrographic, and littoral warfare support operations.

Associated Outputs**Output 4.1 - Mine Countermeasure (MCM) Forces**

The provision of HMNZS *Manawanui*, prepared to support MCM Forces in EC 1 and normal naval activities, including general underwater search operations and support to amphibious sealift forces, under ECs 1 to 5.

Output 4.2 – MCM Diving Forces

The provision of the Operational Diving Team (ODT), capable of fielding two independent diving detachments prepared for the conduct of military diving operations in ECs 1 to 5.⁶

4 HMNZS *Manawanui* provides the platform from which specialist capabilities (Mine Countermeasures Team (MCMT), Operational Diving Team (ODT) or other littoral force elements) operate. This relationship and the full range of capabilities that are delivered are accounted for in the associated outputs and their measurement of performance.

5 Littoral Warfare in a NZ context is defined as: "Military operations undertaken in areas of the sea susceptible to influence or support from the land, and in areas of the land susceptible to influence or support from the sea."

6 Diving operations range from detecting, neutralising, exploiting and disposing of mines, explosive ordnance and IEDs in the maritime environment through to underwater engineering and underwater survey and clearance of beaches, harbours, ports and approaches.

Note: Any IEDD support for emergency national response tasks is covered under Output 10.3. Notwithstanding Output 10.3, the RNZN, in delivering Output 4.2, maintains its own integral EOD capability and IEDD specialists.

Contributions to Outcomes

This Output Expense contributes primarily to 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 115 Sea Days against a target range of 130 to 144. This was due to several taskings that proved to require less time than expected. The ship is now 33 years old and becoming increasingly challenging to maintain, which has an impact upon its preparedness assessments.

The Operational Dive Team (ODT) delivered 365 man hours on diving operations, which met the planned diving hour target. Preparedness targets were met and ODT personnel met the collective training standards and competency requirements for military tasks. Participation in the FPDA exercise Bersama Lima provided external evaluation of MCM diving force capabilities.

Readiness Training Activities

Mine countermeasure forces and MCM diving forces contributed to:

- Operation Pukaurua. Underwater Explosive Ordinance Disposal (EOD) based in the Pacific Islands, supported by both the MCMT and ODT.
- Operation Rena. HMNZS *Manawanui* provided support to Maritime New Zealand in the Bay of Plenty, ensuring that the approaches and entrance of Tauranga Harbour were free of debris from the wreckage.
- Operation Easy Rider. The ODT and MCMT provided support to the New Zealand Police in the search and subsequent exploration of the wreck of the sunken fishing vessel *Easy Rider* in search for the bodies of the crew.
- Operation Poseidon. The ODT and MCMT assisted New Zealand Police in numerous search and rescue efforts during the reporting period. This included a body search beneath the Auckland Harbour Bridge, the search for a downed pilot and helicopter in Lake Sumner and a call out to assist in the search for victims of a multiple drowning in Manukau Harbour.
- Operation Gravity. The ODT conducted a survey of multiple Department of Conservation wharves in the Hauraki Gulf.
- Operation Orion. MCMT conducted route survey operations in the approaches to Wellington Harbour.
- Exercise Bersama Lima. The ODT deployed to Singapore and the South China Sea to participate in this FPDA exercise. The exercise allowed the team to conduct joint operations in a multi-threat environment and improve interoperability with the other participating nations. The exercise was also a key component of the ODT's DLOC generation programme.

- Exercise Cluso. A demolitions training exercise run by the ODT, attended by EOD units and Army field engineers.
- Exercise Barrier. A large scale multi agency operation including New Zealand Customs Service, St Johns Ambulance staff and the Department of Immigration, simulating the mass arrival of potential illegal immigrants in New Zealand onboard a vessel. HMNZS *Manawanui* played the role of a suspected illegal immigrant vessel for the exercise.
- Exercise RIMPAC. A biannual international exercise held off the coasts of Hawaii and Southern California focused on the development of international interoperability and professional relationships. The ODT deployed to Southern California for Underwater Demolitions and mine clearance exercise and training in late June 2012. The MCMT deployed to Hawaii and will embark in the Japanese Self Defence Force ship *Bungo* for mine survey operations in the exercise areas.
- Able Diver courses. Both HMNZS *Manawanui* and the ODT supported Able Diver training courses as part the regeneration of qualified diving personnel.

Output Performance Measures and Standards

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
HMNZS <i>Manawanui</i> available for military tasks.	Available	Vessel available	HMNZS <i>Manawanui</i> was available for military tasks.
ODT available for military tasks.	Available	Available	The ODT was available for military tasks.
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 when not committed to operations, using the capabilities developed for the operational role.	Delivered	Deliver to the satisfaction of supported department/agency	For details of MAO&T support provided, see the section on Services in Support of the Government and Community. Positive feedback has been received from New Zealand Police about the speed of response and professionalism of both the ODT and MCMT when deploying in support of Police.
Undertake Defence diplomacy tasks in accordance with NZDF and Government/MFAT requirements. This normally involves ship visits to foreign ports.	Delivered	As required (new standard for 2011/12)	No requirement during the reporting period.
HMNZS <i>Manawanui</i> Mission Availability Days / Sea Days for the year (range in days plus or minus 5%):	234 / 119	273 / 130 - 144	HMNZS <i>Manawanui</i> was Mission Available for 273 days (100%) and spent 115 days (84%) at sea.
Operational Diving Team time (range in hours plus or minus 5%). (The diving hours refer to actual time in the water).	369	332 – 367	365 (104%)
Preparedness – MCM and MCM Diving Forces: Employment Context (see the preparedness rating scale earlier in this section for "P" ratings)			
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>			
Terrorist and Asymmetric Threats (EC 1D)			
HMNZS <i>Manawanui</i>	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
MCM Diving Forces (ODT)	P2	Available at the appropriate degree of notice	Available at the appropriate degree of notice

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>			
Natural and manmade disasters (EC 2B)			
HMNZS <i>Manawanui</i>	P2	Available at the appropriate degree of notice	Available at the appropriate degree of notice
MCM Diving Forces (ODT)	P2	Available at the appropriate degree of notice	Available at the appropriate degree of notice
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)			
HMNZS <i>Manawanui</i>	P2	P2	P2
MCM Diving Forces (ODT)	P2	P2	P2
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)			
HMNZS <i>Manawanui</i>	P2	P2	P2
MCM Diving Forces (ODT)	P2	P2	P2
<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>	P2	P2	P2
MCM Diving Forces (ODT)	P2	P2	P2
Inter-State conflict (EC 4F)			
HMNZS <i>Manawanui</i>	P2	P2	P2
MCM Diving Forces (ODT)	P2	P2	P2
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>			
Terrorist Threats (EC 5D)			
HMNZS <i>Manawanui</i>	P2	P2	P2
MCM Diving Forces (ODT)	P2	P2	P2

Costs for Output Expense 4 (GST Exclusive)

Actual 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
	Expenditure			
11.291	Personnel	11.188	10.816	10.739
5.620	Operating	6.217	5.511	5.088
0.271	Losses on Foreign Exchange	-	-	0.138
2.332	Depreciation	1.795	1.864	1.785
4.523	Capital Charge	5.875	5.869	5.869
24.037	Total Expenses	25.075	24.060	23.619
	Income			
24.366	Revenue Crown	24.849	23.817	23.817
0.020	Revenue Department	0.064	0.078	0.017
0.156	Revenue Other	0.162	0.165	0.165
0.093	Gains on Foreign Exchange	-	-	0.053
24.635	Total Income	25.075	24.060	24.052
0.598	Net Surplus (Deficit)	-	-	0.433
	Cost by Output			
9.951	Output 4.1	9.282	10.059	9.980
13.815	Output 4.2	15.793	14.001	13.501

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2011/12 for this output expense was \$24.360 million (including approved transfers under section 26A of the Public Finance Act 1989) and the total expenditure excluding remeasurements was \$23.481 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) prepared for the conduct of maritime operations in support of Multi-Agency Operations and Tasks (MAO&T) and 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.

This output expense also includes contributions to a range of services provided to government and the community.

Associated Outputs**Output 5.1 – Offshore Patrol Forces**

The provision of OPVs prepared to conduct maritime operations, predominantly MAO&T, and normal naval activities.

Output 5.2 – Inshore Patrol Forces

The provision of IPVs prepared to conduct maritime operations, predominantly MAO&T, and normal naval activities. Output 5.2 is an activated output for MAO&T.

Contributions to Outcomes

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

Overview

The operating profile established for the Naval Patrol Force (NPF) at the commencement of financial year 2011/12 was by far the most challenging of any Output Expense with all six vessels programmed to spend around 135 to 145 days each at sea during the year. The personnel shortages encountered have had a significant impact on the delivery of the required output levels in the output expense. Navy has been unable to crew all six ships simultaneously in the later stages of the reporting period.

In particular, the Inshore Patrol Force (OE 5.2) has been seriously impacted by the personnel situation. Unlike the NCF and to a lesser extent other ship classes, the IPV scheme of complement features virtually no redundancy in terms of specialist skill set availability. There is no room for 'graceful redundancy' in terms of crewing, with the required level of expertise either available or not. In a small ship's company such as with an IPV, the absence of just one person in a key role has the potential to make the ship unsafe to proceed to sea or render it operationally ineffective.

Output 5.1 - While the Offshore Patrol Vessels (OPV) have not yet been fully accepted into service, they have achieved an interim level of operational capability that has been developed further during the reporting period. Completion of First of Class Flight Trials for the SH-2G (NZ) Seasprite Helicopter represented a significant step forward in releasing the ship's aviation capability. Basic training and

sea trials of the OPV Replenishment at Sea capability was also undertaken, in conjunction with HMNZS *Endeavour*, and represents another significant step forward in the capability release process.

The reporting period has not been without challenges for the OPVs. Cold weather capability release was delayed by the cancellation of the second Sub-Antarctic patrol of the season; for reasons beyond the NZDF's control. In addition, both OPVs suffered cracking in their bilge keels, which necessitated dry docking to rectify. HMNZS *Otago* also experienced delays to her routine maintenance period due to the misalignment of the vessels propulsion shafts, which again needed to be remedied.

Crewing constraints saw the OPV availability for MAO&T tasking reduced in the months of March and April 2012, although the affected other agency activities were covered by other vessels. Collectively, the OPVs achieved 90% of the planned Mission Availability days and a combined 219 Sea Days against a planned range of 240 to 266.

Output 5.2 – The IPV's have yet to be fully accepted into service, although significant capability release progress has been made in this reporting period. It is anticipated full operational release will be achieved in financial year 2012/13.

The personnel challenges experienced have made it necessary for three of the four ships to spend at least some of the reporting period in a Reduced Availability Period, which has had an adverse impact upon the levels of Mission Availability and Sea Days achieved. Collectively the vessels achieved 82% (853 days) of the planned Mission Availability target and 397 Sea Days against a planned range of 534 to 590 days.

Readiness Training Activities

Training activities for the NPF are focused on the generation of the required level of capability for MAO&T activities in support of other agency outcomes. This has involved a comprehensive range of Maritime Operational Evaluation Team (MOET) facilitated training and evaluation periods. These evaluations have assessed the IPV's against the OLOC standard for MAO&T and the OPVs against the base DLOC requirement with OLOC assessment in areas such as cold weather operations when required by tasking.

Output 5.1 – During the reporting period the OPV's conducted a wide range of tasks primarily focused on MAO&T activities. This included the following:

- Both vessels supported the Department of Conservation through the conduct of Operations Harve and Endurance, re-supplying Raoul Island and the Sub-Antarctic Islands (Auckland and Campbell) respectively.
- Support was provided to the Ministry for Primary Industries through the conduct of multiple patrols, under the collective operational titles of Operation Kauwae (inshore fishery patrols) and Operation Zodiac (deep sea fishery patrols).
- HMNZS *Otago* conducted Operation Castle, which involved surveillance and boarding operations in the Southern Ocean for MFAT, conducted in support of CCAMLR (Convention for the Conservation of Antarctic Marine Living Resources). The patrol focused on the inspection of CCAMLR licensed ships harvesting Patagonian toothfish.
- Operation Pukaurua saw HMNZS *Wellington* deploy to the Solomon Islands where the ship worked with HMNZS *Resolution* and the Littoral Warfare Support Group to locate, identify and dispose of unexploded WWII munitions.

- Operation Calypso was a multi faceted Pacific Island deployment conducted by HMNZS *Otago*. The ship deployed from New Zealand in May 2012 and is programmed to return to New Zealand in August 2012. During the completed portion of the deployment, the ship provided a military diplomacy presence at the Samoan 50th Anniversary of Independence celebration and provided passage for the Governor-General of New Zealand to the Tokelau Islands for his inaugural visit. The ship also participated in a Forum Fishing Agency led fisheries patrol, Operation Tui Moana, providing support for the boarding of seven foreign flagged fishing vessels by Cook Islands police. Throughout the deployment the ship has conducted surveillance activities within the outer portions of New Zealand's EEZ and in the waters of our Pacific Island partners.
- Exercise Tropic Twilight. HMNZS *Otago* visited the Tokelau Islands with a range of NZ Army medical, dental and field engineering experts embarked where they provide support services to the local community.

Output 5.2 – During the reporting period the four Inshore Patrol Vessels (IPV) conducted a diverse range of planned and response tasks, primarily focused on support to other agencies. This included such tasks as the following:

- Operation Rena. HMNZ Ships *Pukaki*, *Taupo* and *Rotoiti* all participated in Operation Rena, providing support to Maritime NZ. HMNZS *Rotoiti* played a particularly significant part in the response acting as a picket vessel from early October to mid November 2011 and then sailing at short notice early in the January 2012 as it became evident that the MV Rena would break up.
- Operation Kauwea. The IPVs conducted nine patrols (96 Sea Days) specifically in support of the Ministry for Primary Industries.
- Operation Rapanga. HMNZS *Hawea* supported the New Zealand Customs Service in October 2011 in the Cook Strait and Marlborough Sounds region.
- Operation Multus. HMNZS *Hawea* conducted Operation Multus from mid November into December 2012, providing support to New Zealand Police and New Zealand Customs Service in managing the international yacht arrival season.
- Operation Hopeke. HMNZS *Pukaki* assisted by a 3 Squadron Iroquois helicopter conducted the re-supply of Stephens Island for the Department of Conservation.
- HMNZS *Rotoiti* supported the Royal Society to mark the Transit of Venus celebrations.
- Exercise Barrier. A large scale multi agency operation including New Zealand Customs Service, St Johns Ambulance staff and the Department of Immigration, simulating the mass arrival of potential illegal immigrants in New Zealand onboard a vessel. HMNZS *Rotoiti* played the role of the intercept vessel for the exercise.

Output Performance Measures and Standards

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
<p>The OPVs, HMNZ Ships <i>Otago</i> and <i>Wellington</i>, with embarked Seasprite when ordered, available for military tasks once fully accepted into service with the Navy.</p> <p>The OPVs will be capable of embarking Seasprite helicopters on completion of ship/aircraft integration and first of class flight trials. Details on the Seasprite helicopters are recorded under Output Expense 11 - Naval Helicopter Forces.</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>	Both vessels available within approved operating profile	Both vessels available	<p>The OPVs were available for employment with the assigned ECs and in accordance with the constraints of the Interim Operating Capability Statement (IOCS). Some reduction in availability was experienced due to personnel and material issues, but this did not affect planned tasking.</p> <p>First of Class Flight Trails were completed in May 2012 and following evaluation of the results, operating parameters for the OPV-SH2G will be established and the final capability release requirements completed.</p>
<p>Deployment Impact:</p> <p>The OPVs will reach intended performance ratings once fully operationally released. This is a staged activity that will result in the planned performance being progressively achieved throughout 2011/12.</p>			Significant progress has been made in FY 11/12 in the areas of aviation and replenishment of fuel at sea capability release. Full capability release for Southern Ocean operations is planned for FY 12/13.
The IPVs, HMNZ Ships <i>Rotoiti</i> , <i>Hawea</i> , <i>Pukaki</i> and <i>Taupo</i> available primarily for border protection and security in support of MAO&T and military tasks as required.	All vessels available	All vessels available	Due to crewing constraints, changes to the IPV operating profile were necessary. From March-June 2012 this meant one IPV has been in a Reduced Availability Period due to personnel shortages.
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 when not committed to operations, using the capabilities developed for the operational role.	Delivered	Deliver to the satisfaction of supported department/agency	<p>For details of MAO&T support provided, see the section on Services in Support of the Government and Community.</p> <p>Agency feedback on those operations conducted has been uniformly positive. The reduced levels of availability, whilst unavoidable, are a concern for the supported agencies.</p> <p>HMNZS <i>Wellington</i> provided transport and logistical support for the DOC work programme at the Auckland Islands during February 2012.</p> <p>DOC feedback on this task was as follows: "The Navy's support was first class and we completed all the proposed tasks. This is quite an achievement for any trip to the Sub Antarctic and would simply not have been possible without the full commitment of the Captain and crew. The OPVs (Offshore Patrol Vessels) are ideal for our work and we have had excellent service since they were commissioned."</p>
For the OPVs, undertake defence diplomacy tasks in accordance with NZDF and Government/MFAT requirements. This normally involves ship visits to foreign ports.	Not assessed	As required (new standard for 2011/12)	The OPV's have provided a range of support to MFAT both in the Southern Oceans and in the Pacific.
OPV HMNZS <i>Otago</i> Mission Availability / Sea Days for the year (range in days plus or minus 5%):	234 / 110	261 / 130 - 144	HMNZS <i>Otago</i> was Mission Available for 248 days (95%) and spent 123 days (90%) at sea.
OPV HMNZS <i>Wellington</i> Mission Availability / Sea Days for the year (range in days plus or minus 5%):	214 / 120	243 / 110 - 122	HMNZS <i>Wellington</i> was Mission Available for 211 days (87%) and spent 96 days (83%) at sea.
IPV HMNZS <i>Rotoiti</i> Mission Availability / Sea Days for the year (range in days plus or minus 5%):	258 / 129	267 / 136 - 150	HMNZS <i>Rotoiti</i> was Mission Available for 285 days (107%) and spent 147 days (103%) at sea.
IPV HMNZS <i>Hawea</i> Mission Availability / Sea Days for the year (range in days plus or minus 5%):	230 / 137	267 / 129 - 143	HMNZS <i>Hawea</i> was Mission Available for 125 days (47%) and spent 59 days (43%) at sea.
IPV HMNZS <i>Pukaki</i> Mission Availability / Sea Days for the year (range in days plus or minus 5%):	141 / 123	250 / 136 - 150	HMNZS <i>Pukaki</i> was Mission Available for 226 days (90%) and spent 111 days (78%) at sea.

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
IPV HMNZS <i>Taupo</i> Mission Availability / Sea Days for the year (range in days plus or minus 5%):	263 /135	254 / 133 - 147	HMNZS <i>Taupo</i> was Mission Available for 217 days (85%) and spent 80 days (57%) at sea.
Preparedness - Naval Patrol Forces: Employment Context (see the preparedness rating scale earlier in this section for "P" ratings)			
<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	P2	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Inshore Patrol Forces	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice. (Some reduction in the total number of IPVs simultaneously in operation).
Terrorist and Asymmetric Threats (EC 1D)			
Offshore Patrol Forces	P2	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Inshore Patrol Forces	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice. (Some reduction in the total number of IPVs simultaneously in operation).
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>			
Natural and manmade disasters (EC 2B)			
Offshore Patrol Forces	P2	Available at the appropriate degree of notice	Available at the appropriate degree of notice
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)			
Offshore Patrol Forces	P2	P2	P3 (full operational release not yet achieved and some limitations on availability late in reporting period)
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)			
Offshore Patrol Forces	P2	P2	P3 (full operational release not yet achieved and some limitations on availability late in reporting period)

Costs for Output Expense 5 (GST Exclusive)

Actual 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
	Expenditure			
44.355	Personnel	44.856	44.423	43.490
21.981	Operating	32.845	23.418	21.943
2.038	Losses on Foreign Exchange	-	-	1.035
19.884	Depreciation	20.660	20.240	19.043
35.238	Capital Charge	41.479	41.434	41.434
123.496	Total Expenses	139.840	129.515	126.945
	Income			
124.698	Revenue Crown	139.006	128.524	128.524
0.149	Revenue Department	0.484	0.585	0.130
0.165	Revenue Other	0.350	0.406	0.350
0.699	Gains on Foreign Exchange	-	-	0.397
125.711	Total Income	139.840	129.515	129.401
2.215	Net Surplus (Deficit)	-	-	2.456
	Cost by Output			
59.982	Output 5.1	70.312	64.850	62.753
61.476	Output 5.2	69.528	64.665	63.157

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2011/12 for this output expense was \$129.515 million and the total expenditure excluding remeasurements was \$125.910 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 under Employment Contexts 1 to 5, and hydrographic data collection and processing that meets contractual commitments to Land Information New Zealand (LINZ).

This output expense also includes contributions to a range of services provided to Government and the community.

Note: This capability may be provided by other RNZN boats and vessels, other than HMNZS *Resolution*. This output expense is supported by the NZDF Geospatial Intelligence Organisation's Hydrographic Business Unit.

Associated Outputs**Output 6.1 – Military Hydrography**

The provision of HMNZS *Resolution* prepared to support military hydrography including Rapid Environmental Assessment and Advance Force tasks in support of littoral warfare operations and conduct normal naval activities.

The provision of the Maritime Survey Team (MST) including the Operational Survey Unit (OSU) and Deployable Hydrographic Survey Unit (DHSU) to conduct military hydrography in support of sealift and other naval operations. Detachments from the MST may be deployed onboard HMNZS *Resolution*, other RNZN vessels or independently for the conduct of military hydrography. This output includes support from the NZDF Geospatial Intelligence Organisation and the Hydrographic Business Unit (HBU) for the creation of military hydrographic products and hydrographic subject matter expertise.

Note: Military hydrography is coordinated by the Littoral Warfare Support Group (LWSG).

Output 6.2 - Hydrographic Data Collection and Processing for LINZ

The provision of HMNZS *Resolution* and the MST to support hydrographic data collection and processing, which meets contractual commitments to Land Information New Zealand (LINZ). Detachments from the MST may be deployed onboard HMNZS *Resolution*, other RNZN vessels, vessels of opportunity or independently to meet contractual commitments for LINZ.

Contributions to Outcomes

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

Overview

HMNZS *Resolution* completed the ship based component of the annual hydrographic survey tasking for LINZ (Operation Acheron) as well as a range of military tasks. The new Multibeam Echo Sounder (MBES), fitted in the previous financial year, continued to operate to a high standard allowing completion of the required Survey Nautical Line Miles (SLNM) agreed in the Memorandum of Understanding with LINZ within the allocated period. The new MBES showed its Military Hydrography capabilities when HMNZS *Resolution* deployed to the South West Pacific. The focus of this deployment was to support the ADF's Operation Rendersafe programme, which aims to rid the South West Pacific of explosive remnants of war. During and after this tasking, the ship spent time gathering hydrographic data gathering in and around the Solomon Islands.

In February 2011, LINZ advised that they would not seek to renew the memorandum of understanding with the RNZN for the provision of hydrographic data collection when it expired at the end of June 2012. Having assessed the NZDF's future military hydrographic survey needs, it was determined that HMNZS *Resolution* was ill suited to the future need, which focuses more on littoral waters around New Zealand and in the Pacific. The decision was therefore made to decommission the ship once financial year 2011/12 commitments for LINZ were completed and dispose the ship after the removal of a range of survey related systems. The ship was decommissioned on 27 April 2012 and the disposal process is now underway. The MBES was transferred to the Survey Motor Boat *Adventure* in order to maintain this capability.

Readiness Training Activities

The Hydrographic Force Elements, HMNZS *Resolution* and the MST contributed to the following:

- Operation Pukaurua. A team from OSU embarked in HMNZS *Resolution* to work with the other LWSG elements (MCMT and ODT) in order to locate, identify and dispose of WWII unexploded munitions. Hydrographic data was also collected to improve navigational safety in both Papua New Guinea and Solomon Islands close to the area of operations. This was part of the Australian led Operation Render Safe.
- Operation Acheron. HMNZS *Resolution* completed 4,411 SLNM to conclude the NZDF commitment to LINZ. The charting survey was conducted off the Canterbury coast.
- Operation Calypso. A detachment from the DHSU embarked in HMNZS *Canterbury* during the ship's South Pacific deployment. The team concentrated on collecting large scale wharf surveys in the Pacific Island ports the ship visited.
- Exercise Tropic Twilight. A team from DHSU deployed to the Tokelau Islands onboard HMNZS *Otago* for Exercise Tropic Twilight and carried out a number of reef passage surveys in support of the MFAT led activities.
- Exercise Sea Lion. A team from DHSU embarked in HMNZS *Canterbury* to participate in Operation Sea Lion on the east coast of Australia. The exercise was conducted with Australian and Canadian elements in exercising amphibious operations. DHSU conducted Rapid Environmental Assessment data collection in support of the exercise.

Output Performance Measures and Standards

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
HMNZS <i>Resolution</i> available to conduct military hydrography.	Vessel Available	Vessel Available	Until decommissioning, HMNZS <i>Resolution</i> was available to conduct military hydrography.
The DHSU available to conduct military hydrography either independently or in support of other NZDF force elements.	DSHU available	DSHU available	The Maritime Survey Team (MST) and Hydrography Business Unit (HBU) were available to conduct military hydrography, either independently or in support of other NZDF force elements.
HMNZS <i>Resolution</i> available to conduct hydrographic tasks for LINZ under contract. The MST and HBU available to support the collection and processing programmes.	Vessel and HBU available	Vessel and MST/HBU available	Until decommissioning, HMNZS <i>Resolution</i> was available to conduct hydrographic tasks for LINZ under contract. The MST and the HBU were available to support the collection and processing programmes
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: <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; and delivery within budget. 	Delivered	Deliver	The contracted hydrographic support to LINZ was met through the employment of HMNZS <i>Resolution</i> in LINZ designated coastal survey areas. The required total of 4,375 SLNM requirement was met (actually delivered 4,411 SLNM) All survey data rendered to LINZ under the MOU met their requirements in full.
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 when not committed to operations, using the capabilities developed for the operational role.	Delivered to the satisfaction of supported department/agency	Deliver to the satisfaction of supported department/agency	For details of MAO&T support provided, see the section on Services in Support of the Government and Community. <i>Resolution</i> supported Operation Pukaurua (the identification and disposal of unexploded WWII munitions in Solomon Islands).
Undertake Defence Diplomacy tasks in accordance with NZDF and Government/MFAT requirements. This normally involves ship visits to foreign ports.	Delivered	As required	Delivered during Operation Pukaurua.
HMNZS <i>Resolution</i> Mission Availability Days / Sea Days for the year (range in days):	194 / 113	271 / 142 - 157	HMNZS <i>Resolution</i> was Mission Available for 206 days (76%) and spent 139 days (93%) at sea.
HMNZS <i>Resolution</i> sea days in support of the LINZ Contract:	4,450 survey line nautical miles (SLNM) met	4,375 (Deliverable changed from sea days to SLNM from 2011/12)	4,375 SLNM target delivered (actual delivery 4,411 SLNM or 101%).
Days of coastal survey tasking completed by DHSU in support of the LINZ contract:	Included in SLNM above	Nil programmed	Nil completed.
Preparedness - Military Hydrography: Employment Context (only applicable to the Military Hydrography part of this Output Expense) (see the preparedness rating scale earlier in this section for "P" ratings)			
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>			
Natural and manmade disasters (EC 2B)	P2	Available at the appropriate degree of notice	Available at the appropriate degree of notice

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C).	P2	P2	P2
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)	P2	P2	P2

Costs for Output Expense 6 (GST Exclusive)

Actual 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
	Expenditure			
6.569	Personnel	6.416	6.391	5.752
6.698	Operating	4.192	5.137	5.026
0.078	Losses on Foreign Exchange	-	-	0.040
0.584	Depreciation	1.542	0.625	0.627
1.287	Capital Charge	1.713	1.709	1.709
15.216	Total Expenses	13.863	13.862	13.154
	Income			
9.012	Revenue Crown	7.491	8.124	8.124
4.997	Revenue Department	6.206	5.553	5.530
0.197	Revenue Other	0.166	0.185	0.197
0.027	Gains on Foreign Exchange	-	-	0.015
14.233	Total Income	13.863	13.862	13.866
(0.983)	Net Surplus (Deficit)	-	-	0.712
	Cost by Output			
9.675	Output 6.1	8.435	8.061	7.790
5.463	Output 6.2	5.428	5.801	5.324

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2011/12 for this output expense was \$13.862 million and the total expenditure excluding remeasurements was \$13.114 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 output expense also includes contributions to a range of services to 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 of contributions, as required, to a range of services provided to 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 primarily to Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Overview

In addition to sustaining a number of major Output Expense 16 operations, Land Combat Force elements including Territorial Force (TF) soldiers provided significant support to local government, NZ Police and civil authorities in dealing with the ongoing consequences of the two Canterbury earthquakes, the Rugby World Cup 2011 (RWC) in September and October 2011, and the grounding of the MV *Rena* off Tauranga in October 2011. Small numbers of Land Combat Forces, mainly TF soldiers, were employed in security cordon duties in Christchurch throughout the reporting period. Land Combat Forces at Tauranga provided significant planning support to the civil authorities, and also provided oil spill cleanup parties (helping to remove around 900 tonnes of waste). These unplanned activities required the re-prioritisation of most TF training for the year.

Planning to raise a third manoeuvre unit headquarters and to concentrate the NZ Army's Light Armoured Vehicle (NZLAV) cavalry capabilities in one Linton-based unit (Queen Alexandra's Mounted Rifles (QAMR)) progressed, with the core of the Regimental Headquarters being raised in December 2011. The Waikato Mounted Rifles, a TF sub-unit of the Hauraki Battalion Group, transferred under command of QAMR in June 2012.

The Enhanced Infantry Company (EIC) capability progressed, with company group training being conducted throughout the year, culminating on Exercise Alam Halfa in May 2012.

In December 2011:

- Headquarters Land Training and Doctrine Group (HQ LTDG) became Headquarters Training and Doctrine Command (HQ TRADOC).
- Headquarters 2nd Land Force Group (HQ 2 LFG) and Headquarters 3rd Land Force Group (HQ 3 LFG) were combined into Headquarters 1st (New Zealand) Brigade in Linton Camp.
- 1st (NZ) Military Intelligence Company came under command of 1st (NZ) Signals Regiment.

Some command elements of the former HQ 3 LFG formed the Headquarters of the Deployable Joint Task Force (Land) (HQ DJTF (L)), the land element of the Headquarters Deployable Joint Inter-Agency Task Force (HQ DJIATF). The Collective Training Centre (CTC) came under command of HQ DJTF (L).

The six Territorial Force battalion groups previously under command of HQ 2 LFG and HQ 3 LFG transferred under command of HQ Training and Doctrine.

Several Land Operations Training Centre schools moved from Waiouru to the Manawatu during the year.

Despite the demands of support to the earthquakes, the RWC and the MV Rena grounding, Land Combat Forces were still prepared for warfighting operations. Land Combat Force elements of the NZ Army continued to carry the main responsibility for sustaining current OE 16 operations and were also able to provide a high-readiness manoeuvre element for short-notice contingencies. These requirements fully committed the equivalent of three infantry company groups throughout the year.

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

Effective interoperability with key allies and partners was achieved with a number of operations and exercises throughout the South Pacific and South East Asia, including with FPDA and American British, Canadian, and Australian partners.

Munitions, stores and equipment standards were met for all current operations. In addition, a range of personal equipment, weapons, command and control equipment, and night vision equipment continued to transition into service to meet preparedness requirements for other events and contingencies. Specific combat equipment introduced into service included the tactical shotgun, additional night vision equipment (NVE), and the Direct Fire Support Weapon (Area) (partial introduction).

Readiness Training Activities

A number of major training activities in the reporting period were re-designed to allow tasks deferred in the previous reporting period (most notably the cancellation of Exercise Southern Katipo because of Canterbury earthquake support requirements) to be achieved. Land Combat Force elements participated in these major readiness training activities in the reporting period:

- Exercise Tropic Twilight, a joint inter-agency multi-national (JIM) humanitarian assistance operation in July 2011. This operation also assessed a number of readiness requirements.
- Operation Gimlet, a no-notice call-out of high readiness force elements focusing on personnel deployment requirements, in August 2011.
- Army snipers from 2/1 RNZIR were placed second in the 15th Canadian International Sniper concentration in September 2011. Twenty-seven international teams competed.
- Exercise Southern Reaper, a field training exercise involved a Combined Arms Task Group (CATG) based on 2/1 RNZIR in the South Island in September and October 2011.
- Non-Lethal Executive Seminar, a US Marine Corps-sponsored multi-national activity involving 75 participants from 15 countries that focused on non-lethal capabilities and techniques in the North Island in March 2012. 1 RNZIR was the lead Army force element.
- Exercise Sea Lion, a joint, multi-national amphibious exercise on the eastern coast of Australia in March and April 2012. A rifle company from 2/1 RNZIR worked with 1 Battalion RAR, Canadian Army personnel and HMNZS *Canterbury*.
- Exercise Alam Halfa, a joint and combined task force field training exercise based on a CATG drawn from the new 1 (NZ) Brigade, and involving US Marine Corps, British and Australian personnel, in the North Island in April and May 2012. This exercise included live firing of NZLAV, infantry support weapons and artillery/mortars.
- RF and TF members of the NZ Army Combat Shooting Team won ten medals, including five gold, at the Australian Army Skill at Arms Meeting in Australia in May 2012.

Output Performance Measures and Standards

Performance Measures	2010/11	2011/12	
	Actual	Budget Standard	Performance Achieved
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:			
<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). 	Available	Available	Available
<p>Or</p> <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). 	Available, but could not be deployed concurrently with a LTG	Available	Available, but could not be deployed concurrently with a LTG
Army will also provide:			
<ul style="list-style-type: none"> • an appropriate headquarters for simulation and Command Post Exercise-based combined-arms training. 	Available	Available	Available
<ul style="list-style-type: none"> • an appropriate headquarters (including intelligence and communications support) for command and control of a deployed force 	Available	Available	Available

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	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 when not committed to operations, using the capabilities developed for the operational role.	Delivered to the satisfaction of supported department/agency	Deliver to the satisfaction of supported department/agency	For details of MAO&T support provided, see the section on Services in Support of the Government and Community. Delivered to the satisfaction of supported department/agency. General support was a conservation related task organised by the Mistletoe Bay Trust utilising Royal NZ Army Number 2 Regiment from Linton, "who contributed a massive number of hours building two large education related building at Mistletoe Bay Eco Village. Trust members and the DOC representative on the Trust were blown away by the work of this team who showed a high level of commitment, skill and good character to complete the job."
Preparedness - Land Combat Forces: Employment Context (see the preparedness rating scale earlier in this section for "P" ratings)			
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>			
Terrorist and Asymmetric Threats (EC 1D)			
Command, Control and Intelligence	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Manoeuvre Elements (Light infantry and motorised):		Available at the appropriate degree of notice	Available at the appropriate degree of notice
<ul style="list-style-type: none"> Up to a LTG (for Cordon duties) 	P1		
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>			
Natural and manmade disasters (EC 2B)			
Command, Control and Intelligence	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Manoeuvre Elements (Light infantry and motorised):			
<ul style="list-style-type: none"> Up to a LTG 	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)			
Command, Control and Intelligence	P2	P2	P2
Manoeuvre Elements (Light infantry and motorised):			
<ul style="list-style-type: none"> Up to a LTG, or Up to a CATG 	P1	P2	P2
<ul style="list-style-type: none"> Up to a CATG 	P1	P2	P2
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)			
Command, Control and Intelligence	P2	P2	P2
Manoeuvre Elements (Light infantry and motorised):			
<ul style="list-style-type: none"> Up to a LTG, or Up to a CATG 	P2	P2	P2
<ul style="list-style-type: none"> Up to a CATG 	P2	P2	P2

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>			
Inter-State conflict (EC 4F)			
Command, Control and Intelligence	P3	P3	P3
Manoeuvre Elements (Light infantry and motorised):			
• Up to a CATG	P2	P2	P2
<i>Security Challenges to New Zealand's Interests in Global peace and Security</i>			
Terrorist Threats (EC 5D)			
Command, Control and Intelligence	P2	P2	P2
Manoeuvre Elements (Light infantry and motorised):			
• Up to a CATG.	P2	P2	P2

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 and enhanced communications, intelligence and Geospatial Information Systems 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 environments. 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, CS and 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.

Costs for Output Expense 7 (GST Exclusive)

Actual 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
	Expenditure			
165.348	Personnel	166.789	162.284	159.773
87.239	Operating	94.212	83.967	85.247
6.696	Losses on Foreign Exchange	-	-	3.403
49.915	Depreciation	47.179	43.033	43.366
78.393	Capital Charge	76.053	75.902	75.902
387.591	Total Expenses	384.233	365.186	367.691
	Income			
387.397	Revenue Crown	381.676	362.464	362.464
0.489	Revenue Department	1.590	1.620	0.778
0.375	Revenue Other	0.967	1.102	0.426
2.295	Gains on Foreign Exchange	-	-	1.305
390.556	Total Income	384.233	365.186	364.973
2.965	Net Surplus (Deficit)	-	-	(2.718)
	Cost by Output			
28.992	Output 7.1	30.684	29.122	28.397
351.903	Output 7.2	353.549	336.064	335.891

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2011/12 for this output expense was \$365.186 million and the total expenditure excluding remeasurements was \$364.288 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 output expense also includes contributions to a range of services to 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 primarily to Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Overview

In addition to providing small numbers to sustain OE 16 operations, Land Combat Support Force elements provided communications and engineering support to local government, NZ Police and civil authorities in dealing with the ongoing consequences of the two Canterbury earthquakes, the Rugby World Cup 2011, and the grounding of the MV *Rena* off Tauranga in October 2011. They also supported our Pacific Island neighbours in several humanitarian assistance and disaster relief (HADR) deployments.

Land Combat Support Forces improved their trained state in combat operations over the reporting period, demonstrated through participation in complex combined arms exercises.

The requirement to support a company group for EC 1 and 2 was exceeded due to the demands of the Canterbury earthquakes and the *Rena* grounding. One-off combat support could have been provided to support up to an infantry battalion. Sustaining this support would only have been possible if resources had been redeployed from current operations. Personnel were available for reinforcement and rotation of the deployed forces during the reporting period.

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

The Combat Engineer Tractor and the Indirect Fire Planning System were introduced into service, and the Gap Crossing System introduction into service commenced.

Readiness Training Activities

Combat Support Force elements took part in:

- Exercise Southern Reaper, a field training exercise involving 1,200 personnel based around a Combined Arms Task Group (CATG) in the South Island in September and October 2011 (artillery and engineer support to the CATG).
- Exercise Cambrian Patrol, a British Army sponsored competition in Wales. Sappers from 2nd Engineer Regiment were one of only four teams to win gold out of 110 teams.
- Exercise Thunder Warrior, a combined artillery live firing exercise with the Singaporean Army in Waiouru in January 2012.
- Exercise Sea Lion, a joint multi-national amphibious exercise on the eastern coast of Australia in March and April 2012.
- Exercise Alam Halfa, a joint multi-national combined field training exercise based on a cavalry CATG drawn largely from 1 RNZIR, and involving US Marine Corps personnel, in the North Island in April and May 2012.
- Exercise Galvanic Kiwi, a reciprocal combined exercise with the US Marine Corps in California in June 2012. A 35-strong engineer troop from 2nd Engineer Regiment practised infantry skills including live firing, urban combat skills, counter-IED drills and gap crossing.
- Engineers deployed on Exercise Tropic Twilight 11, part of Exercise Pacific Partnership 11. This was a joint inter-agency multi-national (JIM) activity involving French, US and NZ forces in Tokelau and Vanuatu. Humanitarian assistance and disaster relief (HADR) tasks were conducted, and the force elements operated effectively with NZAID and with maritime and air force elements. Engineers provided light engineering training and conducted minor construction and repair tasks.

- In October 2011, Army engineers personnel deployed to Tuvalu and Tokelau on Operation Pacific Drought, in response to critical fresh water shortages there. The Micro Filtration and Reverse Osmosis system was successfully operated on Tuvalu, producing 100,000 tonnes of potable water, and a number of related tasks were practiced. Interoperability with the Government of Tuvalu, MFAT, NZAID and the NZ Red Cross was successfully achieved.
- Land combat support force elements, particularly engineers, supported the NZ Antarctic Programme in the summer season.

Output Performance Measures and Standards

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	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:			
<ul style="list-style-type: none"> • Up to a LTG for tasks under ECs 1 to 5 (inclusive). or	Available	Available	Available
<ul style="list-style-type: none"> • Up to a CATG for tasks under ECs 2 to 5 (inclusive). 	Available	Available	Available
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.	Available	Available	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 when not committed to operations, using the capabilities developed for the operational role.	Delivered to the satisfaction of supported department/agency	Deliver to the satisfaction of supported department/agency	For details of MAO&T support provided, see the section on Services in Support of the Government and Community. The Army removed the remains of an old wharf on Motuora Island in the Hauraki Gulf. A demolition team worked with Department of Conservation staff and The Motuora Restoration Society. Feedback provided was that the planning and execution of this support was "first rate."
Preparedness - Land Combat Support Forces: Employment Context (see the preparedness rating scale earlier in this section for "P" ratings)			
<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 a LTG for Cordon duties	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Engineers in support of a LTG	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Communications in support of a LTG	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Military Police in support of a LTG	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
<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	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Engineers in support of a LTG	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Communications in support of a LTG	P2	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Military Police in support of a LTG	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)			
Field Artillery (personnel only) in support of a LTG	P1	P2	P2
Field Artillery (personnel only) in support of a CATG	P1	P2	P2
Engineers in support of a LTG	P1	P2	P2
Engineers in support of a CATG	P1	P2	P2
Communications in support of a LTG	P2	P2	P2
Communications in support of a CATG	P2	P2	P2
Military Police in support of a LTG	P1	P2	P2
Military Police in support of a CATG	P1	P2	P2
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)			
Field Artillery (personnel only) in support of a LTG	P1	P2	P2
Field Artillery in support of a CATG	P2	P2	P2
Engineers in support of a LTG	P2	P2	P2
Engineers in support of a CATG	P2	P2	P2
Communications in support of a LTG	P2	P2	P2
Communications in support of a CATG	P2	P2	P2
Military Police in support of a LTG	P1	P2	P2
Military Police in support of a CATG	P1	P2	P2
<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	P2	P2	P2
Engineers in support of a CATG	P2	P2	P2
Communications in support of a CATG	P2	P2	P2
Military Police in support of a CATG	P1	P1	P2
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>			
Terrorist Threats (EC 5D)			

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
Field Artillery in support of a CATG	P2	P2	P2
Engineers in support of a CATG	P3	P3	P3
Communications in support of a CATG	P3	P3	P3
Military Police in support of a CATG	P1	P1	P1

Costs for Output Expense 8 (GST Exclusive)

Actual 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
	Expenditure			
104.180	Personnel	105.549	106.218	104.339
51.173	Operating	53.958	47.997	46.998
3.638	Losses on Foreign Exchange	-	-	1.849
18.003	Depreciation	20.565	23.584	23.753
30.745	Capital Charge	35.220	35.142	35.142
207.739	Total Expenses	215.292	212.941	212.081
	Income			
210.306	Revenue Crown	213.908	211.463	211.463
0.265	Revenue Department	0.864	0.880	0.232
0.199	Revenue Other	0.520	0.598	0.423
1.247	Gains on Foreign Exchange	-	-	0.709
212.017	Total Income	215.292	212.941	212.827
4.278	Net Surplus (Deficit)	-	-	0.746
	Cost by Output			
64.606	Output 8.1	68.795	65.428	63.638
79.960	Output 8.2	84.621	86.320	85.870
44.970	Output 8.3	47.192	47.246	46.897
14.565	Output 8.4	14.684	13.947	13.827

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2011/12 for this output expense was \$212.941 million and the total expenditure excluding remeasurements was \$210.232 million.

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

Description

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

The provision of maintenance support 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 maintenance support 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 primarily to Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Overview

In addition to small numbers sustaining OE 16 operations, Land Combat Service Support Force elements, including Territorial Force (TF) soldiers, provided significant support to local government, NZ Police and civil authorities in dealing with the ongoing consequences of the two Canterbury earthquakes, the Rugby World Cup 2011 (RWC) in September and October 2011, and the grounding of the MV *Rena* off Tauranga in October 2011.

Land Combat Service Support Forces improved their trained state in combat operations over the reporting period, demonstrated through participation in complex combined arms exercises.

The requirement to support a company group for EC 1 and 2 was exceeded due to the demands of the Canterbury earthquakes and the *Rena* grounding. One-off combat service support could have been provided to support up to an infantry battalion. Sustaining this support would only have been possible if resources had been redeployed from current operations. Personnel were available for reinforcement and rotation of the deployed forces during the reporting period.

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

Bulk Fuel Storage and Repair Shelter capabilities were introduced into service.

2nd and 3rd Logistics Battalions were renamed 2nd and 3rd CSS Battalions.

Readiness Training Activities

Combat Service Support Force elements took part in:

- Exercise Pacific Partnership 11 in July 2011. Army medical, dental and environmental health personnel took part in this joint inter-agency multi-national (JIM) activity in Tokelau, conducting humanitarian assistance and disaster relief (HADR) tasks and operating effectively with NZAID and with maritime and air force elements. Army combat service support personnel conducted health surveys, surgery, provided medical and dental training, tested water and provided education on hygiene and sanitation.
- Exercise Alam Halfa, a joint and combined field training exercise based on a cavalry CATG drawn largely from 1 RNZIR, and involving US Marine Corps personnel, in the North Island in April and May 2012. A Combat Service Support Team (CSST) with an embedded Medical Section deployed in support of the CATG.
- Twenty-two medical personnel deployed on Exercise Hamel, a combined collective training exercise in Australia in June 2012.

Output Performance Measures and Standards

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	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:			
<ul style="list-style-type: none"> Up to a LTG for tasks under ECs 1 to 5 (inclusive) or	Available	Available	Available
<ul style="list-style-type: none"> Up to a CATG for tasks under ECs 2 to 5 (inclusive) 	Available, but could not be deployed concurrently with a LTG	Available	Available
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.	Available	Available	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 when not committed to operations, using the capabilities developed for the operational role.	Delivered to the satisfaction of supported department/agency	Deliver to the satisfaction of supported department/agency	For details of MAO&T support provided, see the section on Services in Support of the Government and Community. Deliver to the satisfaction of supported department/agency.
Preparedness - Land Combat Service Support Forces: Employment Context (see the preparedness rating scale earlier in this section for "P" ratings)			
<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	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Medical Elements in support of a LTG	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Supply Elements in support of a LTG	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Maintenance Support Elements in support of a LTG	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Movements Elements in support of a LTG	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
<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	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Medical Elements in support of a LTG	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Supply Elements in support of a LTG	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Maintenance Support Elements in support of a LTG	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
Movements Elements in support of a LTG	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)			
Transport Elements in support of a LTG	P1	P2	P2
Transport Elements in support of a CATG	P1	P2	P2
Medical Elements in support of a LTG	P2	P2	P2
Medical Elements in support of a CATG	P2	P2	P2
Supply Elements in support of a LTG	P1	P2	P2
Supply Elements in support of a CATG	P2	P2	P2
Maintenance Support Elements in support of a LTG	P1	P2	P2
Maintenance Support Elements in support of a CATG	P2	P2	P2
Movements Elements in support of a LTG	P1	P2	P2
Movements Elements in support of a CATG	P1	P2	P2
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)			
Transport Elements in support of a LTG	P1	P2	P2
Transport Elements in support of a CATG	P2	P2	P2
Medical Elements in support of a LTG	P2	P2	P2
Medical Elements in support of a CATG	P2	P2	P2
Supply Elements in support of a LTG	P1	P2	P2
Supply Elements in support of a CATG	P2	P2	P2
Maintenance Support Elements in support of a LTG	P1	P2	P2
Maintenance Support Elements in support of a CATG	P2	P2	P2
Movements Elements in support of a LTG	P1	P2	P2
Movements Elements in support of a CATG	P2	P2	P2
<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	P3	P3	P3
Medical Elements in support of a CATG	P3	P3	P3
Supply Elements in support of a CATG	P3	P3	P3
Maintenance Support Elements in support of a CATG	P3	P3	P3
Movements Elements in support of a CATG	P3	P3	P3
<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	P3	P3	P3
Medical Elements in support of a CATG	P3	P3	P3
Supply Elements in support of a CATG	P3	P3	P3

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
Maintenance Support Elements in support of a CATG	P3	P3	P3
Movements Elements in support of a CATG	P3	P3	P3

Costs for Output Expense 9 (GST Exclusive)

Actual 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
	Expenditure			
76.642	Personnel	76.679	76.587	74.193
38.804	Operating	42.067	38.870	38.485
2.716	Losses on Foreign Exchange	-	-	1.380
12.737	Depreciation	12.944	18.826	19.012
21.194	Capital Charge	26.451	26.383	26.383
152.093	Total Expenses	158.141	160.666	159.453
	Income			
153.105	Revenue Crown	157.099	159.562	159.562
0.198	Revenue Department	0.645	0.657	0.173
0.128	Revenue Other	0.397	0.447	0.320
0.931	Gains on Foreign Exchange	-	-	0.529
154.362	Total Income	158.141	160.666	160.584
2.269	Net Surplus (Deficit)	-	-	1.131
	Cost by Output			
26.920	Output 9.1	28.678	29.301	28.598
34.861	Output 9.2	36.357	35.886	34.371
40.175	Output 9.3	42.484	46.031	45.489
35.225	Output 9.4	37.512	36.249	35.372
12.196	Output 9.5	13.110	13.199	14.243

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2011/12 for this output expense was \$160.666 million and the total expenditure excluding remeasurements was \$158.073 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).⁷

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 in support of the NZ Police prepared for Chemical, Biological, Radiological, Explosive and Improvised Explosive Device Disposal (CBRE IEDD) incidents that threaten public safety or national interests.

⁷ The NZ Police has overall responsibility for CBRE/IEDD emergency response in New Zealand and Output 10.3 exists to provide support to the Police, when requested.

Contributions to Outcomes

This Output Expense contributes primarily to 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 NZ. In addition, three response teams were available in Auckland, Wellington and Christchurch to respond to EOD / IEDD threats and a specialised response team was available to respond to CBRE threats.

Special Operations Forces were deployed in support of NZ Police before and during the Rugby World Cup 2011 (RWC).

1 NZSAS Regiment sponsored and facilitated the training of the Enhanced Infantry Company (EIC) in March 2012. This training enhanced the current level of competency of infantry skills to enable the EIC to achieve DLOC. The EIC was subsequently tested during Exercise Alam Halfa.

Personnel met training standards, experience levels and qualification requirements. Supplementation from Navy and Air Force, lateral recruitment and retention strategies continue 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.

1 NZSAS Group was re-named 1 NZSAS Regiment in December 2011.

Readiness Training Activities

1 NZSAS Regiment focused on generating specialist skills to achieve OLOC in order to meet the sustainment requirements of their deployment to Afghanistan until its completion in March 2012. In addition, the Counter-Terrorist Group 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 Squadron conducted weekly IEDD training to maintain specialist skills. Regular collective training was conducted to maintain a CBRE team capability.

Special Operations Force elements participated in the following major readiness training activities in the reporting period:

- Conducted EOD training with SOER (Special Operations Engineer Regiment) in Australia in August 2011.
- Conducted Exercise Saracen in the Upper North Island during July and August 2011. This covered the spectrum of CT contingencies and was used as testing prior to the RWC in September 2011.

- Participated in Exercise Kiwi Black, a reciprocal bilateral activity with 2 Commando Regiment in Australia, in November 2011.
- Deployed selected personnel on the FSK (Forsvarets Spesial Kommando) winter patrol course, and attended Exercise Paludrin I and II with the British 22 SAS Regiment Mountain Cadre in Norway over the period January to April 2012.
- Deployed selected personnel to the United States of America on a military free fall parachuting course in February to March 2012.
- Deployed selected personnel to the USA to attend the annual Breachers Symposium in May 2012.
- Participated in Exercise Hong Kong, a counter-terrorist exercise conducted in Hong Kong in May 2012.
- Conducted Exercise Back Bencher, a counter-terrorist (CT) exercise in Wellington in June 2012.
- Provided medics to St Johns and other ambulance services in order to maintain this capability throughout the year.
- 1 NZSAS Regiment provided extensive support to the NZ Police and other government agencies during the RWC over the period September - October 2011.
- 1 NZSAS Regiment maintained OLOC through continuation and currency training both offshore and domestically through basic courses for reinforcement personnel and specialised advanced courses.
- 1 (NZ) EOD Squadron took part in the clearance of WWII ammunition from Rabaul, Papua New Guinea, in November 2011.

Output Performance Measures and Standards

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	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:			
<ul style="list-style-type: none"> 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. 	Available	Available	Available
<ul style="list-style-type: none"> A Counter-Terrorist Group to assist the NZ Police in Counter-Terrorist operations, including Maritime CT, under Employment Contexts 1D and 2D. 	Available	Available	Available
<ul style="list-style-type: none"> 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 in support of the NZ Police. 	Available	Available	Available
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. 			
<ul style="list-style-type: none"> 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. 			

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
Preparedness - Special Operations Forces: Employment Context (see the preparedness rating scale earlier in this section for "P" ratings)			
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>			
Terrorist and Asymmetric Threats (EC 1D)			
Special Forces	P1	Available at the appropriate degree of notice, but limited capacity until completion of Afghanistan deployment	Available at the appropriate degree of notice.
Counter-Terrorist Forces	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
CBRE / IEDD	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
<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	P1	P2 (but limited capacity until completion of Afghanistan deployment)	P2 (but limited capacity until completion of Afghanistan deployment)
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)			
Special Forces	P1	P2 (but limited capacity until completion of Afghanistan deployment)	P2 (but limited capacity until completion of Afghanistan deployment)
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>			
Interstate Conflict (EC 4F)			
Special Forces	P1	P1 (but limited capacity until completion of Afghanistan deployment)	P1 (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	P1	P1 (for future rotations to Afghanistan)	P1 (for future rotations to Afghanistan)

Costs for Output Expense 10 (GST Exclusive)

Actual 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
	Expenditure			
40.201	Personnel	40.357	42.246	40.409
18.989	Operating	20.392	19.441	18.683
1.747	Losses on Foreign Exchange	-	-	0.888
5.272	Depreciation	5.595	6.453	6.641
7.013	Capital Charge	8.571	8.533	8.533
73.222	Total Expenses	74.915	76.673	75.154
	Income			
72.995	Revenue Crown	74.274	75.963	75.963
0.127	Revenue Department	0.415	0.423	0.111
0.063	Revenue Other	0.226	0.287	0.203
0.599	Gains on Foreign Exchange	-	-	0.340
73.784	Total Income	74.915	76.673	76.617
0.562	Net Surplus (Deficit)	-	-	1.463
	Cost by Output			
29.295	Output 10.1	31.062	31.892	30.416
29.242	Output 10.2	30.982	31.369	30.371
12.938	Output 10.3	12.872	13.412	13.479

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2011/12 for this output expense was \$76.673 million and the total expenditure excluding remeasurements was \$74.266 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 (NHF) for a range of support services to government and the community, when required.

Contributions to Outcomes

This Output Expense contributes primarily to 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, when ordered, the Multi Role Vessel (MRV) HMNZS *Canterbury* in order to provide a range of capabilities from logistic support to combat operations.

During the reporting period a continual supply of an embarked aviation capability was provided, when ordered, to the RNZN frigates. On numerous occasions, a helicopter was deployed either domestically within New Zealand or on HMNZS *Canterbury*. If not deployed within New Zealand, a helicopter was available for embarkation, when ordered, on HMNZS *Canterbury* for short-notice response tasks. During Operation Rena, a third helicopter was simultaneously deployed, although this caused a reduction in training and sustainment activities at No 6 Squadron.

Although still not achieving planned flying hour's targets, the flying rate was higher than previous years, predominantly due to increased airframe availability generated by the off loading of intermediate level maintenance from No 6 Squadron to the newly formed Aircraft Maintenance Squadron. The recent approved aviation capability on the Offshore Patrol Vessels (OPV) provides both increased opportunities and challenges; particularly the challenge of supporting additional aviation capable ships with the current limited airframe numbers.

The current inability to meet all expected outputs and readiness measures is driven by the combination of a limited number of trained crews, and equipment obsolescence and deficiencies. Sustaining the current flying will assist in generating a full crew establishment during financial year 2012/13. However, NHF outputs can not be fully met without addressing the resource shortfall of available aircraft, and the poor supportability of fitted equipment that is appropriate for the directed tasks.

Readiness Training Activities

HMNZS Te Kaha

- Exercise Bersama Lima 11– South East Asia
- Exercise Lion Zeal 11– Singapore
- Exercise Malzea – South East Asia
- Shakedown – New Zealand Exercise Area (NZXA)
- Exercise Triton Storm 12 – Eastern Australia
- Fleet Experience 12– Eastern Australia

HMNZS Te Mana

- Sea Training Week - NZXA

HMNZS Canterbury

- Operations Havre – Raoul Island Re-supply
- DLOC Workup

HMNZS Otago

- Aviation work-up
- OPV First of Class Flight Trials (FOCFT)

Other

- Exercise Tungsten III – Joint Exercise 6/5 Sqns and Inshore Patrol Vessels
- Exercise Bluebird – Mountain Flying South Island
- Exercise Ambuscade – Multi Agency Operations & Tasking (MAO&T) South Island
- Exercise Overlord – MAO&T Northland
- RNZAF 75th Anniversary Open Day Ohakea
- Wings Over Wanaka
- Simulator Training (x3) - UK
- Exercise Sea Lion (1 x Exercise HQ Officer) – Townsville Australia
- Observer Conversion Course
- Pilot Conversion Course
- Helicopter Crewman Selection Course
- Winch Person Course (x2)
- Operational support for MAO&T and RNZAF/RNZN public relations, community and recruiting tasks.

Output Performance Measures and Standards

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
<p>Number of SH-2G(NZ) Seasprite helicopters available for military tasks – embarked on a frigate, multi-role vessel and an offshore patrol vessel when ordered, from a total fleet of five Seasprite helicopters. When allocating flights to ships, a frigate is to be given priority.</p> <p>There may be occasional short periods when up to three helicopters are available for embarkation.</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>	Partially Achieved	2 Helicopters	Two helicopters were available for military tasks.
<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 when not committed to operations, using the capabilities developed for the operational role.</p>	Delivered to the satisfaction of supported department/agency	Deliver to the satisfaction of supported department/agency	<p>For details of MAO&T support provided, see the section on Services in Support of the Government and Community.</p> <p>From the Operation Havre (Raoul Island re-supply) post activity report – "Support from the ship, her ships company, the flight and embarked forces was above expectations and objectives of all stakeholders were completed."</p> <p>From MFISH report following Northland patrol 6-8 September 2011- 2011- "Overall, the use of the Seasprite allowed the MFish Northland District to cover a lot of ground and make observations that would otherwise have been extremely difficult.</p> <p>The camera on the Seasprite was well suited to the task. As footage is able to be downloaded onto a memory stick (allowing MFish to carry out follow up work at a later date)."</p> <p>From MFISH report following South Island patrol 2 & 10-11 April 2012. "Fishery officers embarked for all patrols commented that the Seasprite platform was excellent to work from. All crew involved were very accommodating in relation to making all attempts to complete all taskings from the Fisheries Officers on board within the allowed flight time. The Seasprite continues to be an excellent platform from which to carry out close inshore patrolling and specific district requirements. Its size, range and flexibility continues to add value to fisheries monitoring and surveillance for the Ministry for Primary Industries."</p>
In conjunction with the Naval Combat Forces,	Delivered to the satisfaction of	Deliver to the satisfaction of	Delivered when embarked on HMNZ

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
Amphibious Sealift Forces, and Offshore Patrol Forces, undertake Defence diplomacy tasks in accordance with NZDF and Government/MFAT requirements. This normally involves ship visits to foreign ports.	supported department/agency	supported department/agency	Ships <i>Te Kaha</i> and <i>Te Mana</i> .
Total Seasprite Air Flying Hours (target range in hours plus or minus 5%)	874 (232 hours embarked and 642 hours ashore)	1,330 - 1,470	The NHF flew 1,138 hours. This represented 81% achieved against the mid-point of 1,400 hours. The variance was due to limited crew numbers.
Preparedness - Naval Helicopter Forces: Employment Context (see the preparedness rating scale earlier in this section for "P" ratings)			
<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)	P3	Available at the appropriate degree of notice	Available at the appropriate degree of notice.
Terrorist and Asymmetric Threats (EC 1D)	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice.
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>			
Natural and manmade disasters (EC 2B)	P3	Available at the appropriate degree of notice	Available at the appropriate degree of notice.
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)	P3	P2	P3 due to shortages of trained aircrew and serviceable aircraft.
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)	P3	P2	P3 due to shortages of trained aircrew and serviceable aircraft.
<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)	P3	P3	P3
Inter-State conflict (EC 4F)	P3	P3	P3
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>			
Terrorist Threats (EC 5D)	P3	P3	P3

Costs for Output Expense 11 (GST Exclusive)

Actual 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
	Expenditure			
22.785	Personnel	23.220	23.144	22.958
27.755	Operating	23.523	22.370	19.891
1.088	Losses on Foreign Exchange	-	-	0.553
17.294	Depreciation	17.019	17.646	17.629
23.301	Capital Charge	24.986	24.962	25.021
92.223	Total Expenses	88.748	88.122	86.052
	Income			
89.202	Revenue Crown	88.201	87.408	87.408
0.079	Revenue Department	0.258	0.263	0.069
0.172	Revenue Other	0.289	0.451	0.425
0.373	Gains on Foreign Exchange	-	-	0.212
89.826	Total Income	88.748	88.122	88.114
(2.397)	Net Surplus (Deficit)	-	-	2.062

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2011/12 for this output expense was \$88.122 million and the total expenditure excluding remeasurements was \$85.499 million. There was no unappropriated expenditure for this output expense.

OUTPUT EXPENSE 12:**AIRBORNE SURVEILLANCE AND RESPONSE FORCES****SERVICE PERFORMANCE**

Description

The provision of No 5 Squadron RNZAF, prepared for the conduct of airborne surveillance of New Zealand's Exclusive Economic Zone (EEZ), the Pacific region and the Southern Ocean, search and rescue missions, and to conduct maritime and land air operations, under Employments Contexts 1, 2, 3, 4 and 5. This output 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 primarily to Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Overview

Throughout the reporting period, the Airborne Surveillance and Response Force (ASRF) achieved the standards, apart from occasional periods where no Orion aircraft were available to support operational, Multi Agency Operations and Tasking (MAO&T), and maritime Search and Rescue (SAR) tasks within the required degree of notice. Alternative arrangements were made to provide coverage during these periods. The unavailability was due to the Mission Systems Upgrade project progressively removing up to four Orions from service during the reporting period, leaving two Orions to deliver outputs. Due to unscheduled maintenance for one week, only the SAR aircraft was available.

The ASRF did not achieve its planned flying hours due to the effect of the upgrade project, which significantly reduced the number of aircraft available to fly.

Despite these constraints, the ASRF met preparedness targets for NZ EEZ, South Pacific regional surveillance and Search and Rescue tasks. However, due to equipment limitations and reduced training opportunities, it remained only partially prepared for regional military contingencies.

There were high demands on the maintenance of the capability because of the requirement to support both the reducing fleet of P-3K Orion aircraft, as well as completing introduction into service tasks on the upgraded P-3K2 Orion. In addition, overall maintenance experience reduced due to an increased attrition rate. Aircrew personnel numbers remained just under the required establishment but the overall competence declined due to the reduced rate of flying and corresponding reduction in training opportunities. Nevertheless, military tasking was met.

The ASRF output will remain limited due to the equipment and personnel limitations but is expected to improve following successful introduction into service of the upgraded P-3K2 Orion.

Note: Aircraft that had been upgraded and were undergoing Operational Testing and Evaluation (OT&E) were not available for military tasking.

Readiness Training Activities

The ASRF conducted the following readiness training activities:

- Two deployments to South East Asia in support of FPDA.
- One deployment to Australia for a bilateral training exercise.
- Intelligence, Surveillance and Reconnaissance and OLOC generation in support of NZ Army.
- Military role training including high explosive airborne delivery.

Output Performance Measures and Standards

Performance Measures	2010/11	2011/12	
	Actual	Budget Standard	Performance Achieved
<p>Number of Orion aircraft available for military tasks - from a total fleet of six aircraft.</p> <p>The number of Orion aircraft available during 2011/12 will be affected by the rolling programme to upgrade the Orion fleet and will reduce the full capacity of this output expense. By the end of FY 2011/12, it is expected that two aircraft will have been upgraded, with the remainder expected to be completed by the end of FY 2012/13. 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 training will also affect the nature and extent of tasking that can be undertaken by the fleet during the period.</p> <p>Note: The title of this outcome expense has been changed from Maritime Patrol Forces to Airborne Surveillance and Response Forces to reflect the enhanced capabilities of the Orion fleet as a result of the systems upgrade programme.</p>	2 Aircraft	2 Aircraft	Two aircraft were available for military tasks, apart from a week of unscheduled maintenance, and within the limitations of the upgrade programme. (During this week, a SAR aircraft was available).
<p>Number of additional Orion aircraft available for maritime Search and Rescue and other emergency tasks, as required.</p>	1 Aircraft	1 Aircraft	One aircraft was available for maritime search and rescue and emergency tasks, for all but 42 days. For 31 days a Hercules aircraft was made available in the event of a tasking. For the remaining 11 days alternative arrangements were made to provide coverage. In addition, there were short periods when the degree of notice was extended due to maintenance requirements.

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	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 when not committed to operations, using the capabilities developed for the operational role.	Delivered to the satisfaction of supported department/agency	Deliver to the satisfaction of supported department/agency	For details of MAO&T support provided, see the section on Services in Support of the Government and Community. 13 search and rescue missions (involving 226 hours) were provided in response to requests for support from the Rescue Coordination Centre, New Zealand. 19 surveillance missions for the National Maritime Coordination Centre. These flights involved surveillance patrols in support of a number of New Zealand government agencies including Fisheries, NZ Customs, Maritime NZ, GNS Science, Department of Conservation and NZ Police. Feedback from Fisheries suggests that an Orion flying in advance of a surface patrol has a deterrence effect. Three deployments for Southern Ocean fisheries surveillance. These deployments were in support of the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR). Eight deployments throughout the South Pacific to conduct fisheries surveillance missions in the EEZs of NZ's constitutional dependencies and other sovereign states. These deployments were in support of the Forum Fisheries Agency.
Total Orion Flying Hours (target range in hours plus or minus 5%) The total Orion annual flying hour's 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 2011/12.	1,979	2,138 - 2,363	The ASRF flew 1,553 hours. This represented 69% of the mid-point of 2,250 hours. The variation was due to delays due to the introduction into service of the Mission Systems Upgrade.
Preparedness – Airborne Surveillance and Response Forces: Employment Context (see the preparedness rating scale earlier in this section for “P” ratings)			
<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)	P2	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Terrorist and Asymmetric Threats (EC 1D)	P2	Available at the appropriate degree of notice	Available at the appropriate degree of notice
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>			
Natural and manmade disasters (EC 2B)	P2	Available at the appropriate degree of notice	Available at the appropriate degree of notice
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)	P2	P2	P2
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)	P3	P2	P2
<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)	P3	P3	P2
Inter-State conflict (EC 4F)	P3	P3	P3
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>			
Terrorist Threats (EC 5D)	P3	P3	P3

Costs for Output Expense 12 (GST Exclusive)

Actual 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
	Expenditure			
60.865	Personnel	61.390	61.296	62.013
55.344	Operating	59.996	51.540	52.169
2.232	Losses on Foreign Exchange	-	-	1.134
26.136	Depreciation	29.755	26.312	24.751
24.921	Capital Charge	25.563	25.514	25.579
169.498	Total Expenses	176.704	164.662	165.646
	Income			
164.335	Revenue Crown	175.381	163.151	163.151
0.163	Revenue Department	0.530	0.540	0.142
0.517	Revenue Other	0.793	0.971	0.907
0.765	Gains on Foreign Exchange	-	-	0.435
165.780	Total Income	176.704	164.662	164.635
(3.718)	Net Surplus (Deficit)	-	-	(1.011)

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2011/12 for this output expense was \$166.162 million (including approved transfers under section 26A of the Public Finance Act 1989) and the total expenditure excluding remeasurements was \$164.512 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 output 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 primarily to Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Overview

Preparedness targets were fully met for EC 1 and substantially met for ECs 2 to 5 for the Boeing Transport Force. Tasks completed were mainly in support of international troop rotations (OE16 missions), other NZDF unit readiness training activities, government diplomatic visits and Rugby World Cup 11.

Preparedness targets for the Hercules Transport Force were fully met for EC 1 and substantially or partially met for ECs 2 to 5.

Aircraft availability continued to be impacted by the upgrade project and delays with service release of the Hercules Life Extension Programme (LEP) (now scheduled to occur during financial year 2012/13). Nevertheless, the Hercules fleet was able to meet most operational demands, including support to Afghanistan, support to Operation Antarctica, Rugby World Cup 11 and Operation Pacific Drought with the exception being an inability to support a rotation of forces in Timor-Leste due to Pacific Drought receiving priority.

The Hercules Legacy fleet conducted training for military tasks in Exercise Precision Red, Joint Readiness Training Course, and Skytrain, while the LEP aircraft did likewise on the Advanced Airlift Tactical Training Centre (AATTC) course in the USA, Embow (France), Skytrain (Alexandra) and Maple Flag (Canada).

The annual contribution to the Antarctic research programme was supported as part of the LEP introduction into service activities; however, weather and aircraft serviceability issues resulted in only three of the planned flights being achieved. Despite this, the LEP received sufficient high latitude/cold weather exposure to enable the two rescue missions to airdrop emergency equipment to the MV *Sparta* to be conducted with this platform.

The LEP continued to progress with two upgraded aircraft available for introduction into service (IIS) activities through most of the period. Operation of the Legacy fleet has drawn down over the period in anticipation of service release of the LEP, with the fourth legacy aircraft delivered to Woodbourne awaiting upgrade in October 2011 (at the time of writing underway). The final legacy Hercules was limited to emergency tasking until July 2012, and is then delivered to Woodbourne awaiting upgrade.

Note: Aircraft that had been upgraded and were undergoing Operational Testing and Evaluation (OT&E) were not available for military tasking.

Readiness Training Activities

During the reporting period the Boeing Transport Force conducted the following training activities:

- Support to Exercise Triton Fury (Australia), Bersama Lima (SE Asia), French Armed Forces New Caledonia (FANC) (Noumea), Sea Lion (Asia), Rimpac (Pacific), USMC (Pacific), Suman Warrior (Asia), Kempininan (Brunei), Tropic Astra (Pacific), Hamel, (Australia), Longlook exchange programme (UK/Australia), and visits to the Bomber Command Memorial and Waddington (UK).

During the reporting period the Hercules Transport Force conducted the following training activities:

- Support to Exercises Precision Red (Australia), Tropic Astra (Samoa), FANC (New Caledonia), Joint Readiness Training Centre (USA), AATTC (USA), Embow (France), Skytrain (Alexandra), Bersama Lima (Malaysia), Maple Flag (Canada) and Rimpac (Hawaii).

Output Performance Measures and Standards

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
Number of B757-200 available for strategic military transport tasks – (from a total fleet of two aircraft.)	2 Aircraft	2 Aircraft	Two aircraft were available for strategic military transport tasks.
Number of C-130 aircraft available for deployed military tasks (from a total fleet of five aircraft).	2 Aircraft	2 Aircraft	Two aircraft were available for deployed military tasks within the limitations of the life extension programme.
Number of additional C-130 aircraft available for EC 1D and emergency tasks, as required.	1 Aircraft	1 Aircraft	One aircraft was available for EC 1D and emergency tasks.

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
The number of C-130 Hercules aircraft available during 2011/12 will be affected by the on-going life extension programme to upgrade the fleet and will reduce the full capacity of this output. By the end of FY 2011/12 it is expected that two aircraft will have been upgraded, with the remainder scheduled for completion by the end of FY 2013/14. 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.			
An Aeromedical Evacuation (AME) element for strategic and tactical AME in support of land operations.	AME element available	AME element available	An AME for strategic and tactical AME in support of land operations was 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 when not committed to operations, using the capabilities developed for the operational role.	Delivered to the satisfaction of supported department/agency	Deliver to the satisfaction of supported department/agency	<p>For details of MAO&T support provided, see the section on Services in Support of the Government and Community.</p> <p>Boeing</p> <p>Numerous VIP missions including NZ Prime Minister and Ministers (foreign and NZ) to India, Singapore, Indonesia, UK, Australia, Vietnam and Pacific Islands.</p> <p>Multiple flights in support of the Australian Defence Force, Royal Air Force, Tongan Defence Force and NZ Police also took place as well as generic Rugby World Cup (RWC) support over the RWC period.</p> <p>Transport veterans to Bomber Command Memorial in UK.</p> <p>Hercules</p> <p>Flights in support of ANZAC Exchange (Aus), Command Staff Course (Aus), Tauranga Airshow and Wanaka Airshow.</p> <p>VIP Missions in support of Minister of Defence and Governor-General.</p> <p>Support to Rugby World Cup 2011.</p>
Total Air Flying Hours:			
Boeing 757 (target range in hours plus or minus 5%)	1,390	1,330 – 1,470	The Boeing element flew 1,130 hours. This represents an 81% achievement of the mid-point of 1,400 hours. The variance was due to stand by periods for Rugby World Cup 2011, two extended maintenance checks and low tasking.
Hercules C-130 (target range in hours plus or minus 5%)	1,835	1,889 - 2,087	The Hercules element flew 1,686 hours. This represents an 85% achievement of the mid-point of 1,988 hours. The reason for the variance was a delay of the Life Extension Programme introduction into service.
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.			
Preparedness - Fixed Wing Transport Forces: Employment Context (see the preparedness rating scale earlier in this section for "P" ratings)			
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>			
Terrorist and Asymmetric Threats (EC 1D)			
B757 Transport Force	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
C-130 Transport Force	P2	Available at the appropriate degree of notice	Available at the appropriate degree of notice
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>			
Natural and manmade disasters (EC 2B)			
B757 Transport Force	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
C-130 Transport Force	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)			
B757 Transport Force	P1	P1 to support current operations. P2 for additional operations	P2 to support current operations. P2 for additional operations
C-130 Transport Force	P2	P1 to support current operations. P2 for additional operations	P2 to support current operations. P2 for additional operations
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)			
B757 Transport Force	P1	P1 to support current operations. P2 for additional operations	P2 to support current operations. P2 for additional operations
C-130 Transport Force	P2	P1 to support current operations. P2 for additional operations	P2 to support current operations. P3 for additional operations due to delays in operational certification of the upgraded Hercules aircraft
<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	P2	P2	P2
C-130 Transport Force	P2	P2	P3 due to delays in operational certification of the upgraded Hercules aircraft
Inter-State conflict (EC 4F)			
B757 Transport Force	P2	P2	P2
C-130 Transport Force	P2	P2	P3 due to delays in operational certification of the upgraded Hercules aircraft
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>			
Terrorist Threats (EC 5D)			
B757 Transport Force	P2	P2	P2
C-130 Transport Force	P2	P2	P2

Costs for Output Expense 13 (GST Exclusive)

Actual 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
	Expenditure			
76.937	Personnel	77.386	77.742	77.349
75.178	Operating	79.572	70.236	73.397
3.450	Losses on Foreign Exchange	-	-	1.754
51.824	Depreciation	55.506	47.282	40.636
44.827	Capital Charge	48.546	48.471	48.507
252.216	Total Expenses	261.010	243.731	241.643
	Income			
247.065	Revenue Crown	259.265	241.603	241.603
0.252	Revenue Department	0.820	0.835	0.220
0.660	Revenue Other	0.925	1.293	1.521
1.183	Gains on Foreign Exchange	-	-	0.672
249.160	Total Income	261.010	243.731	244.016
(3.056)	Net Surplus (Deficit)	-	-	2.373
	Cost by Output			
119.435	Output 13.1	120.011	116.304	113.320
129.331	Output 13.2	140.999	127.427	126.569

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2011/12 for this output expense was \$243.731 million and the total expenditure excluding remeasurements was \$239.889 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 output expense also includes the provision of helicopters for a range of support services to government and the community.

Output 14.1 – NH-90 Medium Utility Helicopter Force

The provision of NH-90 medium utility helicopters prepared for the conduct of tactical air transport operations, including AME and counter-terrorist operations.

Output 14.2 – A-109 Light Utility Helicopter Force

The provision of A-109 training and light utility helicopters prepared for helicopter training and providing command and control, transport and tactical support to the NZ Police, NZ SAS and EOD/IEDD teams.

Output 14.3 – UH-1H Utility Helicopter Force

The provision of UH-1H utility helicopters prepared for the conduct of tactical air transport operations, including AME and counter-terrorist operations.

Contributions to Outcomes

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

Overview

The reporting year has been a busy period for the Utility Helicopter Force. No 3 Squadron, using the UH-1H, participated in a number of Readiness Training Activities and operations, including Operation Rugby World Cup, Operation Kelly (support to NZ Police) and Operation Kumul (support to Papua New Guinea Electoral Commission). No. 3 Squadron Maintenance Flight personnel achieved very good results, providing a high level of aircraft serviceability throughout the year. This, and good work by Utility Flight and Training Flight aircrew, allowed No. 3 Squadron to comfortably meet the financial year 2011/12 flying hours target. The completion of these flying hours, in combination with the various readiness activities achieved, has left No. 3 Squadron well prepared to meet output expectations.

Note: NH90 and A109 aircraft that were undergoing Operational Testing and Evaluation (OT&E) were not available for military tasking. Five A109 and two NH90 aircraft have been delivered as of the end of the financial year 2011/12.

Readiness Training Activities

- Exercise Blackbird (mountain flying)
- Exercise Pekapeka Black (night tactical flying)
- Exercise Steel Talon (battlefield support for Army)
- Exercise Alam Halfa (combined arms exercise)
- Exercise Tropic Astra (tropical training in Samoa)

Output Performance Measures and Standards

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
<p>Number of UH-1H Iroquois helicopters available for military tasks - from an available fleet of 12 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.</p> <p>The NH-90 and A-109 fleets are not expected to achieve operational capability release until FY 2012/13, after operational test and evaluation (OT&E) is undertaken progressively during 2010/11 and 2011/12.</p>	6 Helicopters	6 Helicopters	Six UH-1H Iroquois helicopters were available for military tasks.
<p>Number of additional UH-1H Iroquois 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>	2 Helicopters	2 Helicopters	<p>Two additional UH-1H helicopters were available for rapid response tasks in New Zealand.</p> <p>There was one occasion during an exercise overseas when crews were being rotated. In this instance, No. 6 Squadron provided cover.</p>
<p>A Forward and Tactical 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>	AME element available	AME element available	An AME element was available.
<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 when not committed to operations, using the capabilities developed for the operational role.</p>	Delivered to the satisfaction of supported department/agency	Deliver to the satisfaction of supported department/agency	<p>For details of MAO&T support provided, see the section on Services in Support of the Government and Community.</p> <p>This includes SAR flying and support provided to NZ Police.</p> <p>3 Squadron assisted the Department of Conservation (DOC) with the rowi (kiwi) translocation to Mana Island. DOC have reported that all aspects of the operation involving the RNZAF were undertaken to an excellent standard.</p>
<p>Total NH-90 flying hours (target range in hours plus or minus 5%)</p>	N/A	516 - 570	<p>Total NH-90 flying hours for OT&E were 140. This represents a 26% achievement against the mid-point of 543 hours. The variance is due to a delay in the delivery of the new helicopters.</p>
<p>Total A-109 flying hours (target range in hours plus or minus 5%)</p>	N/A	518 - 572	<p>Total A-109 flying hours for OT&E were 296. This represents a 54% achievement against the mid-point of 545 hours. This variance is due to insufficient crew numbers.</p>

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
(Flying hours for NH-90 and A-109 helicopters are for OT&E only)			
Total Iroquois Air Flying Hours (target range in hours plus or minus 5%)	3,662	3,263 - 3,607	Total Iroquois flying hours were 3,515. This represents a 102% achievement against the target mid-point of 3,435 hours.
Preparedness - Rotary Wing Helicopter Forces (Iroquois only): Employment Context (see the preparedness rating scale earlier in this section for "P" ratings)			
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>			
Terrorist and Asymmetric Threats (EC 1D)	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice.
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>			
Natural and manmade disasters (EC 2B)	P1	Available at the appropriate degree of notice	Available at the appropriate degree of notice.
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)	P2	P2	P2
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)	P2	P2	P2
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>			
Inter-State conflict (EC 4F)	P4 (See Note below)	P4 (See Note below)	P4 (See Note below)
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>			
Terrorist Threats (EC 5D)	P4 (See Note below)	P4 (See Note below)	P4 (See Note below)

Note:

Operational tasks in high threat environments, which may be encountered under ECs 4 - 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. The Iroquois retains a limited level of capability for low-level operational tasks within these ECs.

Costs for Output Expense 14 (GST Exclusive)

Actual 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
	Expenditure			
54.418	Personnel	54.923	54.168	53.833
35.572	Operating	37.220	36.094	33.529
0.910	Losses on Foreign Exchange	-	-	0.462
12.392	Depreciation	30.256	29.143	30.211
17.753	Capital Charge	21.196	21.177	21.017
121.045	Total Expenses	143.595	140.582	139.052
	Income			
122.232	Revenue Crown	142.798	139.193	139.193
0.066	Revenue Department	0.216	0.220	0.058
0.438	Revenue Other	0.581	1.169	1.246
0.312	Gains on Foreign Exchange	-	-	0.177
123.048	Total Income	143.595	140.582	140.674
2.003	Net Surplus (Deficit)	-	-	1.622

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2011/12 for this output expense was \$140.582 million and the total expenditure excluding remeasurements was \$138.590 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 (MAP)**

This output class is limited to the provision of training, technical advice and resource support to the defence forces of MAP partner countries, both in New Zealand and in the partner countries. Specialist niche training is also provided to the law enforcement agencies of South Pacific MAP partner countries.

Output Class 15.2 – Support to New Zealand 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.)

Contributions to Outcomes

This Output Expense contributes primarily to Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity). There is also some relationship to Outcome 4 (New Zealand able to meet future national security challenges) through any requirement for restructured or new outputs.

Output Performance Measures and Standards

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
Generally for this MCOA:			
Training and administrative support will be provided in accordance with NZDF training quality standards as modified with senior staff from the requesting organisation:			
<ul style="list-style-type: none"> The degree of satisfaction expressed by the authorities requesting assistance - in accordance with their annual programmes. 	Satisfied	Satisfied	Satisfied
<ul style="list-style-type: none"> Regular evaluation of significant issues, the capacity to react to requests for assistance and the provision of adequate support from the limited resources available. 	Deliver	Delivered	Delivered
Support to Mutual Assistance Programme (MAP):			
<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.</p>	117	130 - 160	<p>The MAP delivered 122 activities, which included assistance to MAP partner countries via Mutual Assistance Training Teams (MATTs), technical advisors, NZDF courses, limited resource provision, exchanges and attachments. This compares favourably with last year's output despite fiscal constraints that affected the MAP and the NZDF as a whole as it moves towards its planned Joint Amphibious Taskforce structure of 2015. This coincides with the general global fiscal environment that has affected our MAP partner countries. As a result of a range of agreed initiatives between the NZDF and partner countries, the MAP has managed to maintain this consistent level of activity for FY 11/12. The full effect of fiscal measures will impact in out years.</p> <p>Of the total activities completed, 76 were undertaken with South Pacific MAP partners while the rest were conducted with South East Asian MAP partners. Approximately 95% of the MAP operating and personnel expenditure of \$2.45m was spent on South Pacific MAP activities.</p> <p>In general, the success rate of MAP students attending training was very high. Of the 83 related training activities only four were unsuccessful, one due to discipline, two to language difficulties and one to a misunderstanding of the course requested.</p> <p>The ongoing issue of English language standards continue to restrict the ability of several MAP partner countries, especially from South East Asia, to provide suitable candidates. Although this is a larger issue that the countries themselves are addressing, MAP for the first time trialled a specific English language training course at the intermediate level. Nine Vietnamese Peoples Army (VPA) personnel attended this course. This served a two fold purpose, firstly the VPA specifically requested such training as their main MAP engagement for FY 11/12 and secondly it allowed the MAP to test the concept. Although successful, resource constraints mean it can not be a recurring activity at this time. Another highlight for the VPA was a cadet graduating from RNZN Junior Officer Common Training (Commissioning course).</p> <p>A table of MAP activities by country for the reporting period is shown at the end of this section.</p>
<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>	Delivered	Deliver	<p>The Papua New Guinea Defence Force (PNGDF) and Tonga Defence Service (TDS) remain a primary focus for the MAP and the high level of activity continued in this reporting period. Highlights were three PNGDF cadets graduating from the NZ Army Officer Cadet School 2011 commissioning course and both a PNGDF and TDS officer graduating from the 2011 Joint Command and Staff Course. The embedded NZDF officer at the PNGDF HQ played a key role in the planning at the strategic level that saw the PNGDF deploy personnel for the first time on a UN peace operation.</p> <p>The MAP continues to sponsor Technical Advisers within the programme, one in Papua New Guinea, two in Vanuatu, one in Tonga and two in the Cook Islands. In this FY, New Zealand has assumed the role of Maritime Surveillance Adviser in the Cook Islands. This position runs the Australian Defence Cooperation Programme Pacific Patrol Boat programme. It is a clear example of cooperation between the NZDF and ADF within the Pacific.</p> <p>HONZDF continues to provide strategic policy overview of the five</p>

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
			<p>technical advisers assisting the F-FDTL (Armed Forces of Timor-Leste) under Task Group Kaihanga (OE 16). Timor-Leste is another of the MAP partner countries where English levels limit their ability to submit nominations for NZDF courses. Despite this, F-FDTL students - although limited in number - continue to excel. An officer graduated from the Joint Junior Staff Course and a F-FDTL cadet graduated from RNZN Junior Officer Common Training (Commissioning course). F-FDTL soldiers continue to attend the NZ Army School of Music MAP Musician courses. Five MATTs were successfully completed as follows:</p> <p>Papua New Guinea A NZ Army officer assisted the PNGDF to conduct an Officer Selection Board.</p> <p>Tonga A NZDF legal officer conducted Law of Armed Conflict (LOAC) training. Two visits were undertaken. A NZDF team conducted 1st aid training for the TDS. Two visits were undertaken.</p> <p>MAP talks were conducted with the Cook Islands, Malaysia, Thailand, Indonesia, Samoa, Papua New Guinea, Brunei, Timor-Leste, Tonga, Vanuatu and Vietnam. The first formal MAP talks were held with Indonesia. As in recent years, MAP engagement is currently confined to attendance on Command and Staff College courses. An officer is attending the 2012 Joint Command and Staff Course.</p> <p>Planning continues to transition Malaysia out of the MAP. The most recent MAP talks were held in May 2012 and a submission will be made to the Malaysia New Zealand Defence Co-ordinating Group (MNZDCG) to progress this matter.</p> <p>Annual talks were conducted with the Australian Defence Cooperation Programme. This provides a good avenue for co-operating and synchronisation of the two programmes in accordance with joint Ministerial direction.</p> <p>Collaboration continues with NZ Police on the provision of training assistance to disciplined forces in the South Pacific. Police personnel from Samoa, Kiribati and Solomon Islands received training from the NZ Army School of Music. A police officer from the Cook Islands received armourer training.</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.	Monitored and Analysed	Monitor and Analyse	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.
Support to New Zealand Cadet Forces (NZCF):			
<i>General:</i> The NZCF comprises 421 NZCF officers and 3,864 cadets within 101 Cadet Force Units across New Zealand. The personnel figures fluctuate from month to month, especially at the end of the school year. Permanent staff includes 27 Tri-Service, Regular Force training and support staff, and five civilian administrative staff.			
Number of courses conducted for NZCF officers / (representing the number of officer training days).	34 (2,527)	34 (2,840)	25 (2,004)
Number of courses conducted for NZCF cadets / (representing the number of cadet training days). (Training days do not include community projects completed at the local level).	48 (11,447)	40 (10,003)	33 (5,785)
All courses conducted will meet the requirements of the NZ Qualifications Authority (NZQA) framework, where appropriate.	Meet	Meet	Met. Three hundred and sixty nine NZQA Credits and nine Certificates in NZCF Training and Management were awarded.
Meet the training, course and exercise objectives of the NZ Cadet Forces	Meet	Meet	Of the courses completed, training, course and exercise objectives were met.
Positive feedback/reports from Area Coordinators, Cadet Unit Commanders and the public and overall evaluation by the Commandant NZCF.	Positive Feedback	Positive Feedback	Positive comments from the Presidents of National Support Organisations, Rear Admiral Hunter (Rtd), Air-Vice Marshal Adamson (Rtd), Major General Gardiner (Rtd), and Lieutenant General McIvor (Rtd) on the support provided by NZCF.

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
Support to Youth Development: (Note: The NZDF is funded for this support on a calendar year, rather than a financial year).			
Number of Limited Service Volunteer (LSV) Scheme training courses (Auckland, Wellington and Burnham) conducted per year for unemployed and/or disadvantaged youth, each course of six weeks duration, and conducted on behalf of the Ministry of Social Development (MSD).	16 courses	18 courses	Twelve fully conducted within the FY and six conducted across FYs.
Number of trainees (selected by the MSD and between the ages of 17 and 25 years) trained on LSV courses.	1,746	Up to 1,500	<p style="text-align: right;"><u>Fully conducted within FY</u> Started: 1,159 Finished: 923 <u>Rolling Over FYs</u> Start FY 10/11: 362 Finish FY11/12: 265</p> <p>Following are estimated numbers due courses yet to start and/or finish Start FY 11/12: 320 Finish FY12/13: 235</p>
Number of Service Academies in high schools supported per year in support of the Ministry of Education.	19	19 Service Academies	From July 2011 to June 2012, the NZDF Youth Development Unit (YDU) supported an average of 20 Ministry of Education Service Academies (16 Academies from June to December 2011, which increased by eight to 24 Academies in January 2012)
Number of youth passing through the Service Academies per year.	843	Up to 380	Each Service Academy had an average of 20 students with statistics on exact numbers at each Academy being held by the Ministry of Education. In support of these Academies, the YDU ran the following five different types of courses during 11/12: Induction (5 courses), Basic Leadership (5 courses), Advanced Leadership (2 courses), Bush Craft/Mil Skills (4 courses) and Adventure Race/Endurance Event (4 courses). Across these courses there were a combined total of 1,317 places filled by Service Academy students. Some Service Academy students attended all five courses, while some only attended the Induction course. On average, each student attended three of the five courses
Number of Military-style Activity Camps supported per year in support of the MSD (Child, Youth and Family) under the Government's Fresh Start for Young People programme.	Two	Four camps will be supported	Four camps supported
Number of youth passing through the Military-style Activity Camps per year.	24	Up to 40 youths per year	36 started Military-style Activity Camps
Total number of NZDF staff (military and civilian) involved in direct support of all Youth Development Schemes over the year.	132	115 military staff and 15 civilian staff	114 26 Civilian 88 Military
Support to Service Military Museums:			
Maintain current Service Museums at Devonport (Navy), Waiouru (Army), and Wigram (Air Force).	Maintain	Maintain	Service Museums were provided at Devonport (Navy), Waiouru (Army) and Wigram (Air Force). The ongoing earthquakes in Canterbury have provided challenges for the Air Force Museum, which has continued to suffer minor damage in each major event but no major structural issues. Despite this, the Museum was able to remain open to the public on all but a few days.

	2010/11		2011/12
Performance Measures	Actual	Budget Standard	Performance Achieved
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, the Armed Forces and visitors to our nation, to sector best practice. ("Collection Management" includes 'preservation').	Provide	Provide	<p>Staff, infrastructure and resources were provided to Service Museums to manage collections and preserve exhibits.</p> <p>An adequate level of support has been provided in support the operation of the Navy Museum. The Navy Museum remains staffed with NZDF civilian personnel, Trust Board casual employees and volunteers. Overall staffing levels continue to be lower than desirable, especially in the Front of House and Collections Management area of operations. This has been partly resolved by the Museum Trust Board hiring casual staff to cover for shortages and to implement important initiatives.</p> <p>While adequate staff levels were maintained for the National Army Museum (NAM) at Waiouru for the first half of the reporting period, for the remainder of the reporting period the Museum was understaffed.</p> <p>In November 2011 the Air Force Museum Trust Board commenced construction of a long planned \$14.3 million redevelopment of the Museum. The project aims to expand the Museum with a 6,200m² extension to the existing public buildings. The Museum Trust Board is partnering with organisations such as the Earthquake Appeal Trust, Te Papa, and the Ministry for Culture and Heritage to use the completed building as a cultural collections recovery centre for the next three years to assist other organisations, instead of immediately occupying the facility itself. The Museum Trust Board has amassed nearly all the funds required for the project, which is on schedule to be completed in November 2012.</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.	Meet	Meet	<p>Museum services were provided in accordance with the minimum requirements of the Memorandums of Understanding and individual Museum Trust Boards.</p> <p>Exhibitions at the NAM included: "Khaki and Black" – an exhibition centred on the King's Cup; 'Bamiyan: The Heart of Afghanistan' a travelling photographic display from Pateka, Porirua (Oct 11); Opening of the new Medal Repository (Dec 11); "The Black Islands: Spirit and War in Melanesia" – a photographic exhibition by the Australian photo journalist Ben Bohane (Mar 12); and "Fragments" – an exhibition that revealed some of the Treasures and Taonga that have been recently donated to the Museum.</p> <p>New display cases were provided on Korea, Malaya/Borneo and Vietnam in conjunction with opening of the Medal Repository.</p>
Each museum is subject to an annual review against Service Museum benchmarks and periodic reviews against the New Zealand Museum Standards Scheme.	Review	Review	<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>During the period the Navy Museum achieved a score of 525 points (Silver level) in an internal business excellence review. The NAM retained its Qualmark accreditation.</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 still not been issued. The Air Force Museum also retained Qualmark accreditation with a 100% pass and an Enviro Gold Award for responsible tourism.</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.	Yes	Yes	<p>All three museums met the expectations of their respective commands and boards.</p> <p>Navy</p> <p>Visitors to the Navy Museum, which include casual visitors, visitor groups, school groups and service groups, for the period 1 July 2011 to 30 June 2012 totalled 105,097. With an operating cost of less than \$14 per visitor the cost per visitor compares extremely favourably to the benchmark museums monitored.</p>

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
			<p>The museum has proven popular with all age groups. 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 holiday programmes, research, collection enquiries, outreach and publications.</p> <p>Seven exhibitions were delivered during the period - most notably the Kids Curate, WRNZNS 70th Anniversary Exhibition, HMS Neptune memorial Exhibition and the USMC 70th anniversary display.</p> <p>Visitor feedback was gathered daily with the Visitor Satisfaction Index (VSI) indicating 95% of visitors rated their visit as either 'excellent' or 'very good'. Visitor recommendation Index was 98% while the % of repeat visitors was 27%. The results compared very favourably against benchmarks.</p> <p style="text-align: right;">Army</p> <p>Overall visitor numbers for the NAM totalled 37,679; a decrease of 6,457 (14.6%) on the previous year. Although significant, this decrease in visitor numbers is on par this year with that experienced by other major tourism operators in the Central North Island region. The increased cost of fuel has been a major factor in the decrease over this period. An in-house survey conducted over the reporting period resulted in 98% visitor satisfaction.</p> <p style="text-align: right;">Air Force</p> <p>Despite the significant reduction in tourist numbers to Christchurch, total general visitors to the Air Force Museum were 100,262, which was an increase of 25% on target (80,000) and 17% on 2010/11. A further 7,720 visitors attended corporate events at the Air Force Museum.</p> <p>Visitor surveys taken during the year have recorded an average 97% satisfaction rating for education groups and an average 95% rating for general visitors.</p> <p>On 22 February 2012, the Air Force Museum received an Earthquake Award from the Christchurch City Council for service in the aftermath of the earthquakes.</p> <p>On 19 April 2012 the Air Force Museum received an Extraordinary Achievement Award at the NZ Museum Awards to acknowledge the support given to the museum community following the Christchurch earthquakes.</p>

Summary of MAP Activities by Country for 2011/12

	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⁾		4	1		6	2	13		1	1	3	3	1	9	18		31
Training (RNZN – both sea and shore based)		5					5	3		1		1	1	1	7		12
Training in NZ (NZ Army)	1	10	2	1	13	6	33			1			3	2	6	1	40
Training in NZ (RNZAF)							0								0		0
Attachments in NZ		1			1		2								0		2
NZDF Technical Advisers (TA)	2	1			1	2	6						5 ⁽³⁾		5		11
Mutual Assistance Training Teams visiting ⁽²⁾		1			4		5								0		5
Sponsored Activities ⁽²⁾	1	2			3		6								0		6
Resource Provision ⁽²⁾		1					1								0		1
MAP Talks	1	1	1		1	1	5	1	1	2		1	1	1	7	2	14
TOTAL	5	26	4	1	29	11	76	4	2	5	3	5	11	13	43	3	122

Notes:

1. Incorporates new tri-service training schools and the Command and Staff College
2. Denotes number of NZDF teams, activities or occurrences, not personnel.
3. Output Expense 16 activity, but under the MAP for strategic and policy direction.

Cost for Output Expense 15 (GST Exclusive)

Actual 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
	Expenditure			
14.871	Personnel	12.193	14.223	13.915
9.094	Operating	11.501	8.177	6.541
0.498	Depreciation	0.556	0.596	0.586
0.922	Capital Charge	0.997	0.996	0.997
25.385	Total Expenses	25.247	23.992	22.039
	Income			
15.134	Revenue Crown	15.360	12.933	12.933
11.600	Revenue Department	9.887	11.059	9.793
-	Revenue Other	-	-	0.408
26.734	Total Income	25.247	23.992	23.134
1.349	Net Surplus (Deficit)	-	-	1.095
	Cost by Output			
2.674	Output 15.1	2.790	2.356	2.456
3.294	Output 15.2	3.559	3.388	3.056
5.875	Output 15.3	6.454	4.874	5.044
13.542	Output 15.4	12.444	13.374	11.483

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2011/12 for this output expense was \$24.412 million (including approved transfers under section 26A of the Public Finance Act 1989) and the total expenditure excluding remeasurements was \$22.039 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.

Contribution to Outcomes

Output Expense 16 contributes primarily to 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 for Primary Industries.

Operations

During the year, a number of NZSAS personnel have been deployed to Kabul to undertake tasking in support of ISAF Special Operations Forces. This mission ceased to operate on 31 March 2012, in accordance with New Zealand government direction.

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

OP SATURN (UNSMIS) – Syria - 6	Six NZDF officers are deployed in Syria as staff officers and UNMOs (observers) with the United Nations Supervision Mission in Syria (UNSMIS). This is NZDF's newest mission and at the time of writing the UN mandate is being reviewed.
OP TIKI– Gulf of Aden - 5	Three RNZN personnel were deployed on board a RAN ship (HMAS <i>Melbourne</i>) conducting counter piracy operations. This mission also included two RNZN officers filling roles in the Command Task Force (CTF) HQ, including the Deputy Commander appointment. The two command element personnel returned to New Zealand in April 2012.
OP BARBARY III	Three NZDF officers deployed as CTF151 (Counter Piracy) Command staff for a three-month period in July – September 2011.

Output Performance Measures and Standards

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
The performance of NZDF Force Elements deployed on government-approved operational missions is assessed against the following:			
<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. 	Met	Meet	Individual appointees and formed contingents all underwent pre-deployment training to achieve the OLOC requirements prior to deployment with a small percentage requiring formal waivers to achieve OLOC. On occasion, reinforcements and surge deployments were required to deploy earlier than the required response time and were unable to achieve OLOC in the time available. These risks were known and managed.
<ul style="list-style-type: none"> Mission tasks, however generated (assigned or implied), are met to the satisfaction of the force commander. 	Met	Meet	Mission tasks were met to the satisfaction of the force commanders.
<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. 	Satisfied	Satisfy	<p>On 1 April 2012, the Minister of Defence, the Hon Dr Jonathan Coleman, formally acknowledged the contribution of the New Zealand Special Air Service Regiment (NZSAS) in Afghanistan. Dr Coleman said the NZSAS has won accolades for the way it has carried out its mission, noting the former NATO-ISAF Commander General Petraeus' praise of the NZSAS task group, in co-operation with the Ministry of Interior Police Crisis Response Group, in disrupting a "fairly constant stream of threat to the security of Kabul." "The SAS have served New Zealand with distinction over the course of their deployments in Afghanistan. It's been a job well done," said Dr Coleman.</p> <p>In addition, Dr Coleman told the Foreign Affairs, Defence and Trade Committee of Parliament (in their report on the 2012/13 Estimates for Vote Defence and Vote Defence Force) that "the NZDF has made a positive contribution to security and good governance in Afghanistan, and its service has been very well regarded internationally."</p> <p>Lt Gen Caldwell, US Army, (NATO Training Mission Afghanistan) visited the New Zealand Provincial Reconstruction Team (NZPRT) in Afghanistan in late 2011 and complimented the NZPRT on their achievements in Bamyán Province.</p> <p>Lance Corporal Leon Smith was posthumously awarded the Charles Upham Award for Bravery by Governor-General Sir Jerry Mateparae. The NZSAS soldier died during a raid on a compound in Wardak, Afghanistan, in September 2011.</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"> In October 2011, four NZDF personnel were awarded gallantry awards for their courageous actions while deployed in Afghanistan in 2010. In November 2011, the service of 25 NZDF personnel, who had served in Afghanistan as part of Operation Enduring Freedom, was recognised by the United States of America in a special medal presentation in Wellington. In the New Year Honours List for 2012, a senior NZDF officer was awarded the New Zealand Distinguished Service Decoration for service in Afghanistan as the Commanding Officer of the New Zealand Provincial Reconstruction Team (NZPRT) in 2010.

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
			<p>The head of the United Nations Department of Peacekeeping Operations, Hervé Ladsosu, expressed his appreciation for New Zealand's quick response to the request for observers for Syria during his recent visit to New York.</p> <p>Several Certificates of Appreciation were received from the MFO Sinai Mission Force Commander in recognition of the high levels of performance provided by NZDF personnel. In addition, in May 2012, NZDF personnel deployed to the Sinai marked 30 years of continuous commitment to the MFO.</p>
<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. 	Met	Meet	Personnel, force elements and units were replaced or deployed in a timely manner, as specified and approved by the New Zealand Government.
<ul style="list-style-type: none"> Maintain the ability to sustain the contributions to deployments in accordance with the government's requirements. 	Maintained	Maintain	Current commitments are being met; however, difficulty is being experienced in sustaining specialist employment trades e.g. medical, intelligence, communications and particularly in the area of logistics personnel.
<ul style="list-style-type: none"> Financial and logistic controls and accountabilities meet the standards required for reliable reporting. 	Met	Meet	Financial and logistic controls and accountabilities met the standards required for reliable reporting.
Operational Commitments:			
<p>Maintain the Government-approved deployments / operational commitments (number of personnel deployed), as at 1 April 2011, as shown 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>			
<ul style="list-style-type: none"> OP KORU (Timor-Leste) All Task Groups 	81	75	<p>The NZDF has 80 personnel deployed to Timor-Leste, primarily undertaking security and logistical tasks. They are, in the main, under the command of an ADF-led Combined Joint Task Force (CJTF). The breakdown is as follows:</p> <ul style="list-style-type: none"> Senior National Officer (SNO) as the Deputy Commander of CJTF 631. OP GYRO (73), providing fourth line security support to the Government of Timor-Leste, in accordance with the UN Technical Agreement including a National Support Element (NSE) of four personnel based in Darwin, Australia. OP KAIHANGA. Five NZDF personnel 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. OP TOA. One NZDF officer is deployed to Dili as a UN Military Liaison Officer (UNMLO), as part of the UN Integrated Mission in Timor-Leste (UNMIT).
<ul style="list-style-type: none"> UNTSO (Middle East) [OP SCORIA] 	8	8	Seven personnel are 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).

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
<ul style="list-style-type: none"> MFO (Sinai) [OP FARAD] 	28	26	The NZDF contribution consisted of a 28 person contingent. The contingent provides Force driver and operational instructors, a driver section, engineer staff officers, liaison staff and operational planning staff as well as a direct staff support team to the Force Commander who is a New Zealander (MAJGEN Warren Whiting).
<ul style="list-style-type: none"> UNAMI (Iraq) [OP HAVEN, Task Group IRON] 	1	1	One Military Advisor/Liaison Officer is based in Baghdad.
<ul style="list-style-type: none"> OP ARIKI (Afghanistan) [Task Group CRIB] 	137	140	NZDF had deployed a total of 143 at the end of the reporting period in Afghanistan for OP CRIB based in Bamyán Province as part of the NZPRT. A National Support Element of nine personnel is located at Bagram under the command of OP TROY. 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.
<ul style="list-style-type: none"> NZ SAS contingent (Afghanistan) 	45	35	This mission ceased to operate on 31 March 2012, in accordance with New Zealand government direction.
<ul style="list-style-type: none"> OP ARIKI (Afghanistan) [Task Group KEA] 	6	5	Four 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	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	1	One officer is 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	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). This mission ceased in June 2012 in accordance with New Zealand government direction.
<ul style="list-style-type: none"> OP ARIKI (Arabian Sea area) [Task Group TROY] 	6	5	Five personnel are deployed to the UAE to support NZDF operations in Afghanistan and elsewhere in the Middle East as required.
<ul style="list-style-type: none"> UNMIS [OP SUDDEN] (Sudan) 	3	3	Three officers deployed to UNMISS as staff officers and observers.
<ul style="list-style-type: none"> OP RATA II (Solomon Islands) 	45	45	Forty five personnel are 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	3	Three NZDF officers are deployed to the United Nations Command Military Armistice Commission (UNCMAC) in South Korea.
<ul style="list-style-type: none"> USCENTCOM Staff Officer 	1	1	This function was merged with Task Group Speak in October 2011.
Total NZDF personnel deployed:	369	352	324

Costs for Output Expense 16 (GST Exclusive)

Actual 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
	Expenditure			
19.401	Personnel	21.987	16.008	16.256
51.583	Operating	45.298	43.249	41.531
3.634	Depreciation	2.224	0.797	0.473
0.433	Capital Charge	1.032	1.032	1.032
75.051	Total Expenses	70.541	61.086	59.292
	Income			
77.710	Revenue Crown	69.956	60.501	60.501
0.409	Revenue Other	0.585	0.585	-
78.119	Total Income	70.541	61.086	60.501
3.068	Net Surplus (Deficit)	-	-	1.209

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2011/12 for this output expense was \$61.086 million and the total expenditure excluding remeasurements was \$59.292 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.

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, Ministry for Primary Industries, New Zealand Customs 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, as shown in the table below.

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.

NZDF 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"> – HQ elements in the North Island and South Island to support a Civil Defence HQ. – Four 25-person Civil Defence Response Groups. – Two 100-person National Reserve Groups. – 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 for the bulk of the period at two hours' DON. For five days during the period, cover was provided by one Seasprite.
	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 for the bulk of the period. There were three periods, totalling 11 days, where an Orion or Hercules was not available due to unscheduled maintenance. Alternative arrangements were made to provide coverage. On occasion, the DON was extended for short periods due to aircraft maintenance requirements
	One Hercules at 14 hours' DON for emergency tasks.	A Hercules was available as required at the designated DON for the period.
	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 refers 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 for Primary Industries, NZ Customs Service, NZ Police, Ministry of Foreign Affairs and Trade, Department of Conservation, Maritime New Zealand (MNZ), and related agencies. MAO&T includes both planned and unplanned domestic tasks.

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, a significant increase in this support

cannot be guaranteed until new/replacement/upgraded vessels and aircraft are fully introduced into service.

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. In accordance with NZDF sources, a summary of actual support provided is shown in the following table:

NZDF Support Provided to Government Departments and Agencies

NZDF Support to:	Support Provided
<p>NZ Police (excluding Search and Rescue)</p>	<p>RNZAF 3, 5, 6, 40 and 42 Squadron UH-1H, SH2G, P-3K, B757, C-130 and B200 aircraft contributed 320.2 flying hours in support of the NZ Police for both training and operations during which 10,564kg of freight and 127 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 167 personnel for a total of 61.5 personnel days travelling 225km.</p>
<p>Land, Sea and Air SAR (in support of NZ Police, Rescue Coordination Centre New Zealand (RCCNZ), NadiRCC, SuvaMCC, or other requesting agency)</p>	<p>RNZN, NZ Army and RNZAF units provided 88 personnel for a total of 235 personnel days travelling 4,495 km in support of SAR exercises and operations.</p> <p>RNZAF 3, 5 and 6 Squadron UH-1H, SH2G helicopters and P-3K aircraft contributed 333 flying hours in support of SAR exercises and operations.</p> <p>The RNZN provided three sea days (HMNZS <i>Resolution</i>) and the Operational Diving Team provided personnel in support of the sinking of the fishing vessel <i>Easy Rider</i> in the vicinity of Stewart Island.</p> <p>The NZDF provided diving assistance in the recovery of a crashed helicopter in Lake Sumner.</p>
<p>Ministry of Civil Defence and Emergency Management</p>	<p>The NZDF provided 16 personnel for a total of 5,840 personnel days and 22,300 km travelled in support of cordon duties for Christchurch Quake.</p>
<p>Department of Conservation (DOC)</p>	<p>HMNZ Ships <i>Canterbury, Otago, Wellington, Pukaki, and Taupo</i> conducted 39 maritime patrol sea days, including transit time to/from directed patrol areas, in support of DOC activities, as well as a resupply of Stephen's Island and collection of DOC staff from Raoul Island.</p> <p>The Operational Diving Team provided support to conduct underwater inspections to wharfs and buoys at Motuihe Island and Akaroa Harbour.</p> <p>RNZAF 3 and 6 Squadron helicopters contributed 35.3 flying hours in the resupply of the Stephens Island, repositioning of stoat traps in the Ruahine Ranges, removal of De La Beche Hut near the Tasman Glacier, SAR exercise in vicinity of Mueller Glacier/Hoophorn Valley region and transporting of NZ Kiwi and associated DOC and civilian personnel to Mana Island for release.</p>
<p>Department of Corrections</p>	<p>Nil.</p>
<p>Environmental Risk Management Authority</p>	<p>Nil.</p>
<p>NZ Fire Service and National Rural Fire Authority</p>	<p>NZ Army and RNZAF personnel attended 230 callouts covering motor vehicle accidents, rural, domestic and structural fires, supply of fire fighting water, training, hazardous substances, collapsed buildings and alarm activations totalling 112 personnel days and 4,698 km driven.</p>
<p>Ministry of Fisheries (now the Ministry for Primary Industries)</p>	<p>HMNZ Ships <i>Otago, Wellington, Pukaki, Taupo</i> and <i>Rotoiti</i> conducted a total of 149 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 139 flying hours. Operational, intelligence and communications support was also provided to surveillance flights.</p> <p>RNZAF 3 Squadron UH-1H helicopters provided 21.9 flying hours, and 6 Squadron SH2G helicopters provided 56.6 flying hours in support of operations.</p>
<p>Ministry of Foreign Affairs and Trade (MFAT)</p>	<p>HMNZ Ships <i>Te Kaha, Te Mana, Canterbury, Endeavour, Otago, Wellington and Resolution</i> conducted good will/diplomacy visits to foreign ports totalling 128 days during the reporting period.</p> <p><i>Otago</i> conducted an Operation Castle of 13 days fisheries protection within Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR) waters.</p> <p><i>Endeavour</i> contributed six sea days to Operation Bunker, delivering fuel to Cook Islands northern atolls.</p> <p>RNZAF C-130 aircraft provided 126.9 flying hours for Operation Pacific Drought.</p> <p>The NZDF provided ceremonial support to the Samoan 50th Anniversary independence celebrations.</p> <p>RNZAF 40 Squadron B757 aircraft transported a total of 72 passengers and 1,800 kg of freight totalling 14.3 flying hours.</p> <p>RNZAF 5 Squadron P-3K aircraft conducted patrols in the Southern Ocean/Ross Sea, Iron Seas Malaysia and Pacific Island on flights totalling 168.7 flying hours.</p>

NZDF Support to:	Support Provided
Support to Antarctica New Zealand [for the NZ Antarctic Programme (NZAP)]	RNZAF 40 Squadron B757 provided 42.2 hours and C-130 43.1 hours in support of Antarctica New Zealand with a total of 590 passengers and 34,444kg of freight carried.
Government House	NZDF personnel and vehicles provided support to Government House ceremonies totalling 1,025 personnel days and travelled 4,617 km. RNZAF 3, 40 and 42 Squadron UH-1H, B757 and B200 aircraft contributed 16.6 flying hours in support of the Governor-General carrying 31 passengers. RNZAF 40 Squadron B757 aircraft provided 6.2 flying hours transporting Honour Guard personnel to and from Wellington.
Ministry of Health	Nil.
Department of Internal Affairs	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 1,298 personnel provided a total of 2,022 personnel days with 18,509kms driven. RNZAF 40 Squadron B757 aircraft contributed 10.9 flying hours carrying 117 passengers supporting the funeral for King George Tupou V State. HQ 3 LFG provided a Royal Guard of Honour for the visiting King of Tonga at Linton Military Camp.
Maritime New Zealand (MNZ)	HMNZ Ships <i>Hawea</i> , <i>Pukaki</i> , <i>Taupo</i> , <i>Rotoiti</i> , <i>Manawanui</i> and <i>Endeavour</i> conducted 61.5 sea days in support of Operation Rena. <i>Hawea</i> and <i>Pukaki</i> provided an additional 21 sea days in support of MNZ taskings. RNZAF 3, 5, 6, 40 and 42 Squadrons UH-1H, P-3K, C-130 and B200 aircraft contributed 135.3 flying hours in support of Operation Rena. NZDF personnel provided 4,740 man days for TF planning and beach clean-up teams in support of Operation Rena.
New Zealand Customs Service	HMNZ Ships <i>Otago</i> , <i>Manawanui</i> , <i>Hawea</i> , and <i>Rotoiti</i> conducted 27 sea days of patrols, including transit time to/from directed patrol areas. This included support to Exercise Barrier 12. RNZAF 5 Squadron P-3K aircraft contributed 42.3 flying hours of standard patrols and surveillance.
Department of the Prime Minister and Cabinet (DPMC)	NZDF units provided 113 personnel for a total of 532 personnel days and 13,798km travelled in support of DPMC activities (including the Tangi for Dame Mataira and Maj (Rtd) J. Waititi 28 Maori Bn, Pike River Memorial Service and Waitangi celebrations). RNZAF 6 and 42 Squadron SH2G and B200 aircraft contributed 45.6 flying hours carrying 72 passengers in support of DPMC activities.
General Medical Assistance/Support	The RNZN Hyperbaric Chamber and the associated medical staff treated 23 civilian divers and 57 elective treatment patients. These treatments involved 1,788 personnel for a total of 690 personnel days.
General Community Support	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, NZ Cancer Society, 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. 4,129 personnel provided a total of 6,138 personnel days and travelled 100,427km. RNZAF 3 and 6 Squadrons provided 63 flying hours in support of community organisations which included flypasts, school visits and photographic taskings.
General Training Courses	The RNZN, NZ Army and RNZAF provided facilities; personnel, aircraft and vehicles for training visiting the Australian Defence Force Defence College, Inland Revenue and Child Youth and Family Christchurch, Service Academy Students and Sea Cadets. This involved six personnel for a total of six personnel days.

MOA&T – Letters of Appreciation Received

Operation RENA

- Award of DSD to RNZN officer for crew rescue of MV *Rena* on 12 Oct 2011
- (Then) Minister of Defence – the Hon Dr Wayne Mapp
- CEO Ports of Tauranga – Mr Mark Cairns

Rugby World Cup

- Mr Martin Snedden CEO Rugby NZ 2011 Ltd
- Mr Brian Roche Chairman Rugby NZ 2011 Ltd
- NZ Police HQ

Governor-General visit to Tokelau 2012

Government House

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 Expense 2 to Output Expense 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; and
- 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 2011/12 are reported below.

The management and administration of the commemorations programme which includes:

- The co-ordination of the yearly participation in the Anzac Day commemorations at Gallipoli.
- Planning for the centennial commemoration of the Anzac Gallipoli Landings in 2015.
- Planning for attendance by veterans at key World War II 70th Anniversary Commemorations in partnership with the NZDF.
- Planning for the 60th anniversary of the Korean War Armistice in 2013.
- The provision of grants to veterans to enable them to attend commemorations or revisit battlefield sites where they served, through the Minister's Commemorations Discretionary Fund.
- The initiation of an annual multi-media competition for Year 13 students focused on the Battle of Passchendaele, leading to the 100th anniversary of the battle in 2017.
- The ongoing provision of veterans' certificates of appreciation.

The management of the 2012 Gallipoli commemoration 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.

During the 2011/12 financial year VANZ, in partnership with the NZDF, assisted veterans to attend the 70th Anniversary of the Fall of Singapore in February 2012 and the June 2012 Commemoration for the Unveiling and Dedication of the Bomber Command memorial in London. Planning is well underway for the October 2012 70th Anniversary of the Battle of El Alamein in Egypt. VANZ also assisted veterans to attend national commemorations in Wellington such as the Fall of Singapore and the 70th Anniversary of the Arrival of US Forces in New Zealand.

The Korean Government has a 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 previously funded some veterans to travel to Korea to be part of the commemoration. The New Zealand Government has funded 10 veterans in the 2011/12 financial year to travel to Korea to be part of the commemorations through the Veterans' Affairs Ministers Commemorations Discretionary Fund. The Korean Government has also funded assistance with airfares.

2014 to 2018 marks the centenary of the First World War. 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 First World War Centenary.

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 57 grants. Of these, 46 grants have been made to assist veterans to attend overseas commemorations, five have been made to assist with reunions and six were made to fund commemorative plaques, books and education events.

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

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

- A review of the charges for ex-service memorials.
- A survey of the VANZ service delivery relationship with local authorities, installers and funeral directors.
- 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 development of this survey is still in progress and it is expected that the survey will now be introduced during the first half of FY 2012/13.

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 support that promote wellbeing.

The specific initiatives addressed within this Veterans' Affairs New Zealand outcome for 2011/12 are reported below.

- Evaluating the effectiveness of the Case Management in the Community initiative. The evaluation will focus on ensuring Case Management in the Community is reaching the intended audience and accessing its effectiveness in disseminating information.
- Ensuring staff maintain an up-to-date knowledge of all the publicly funded services and support available to veterans and their families.
- Continue to review printed material to make sure it remains relevant and develop new publications on specific issues.
- Investigating the use of social media and other ways of disseminating information to younger veterans.
- Surveying veterans' understanding of entitlements to evaluate the effectiveness of communication.
- Ensuring that primary level decision-making is clear and consistent and that veterans understand the processes and how they apply to them.

Case Management in the Community (CMIC) 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. Further, as a new initiative, VANZ is rolling CMIC out into military camps and bases in the 2012/13 financial year. This will assist in informing newer groups of veterans of the services offered by VANZ, as well as gaining an insight into their needs.

During this year, 1,792 veterans attended group meetings and 676 veterans had face to face meetings with case managers. This is being complemented by a column in *VANZ news* periodically profiling a case manager.

An evaluation of the effectiveness of CMIC was completed via a veteran survey run over the twelve months ending November 2011, where of the 1,093 completed survey forms returned to VANZ by veterans, 92% of the veterans who responded that they had attended CMIC had found it to be useful. Details were provided to the Minister in March 2012. A further survey is being conducted by VANZ during 2012.

Ongoing training for staff is occurring on a regular basis to ensure knowledge of the services available to veterans and their families remains current and veterans ultimately understand the processes and how they apply to them.

Application forms in the War Disablement Pension's area are reviewed in an ongoing manner in consultation with key stakeholders to ensure ease of use and that they remain up to date and provide 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.

A veteran's survey, established in late 2010 that subsequently ran for twelve months, sought veterans' views on the adequacy and effectiveness of VANZ communication mechanisms. Of the 1,093 completed survey forms, a total of 96% of respondents rated their overall satisfaction with VANZ as either excellent (54%) or good (42%). Survey results were reported to the Minister of Veterans' Affairs in March 2012.

To ensure consistency of decision making, VANZ conducts an annual meeting for all members of the War Pensions Claims Panels. This is supplemented by regular meetings throughout the year between VANZ Claims Panellists, the National Review Officer and support staff. In addition, independent checks are undertaken on ten percent of all decisions the Panels make.

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

- Establishing mechanisms for veterans to register online to allow Veterans' Affairs New Zealand to maintain contact and to form information on cohorts and to enable the monitoring of their ongoing health and wellbeing.
- Monitoring the use of needs assessment tools to ensure that the services provided are matched to need and delivered in a timely manner.
- Continued monitoring of the effectiveness and efficiency of service delivery to ensure that services are delivered in a timely manner and to the specification required.

VANZ is working with the NZDF on establishing data on veteran cohorts where there is identifiable risk. This will enable VANZ to provide a service closely suited to their needs. This will eventually feed into initiatives such as registers of veterans, allowing VANZ to assist service personnel as they transition out of the NZDF and into their local communities. This will ensure that VANZ maintains contact and information about services and support is made available to those individuals.

Case management performance expectations for the 2011/12 performance year were refreshed to ensure that case managers applied the assessment tools from first contact with veterans and are updated at least annually thereafter. On each occasion a veteran applies for, or enquires about, a service, the need for the service must match the needs of the veteran before approval for the service is given.

In order to monitor the effectiveness and efficiency of service delivery, VANZ commenced the implementation of a further survey of veterans in March 2012 to gauge the satisfaction they have in the services available to them. It is intended that 960 survey forms will be sent out during the calendar year 2012 with a response rate of at least 78% sought (750 completed surveys). Survey results will be reported to the Minister of Veterans' Affairs in early 2013.

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 2011/12 are reported below.

The development of new legislation to replace the War Pensions Act 1954.

VANZ has completed a full assessment of the Law Commission report into the review of the War Pensions Act 1954. VANZ has completed costing the proposals contained in the Law Commission's Report. Departmental consultation with the 12 affected agencies is almost complete. It is expected that the Minister of Veterans' Affairs will take the proposed response to Cabinet shortly.

Establish an ongoing mechanism for collecting key information.

This includes the following:

- Completing the implementation of the new IT system for case management and the payment of War Disablement Pensions. This will improve the quality of existing information.
- Establishing a database that gives a background to deployments, the threat assessment and the numbers deployed.

The IT system that is due for delivery late in 2012 will integrate the payment of War Disablement Pensions and case management and improve the service delivery capacity of VANZ. A limitation of the existing IT system is the inadequate data analysis and reporting functionality. This functionality will be a feature of the new system improving data analysis, extraction and associated decision-making.

The Cabinet Economic Growth and Infrastructure Committee agreed on 14 September 2011 that a question on war service would not be included in the 2013 Census. VANZ continues to work with the NZDF and Statistics New Zealand to help build a profile of the veteran community that can be extrapolated to give updated annual estimates and projections of the war veteran population by age group. VANZ will continue to seek to have a question included in the next census.

The NZDF maintains detailed records of current personnel during the course of their service, including those deployed. VANZ continues to work closely with the NZDF in regards to the detail maintained by the NZDF on the background to deployments, the threat assessments and the numbers deployed.

Developing effective working relationships with agencies involved in the provision of policies and services that impact on the veteran community.

VANZ has worked closely with a wide range of agencies involved with the provision of policies and services that relate to veterans, and continues to work closely with these agencies to provide and gather advice when necessary. This has been particularly critical when assessing the Law Commission report into the review of the War Pensions Act 1954.

Taking 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.

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 to improving knowledge of the impact of various deployments and the trends in service delivery.

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.

Output Performance Measures and Standards

Performance Measures	2010/11	2011/12	
	Actual	Budget Standard	Performance Achieved
Provide policy advice to the current Minister of Veterans' Affairs on veterans' entitlements, care and recognition			
Replies to requests within 20 days of receipt of requests, if not otherwise specified.	19 briefings and Cabinet Papers were provided. 100% were completed within 20 days of receipt of requests	95%	35 briefings, 2 Cabinet Papers and 2 Select Committee Reports 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.	50%	95%	95% were accepted without significant amendment.
Policy papers will meet defined characteristics of quality advice (purpose, logic, accuracy, options, consultation, practicality and presentation).	Met	Met	Met.
Provide Ministerial Servicing and Support			
Replies to requests within 20 days of receipt of requests, if not otherwise specified.	315 ministerials; 50 Parliamentary Questions; 40 Official Information requests. 84% were completed within 20 days of receipt of requests	95%	295 ministerials; 70 Parliamentary Questions; 7 Official Information requests. 91% were completed within 20 days of receipt of requests.
Responses accepted without amendment.	85%	95%	88% were accepted without significant amendment.
Provide Administration for War Pensions Appeal Board and War Pensions Advisory Board			
Arrangements and actions meet Boards requirements.	Met	Met	Met.
Actions defined by Boards will be completed within 20 working days after decisions made, unless other wise specified.	100%	95%	96% of actions defined by Boards were completed within 20 working days after decisions were made.

	2010/11		2011/12
Performance Measures	Actual	Budget Standard	Performance Achieved
Management of Rehabilitation Loan Scheme			
Provide information in timely manner to enable payments to be made.	100%	100%	100% of schedules were completed within seven 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	Met	Met.
No breaches of contract by Veterans' Affairs New Zealand.	100%	100%	100%
Breaches of contracts by contractors will be managed as per the conditions in the contract.	There were no breaches of contract	Managed as per conditions of contract	There were no breaches of contract.
Services Cemeteries will have maintenance agreement specifying the maintenance standards in place.	100%	100%	100% of Services Cemeteries have maintenance agreements in place.
Quality Audits of Services Cemeteries			
Specifications outlined in contracts for service have been met.	100%	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	Met	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 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
	Expenditure			
0.510	Personnel	0.669	0.669	0.315
1.533	Operating	1.425	2.125	1.787
0.056	Capital Charge	0.059	0.059	0.059
2.099	Total Expenses	2.153	2.853	2.161
	Income			
2.450	Revenue Crown	2.153	2.853	2.853
2.450	Total Income	2.153	2.853	2.853
0.351	Net Surplus (Deficit)	-	-	0.692

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.

Output Performance Measures and Standards

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
Assess and Review Entitlements to War Disablement Pension			
Assessments and Reviews will be conducted against extant policy.	Met	Met	Met
War Disablement Pension Claims will be resolved within two months of receipt where all the required documentation has been provided with the application. .	30%	85%	The War Pensions Claims Panels made decisions on 3,783 applications for disabilities for War Disablement Pensions. When correct documentation was supplied, 74% of War Disablement Pension claims were resolved within two months of receipt. Resolution of claims improved significantly in the last quarter and steps have been taken to ensure further improvement of performance further in the new reporting year.
Reviews and re-openings will be completed within three months of receipt by the National Review Officer.	11%	95%	The National Review Officer considered 433 reviews and the re-opening of 221 claims for re-consideration by War Pensions Claims Panels. 84% of reviews and re-openings were completed within three months of receipt. Additional resources were allocated during 2011/12 to improve results in this area. This has seen significant improvement which is expected to continue into 2012/13.
Reviews will be completed within three months of receipt by the Secretary for War Pensions.	100%	95%	The Secretary for War Pensions undertook 68 reviews of War Pension claims. 100% of reviews of were completed within three months of receipt.
Appeals will be heard within three months of receipt by the War Pensions Board.	None	95%	The War Pensions Appeal Board considered 115 appeals. None of the appeals were heard within three months of receipt. This performance measure is driven by the availability of the War Pensions Appeal Board, a completely independent body to

	2010/11		2011/12
Performance Measures	Actual	Budget Standard	Performance Achieved
			VANZ, to sit. The measure has been discontinued from 30 June 2012.
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.	100%	99.5%	1,813 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 ex-service memorials will be made within legislative parameters.	Met	Met	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.	88%	75%	When correct documentation was supplied 86% 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 five working days.	100%	95%	100% of all new referrals to case management were assigned a case manager within five working days.
Active cases will be contacted every four months (in the range one to four months) to monitor progress and effectiveness of the interventions put in place.	100%	100%	3,477 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	Met	Met
Deal with Enquiries			
Calls will be resolved on first contact.	98%	80%	96% of all calls were resolved on first contact.
Calls will be resolved within five working days.	100%	100%	100% of all calls were resolved within five working days.
The resolution provided by the enquiry line will meet the identified need of the caller.	Met	Met	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 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
	Expenditure			
3.995	Personnel	4.107	4.146	3.987
1.611	Operating	1.870	1.665	1.659
0.012	Depreciation	-	0.003	0.003
5.618	Total Expenses	5.977	5.814	5.649
	Income			
5.517	Revenue Crown	5.500	5.337	5.337
0.363	Revenue Other	0.477	0.477	0.346
5.880	Total Income	5.977	5.814	5.683
0.262	Net Surplus (Deficit)	-	-	0.034

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.

Output Performance Measures and Standards

Performance Measures	2010/11	2011/12	
	Actual	Budget Standard	Performance Achieved
Develop and Maintain Service Cemeteries			
Works carried out under contract will comply with agreed contract standards.	100%	90%	100% of all work carried out under contracts complied with agreed contract standards.
Services Cemeteries will be maintained to specified standards.	100%	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	Met	Met.
Service Cemeteries will be maintained to the satisfaction of Local Authorities, the RSA and veterans' representative organisations.	Met	Met	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 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
0.651	Expenses	0.746	0.746	0.657
0.049	Non-Departmental GST	-	-	0.085
0.700	Total	0.746	0.746	0.742

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.

Output Performance Measures and Standards

	2010/11	2011/12	
Performance Measures	Actual	Budget Standard	Performance Achieved
The services provided will be to the satisfaction of the veteran and/or the veteran's family.	Met	Met	Met.
Works carried out under contract will comply with agreed contract standards. (95%)	100%	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 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
1.870	Expenses	1.277	1.477	1.242
0.105	Non-Departmental GST	-	-	0.131
1.975	Total	1.277	1.477	1.373

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 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
0.010	Total Expenses	0.007	0.009	0.006

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 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
20.661	Expenses	22.723	21.670	19.825
0.053	Non-Departmental GST	-	-	0.037
20.714	Total	22.723	21.670	19.862

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 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
0.031	Total Expenses	0.026	0.029	0.026

(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 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
135.155	Expenses	137.284	129.621	128.399
0.258	Non-Departmental GST	-	-	0.286
135.413	Total	137.284	129.621	128.685

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 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
0.163	Total Expenses	0.250	0.250	0.217

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

	2010/11		2011/12
Performance Measures	Actual	Budget Standard	Performance Achieved
The provision of up to 2,000 annual medical checks for Vietnam veterans	513 medical checks were provided	Met	521 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.	Three ex-gratia payments were made	Met	Six 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 2010/11 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2011/12 (\$ million)
0.175	Expenses	1.400	1.200	0.283
0.013	Non-Departmental GST	-	-	0.007
0.188	Total	1.400	1.200	0.290

SECTION FIVE: NZDF FINANCIAL STATEMENTS

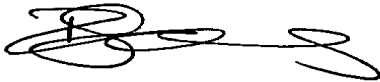
Statement of Responsibility

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 2012.

Signed by:



R.R. JONES

Lieutenant General
Chief of Defence Force

15 August 2012

Countersigned by:



M. HORNER

Chief Financial Officer

15 August 2012

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 2012**

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 152 to 188, that comprise the statement of financial position, statement of commitments and statement of contingent liabilities and assets as at 30 June 2012, 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 capital 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 34 and 132 to 136, the summary of aggregated operational preparedness on page 17, and the statement of service performance on pages 39 to 130 and 137 to 146; and
- the schedules of non-departmental activities of the Defence Force on pages 189 to 195 that comprise the schedule of non-departmental assets and schedule of non-departmental liabilities as at 30 June 2012, the schedule of non-departmental expenditure, schedule of non-departmental expenditure and appropriations, and statement of non-departmental unappropriated expenditure 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 152 to 188:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Defence Force's:
 - financial position as at 30 June 2012;
 - 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 2012; and

- unappropriated expenses and capital expenditure for the year ended 30 June 2012.
- the non-financial performance information of the Defence Force on page 17, pages 20 to 34, 39 to 130 and 132 to 146:
 - 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 2012, 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 189 to 195:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the assets and liabilities as at 30 June 2012 managed by the Defence Force on behalf of the Crown; and
 - the revenues, expenses, 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 15 August 2012. 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;
- schedules of non-departmental activities, in accordance with the Treasury Instructions 2011 that:
 - comply with generally accepted accounting practice in New Zealand; and
 - 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.

In addition to the audit, we have carried out assignments in the areas of assurance over tender processes, which are compatible with those independence requirements. Other than the audit and these assignments, 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 2012 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 15 August 2012 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 2012

30 June 11			30 June 12	30 June 12	30 June 12
Actual		Note	Actual	Main Estimates	Estimated Actual
(\$000)			(\$000)	(\$000)	(\$000)
	Income				
2,224,144	Crown	3	2,149,668	2,283,623	2,149,668
19,087	Departmental	4	17,500	24,117	19,289
5,797	Other revenue		9,999	8,777	11,215
11,554	Gains	5	16,501	(2,750)	(2,850)
32	Interest		44	100	10
2,260,614	Total Income		2,193,712	2,313,867	2,177,332
	Expenditure				
852,844	Personnel costs	6	834,516	857,559	817,936
623,993	Operating costs	7	557,259	630,468	584,142
408	Finance costs	8	837	-	-
333,380	Depreciation and amortisation	9	315,132	374,769	325,119
423,693	Capital charge	10	452,975	453,721	452,975
2,234,318	Total Output Expenditure		2,160,719	2,316,517	2,180,172
2,015	Other operating expenses	11	1,959	-	-
2,236,333	Total Expenditure		2,162,678	2,316,517	2,180,172
24,281	Net Surplus/(Deficit)		31,034	(2,650)	(2,840)

Statement of Comprehensive Income for the year ended 30 June 2012

30 June 11			30 June 12	30 June 12	30 June 12
Actual		Note	Actual	Main Estimates	Estimated Actual
(\$000)			(\$000)	(\$000)	(\$000)
24,281	Net Surplus/(Deficit)		31,034	(2,650)	(2,840)
554	Gains/(Losses) on revaluation			-	2,552
(150)	Loss on impairment	12	(36,138)	-	-
24,685	Total Comprehensive Income		(5,104)	(2,650)	(288)

Statement of Movements in Taxpayers' Funds for the year ended 30 June 2012

30 June 11			30 June 12	30 June 12	30 June 12
Actual		Note	Actual	Main Estimates	Estimated Actual
(\$000)			(\$000)	(\$000)	(\$000)
	Balance at 1 July				
3,713,286	General funds	12	3,738,457	3,716,671	3,738,455
1,939,440	Revaluation reserve	12	1,917,399	1,933,893	1,917,399
5,652,726			5,655,856	5,650,564	5,655,854
24,281	Net surplus for the year		31,034	(2,650)	(2,840)
554	Total revaluation gains/(losses)		-	-	2,552
(150)	Total impairment losses	12	(36,138)	-	-
24,685	Total Comprehensive Income for the Year		(5,104)	(2,650)	(288)
(28,190)	Repayment of surplus	18	(23,607)	(100)	(10)
6,635	Capital contribution		38,435	38,235	38,435
5,655,856	Balance as at 30 June		5,665,580	5,686,049	5,693,991
3,738,457	General funds	12	3,772,574	3,752,156	3,774,040
1,917,399	Revaluation reserve	12	1,893,006	1,933,893	1,919,951

Reconciliation of Changes in Taxpayers' Funds

30 June 11			30 June 12	30 June 12	30 June 12
Actual		Note	Actual	Main Estimates	Estimated Actual
(\$000)			(\$000)	(\$000)	(\$000)
	General Funds				
3,713,286	Balance as at 1 July		3,738,457	3,716,671	3,738,455
24,281	Net surplus/(deficit)		31,034	(2,650)	(2,840)
(28,190)	Repayment of surplus		(23,607)	(100)	(10)
6,635	Capital contribution		38,435	38,235	38,435
22,445	Transfer from revaluation	12	(11,745)	-	-
3,738,457	Balance as at 30 June		3,772,574	3,752,156	3,774,040
	Revaluation Reserve				
1,939,440	Balance as at 1 July		1,917,399	1,933,893	1,917,399
554	Revaluation gains		-	-	2,552
(150)	Loss on impairment		(36,138)	-	-
(22,445)	Transfer from general funds	12	11,745	-	-
1,917,399	Balance as at 30 June		1,893,006	1,933,893	1,919,951
5,655,856	Total Taxpayers' Funds		5,665,580	5,686,049	5,693,991

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

Statement of Financial Position as at 30 June 2012

30 June 11			30 June 12	30 June 12	30 June 12
Actual		Notes	Actual	Main Estimates	Estimated Actual
(\$000)			(\$000)	(\$000)	(\$000)
	Assets				
	Current Assets				
81,387	Cash and cash equivalents		79,109	24,000	17,957
9,764	Debtors and other receivables	13	20,839	20,386	9,534
333,403	Debtor - Crown		395,441	220,666	342,094
27,351	Prepayments		32,542	37,000	37,000
105,386	Inventories	14	87,160	121,012	114,762
245	Derivatives in gain	23	1,113	-	-
557,536	Total Current Assets		616,204	423,064	521,347
	Non - Current Assets				
5,224,932	Property, plant and equipment	15	5,163,151	5,261,680	5,239,726
8,608	Intangible assets	16	5,341	6,975	4,342
189,237	Inventories	14	206,459	224,737	213,128
11	Derivatives in gain	23	375	-	-
5,422,788	Total Non - Current Assets		5,375,326	5,493,392	5,457,196
5,980,324	Total Assets		5,991,530	5,916,456	5,978,543
	Liabilities				
	Current Liabilities				
190,353	Creditors and other payables	17	189,251	149,601	204,273
28,190	Surplus repayable to the Crown	18	23,607	100	10
10,372	Provisions	19	14,067	273	-
38,229	Employee entitlements	20	40,531	35,737	38,767
1,465	Finance lease	21	1,790	-	1,465
9,172	Derivatives in loss	23	3,521	-	-
277,781	Total Current Liabilities		272,767	185,711	244,515
	Non - Current Liabilities				
38,006	Employee entitlements	20	46,412	42,315	34,966
6,537	Finance lease	21	5,719	2,381	5,071
2,144	Derivatives in loss	23	1,052	-	-
46,687	Total Non - Current Liabilities		53,183	44,696	40,037
324,468	Total Liabilities		325,950	230,407	284,552
5,655,856	Net Assets		5,665,580	5,686,049	5,693,991
	Taxpayers' Funds				
3,738,457	General funds	12	3,772,574	3,752,156	3,774,040
1,917,399	Revaluation reserve	12	1,893,006	1,933,893	1,919,951
5,655,856	Total Taxpayers' Funds		5,665,580	5,686,049	5,693,991
5,980,324	Total Liabilities and Taxpayers' Funds		5,991,530	5,916,456	5,978,543

Statement of Cash Flows for the year ended 30 June 2012

30 June 11			30 June 12	30 June 12	30 June 12
Actual		Notes	Actual	Main Estimates	Estimated Actual
(\$000)			(\$000)	(\$000)	(\$000)
	Cash Flow – Operating Activities				
2,104,148	Receipts from Crown		2,087,630	2,276,364	2,140,977
40,465	Receipts from other		16,468	32,894	30,990
(837,619)	Payments to employees		(815,832)	(849,939)	(808,921)
(600,417)	Payments to suppliers		(539,545)	(668,176)	(637,561)
(423,693)	Payments for capital charge		(452,975)	(453,721)	(452,975)
(508)	Goods and services tax (net)		(4,393)	(637)	(3,363)
282,376	Net Cash Flow from Operating Activities	28	291,353	336,785	269,147
	Cash Flows – Investing Activities				
926	Receipts from sale of property, plant and equipment		5,962	-	2,742
-	Interest		36	100	10
(260,713)	Purchase of property, plant and equipment		(302,818)	(404,092)	(340,058)
(2,253)	Purchase of intangible assets		(7,056)	-	(5,516)
(262,040)	Net Cash Flow from Investing Activities		(303,876)	(403,992)	(342,822)
	Cash Flows from Financing Activities				
6,635	Capital contribution		38,435	38,235	38,435
(38,615)	Repayment of surplus		(28,190)	(25,317)	(28,190)
(31,980)	Net Cash Flow from Financing Activities		10,245	12,918	10,245
(11,644)	Net increase / (decrease) in cash		(2,278)	(54,289)	(63,430)
93,031	Cash at the beginning of the year		81,387	78,289	81,387
81,387	Cash and Cash Equivalents at the End of the Year		79,109	24,000	17,957

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

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

Statement of Commitments as at 30 June 2012

30 June 11		30 June 12
Actual (\$000)		Actual (\$000)
	Capital Commitments	
501,708	Property, plant and equipment	354,252
501,708		354,252
239,227	Not later than one year	179,309
262,481	Later than one year and not later than five years	174,943
501,708	Total Capital Commitments	354,252
	Non - Cancellable Operating Lease Commitments	
14,340	Not later than one year	13,550
33,576	Later than one year and not later than five years	33,272
61,650	Later than five years	55,726
109,566	Total Non - Cancellable Operating Lease Commitments	102,548
611,274	Total Commitments	456,800

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 16 years.

Statement of Contingent Liabilities and Assets as at 30 June 2012**Quantifiable Contingent Liabilities**

30 June 11		30 June 12
Actual (\$000)		Actual (\$000)
2,000	Potential claims from legal proceedings and disputes	2,329
3,055	Restructuring cost	1,999
5,055	Total quantifiable contingent liabilities	4,328

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 (2011: nil).

Statement of Departmental Expenses and Capital Expenditure against Appropriations for the Year Ended 30 June 2012

30 June 11			30 June 12	30 June 12	30 June 12	30 June 12	30 June 12	30 June 12	30 June 12
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							
15,046	1	Military Policy Development, Coordination & Advice	17,181	17,398	-	17,398	17,121	-	17,121
394,092	2	Naval Combat Forces	408,199	353,306	(2,220)	351,086	349,033	3,476	352,509
98,651	3	Naval Support Forces	105,803	101,723	-	101,723	99,464	1,025	100,489
24,037	4	Mine Countermeasures (MCM) and MCM Diving Forces	25,075	24,060	300	24,360	23,481	138	23,619
123,496	5	Naval Patrol Forces	139,840	129,515	-	129,515	125,910	1,035	126,945
15,216	6	Military Hydrography and Hydrographic Data Collection and Processing for LINZ	13,863	13,862	-	13,862	13,114	40	13,154
387,591	7	Land Combat Forces	384,233	365,186	-	365,186	364,288	3,403	367,691
207,739	8	Land Combat Support Forces	215,292	212,941	-	212,941	210,232	1,849	212,081
152,093	9	Land Combat Service Support Forces	158,141	160,666	-	160,666	158,073	1,380	159,453
73,222	10	Special Operations Forces	74,915	76,673	-	76,673	74,266	888	75,154
92,223	11	Naval Helicopter Forces	88,748	88,122	-	88,122	85,499	553	86,052
169,498	12	Airborne Surveillance and Response Forces	176,704	164,662	1,500	166,162	164,512	1,134	165,646
252,216	13	Fixed Wing Transport Forces	261,010	243,731	-	243,731	239,889	1,754	241,643
121,045	14	Rotary Wing Transport Forces	143,595	140,582	-	140,582	138,590	462	139,052
2,674	15.1	Support to Mutual Assistance Programme	2,790	2,356	100	2,456	2,456	-	2,456
3,294	15.2	Support to New Zealand Cadet Forces	3,559	3,388	100	3,488	3,056	-	3,056
5,875	15.3	Support to Military Museums	6,454	4,874	220	5,094	5,044	-	5,044
13,542	15.4	Support to Youth Development	12,444	13,374	-	13,374	11,483	-	11,483
75,051	16	Operationally Deployed Forces	70,541	61,086	-	61,086	59,292	-	59,292
2,226,601		Total Vote: Defence Force Output Appropriations	2,308,387	2,177,505	-	2,177,505	2,144,803	17,137	2,161,940

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

30 June 11			30 June 12	30 June 12	30 June 12	30 June 12	30 June 12	30 June 12	30 June 12
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)
		Other Expense Appropriations							
2,015		Asset Write Off	2,750	2,850	-	2,850	1,959	-	1,959
-		Loss on Sale of Physical Assets	-	-	-	-	-	-	-
2,015		Total Vote: Defence Force Other Expense Appropriations	2,750	2,850	-	2,850	1,959	-	1,959
2,228,616		Total Vote: Defence Force	2,311,137	2,180,355	-	2,180,355	2,146,762	17,137	2,163,899
		Vote: Veterans' Affairs - Defence Force							
2,099	1	Policy & Administration	2,153	2,853	-	2,853	2,161	-	2,161
5,618	2	Services & Payments to Veterans	5,977	5,814	-	5,814	5,649	-	5,649
7,717		Total Vote: Veterans' Affairs - Defence Force	8,130	8,667	-	8,667	7,810	-	7,810
2,236,333		Total Appropriations	2,319,267	2,189,022	-	2,189,022	2,154,572	17,137	2,171,709

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 11		30 June 12	30 June 12	30 June 12
Actual		Actual	Supplementary Estimates	Total Appropriation
(\$000)		(\$000)	(\$000)	(\$000)
	Capital Expenditure			
261,631	Capital expenditure	302,818	432,000	432,000
261,631	Total Capital Expenditure	302,818	432,000	432,000

Statement of Departmental Unappropriated Expenditure for the year ended 30 June 2012**Vote: Defence Force**

There was no 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 2012

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 2012. The financial statements were authorised for issue by the Chief of Defence Force on 15 August 2012.

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 adopted early

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

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 and Information Supporting the 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 platform restoration of 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 2008)* 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, and Contingency Reserve Stock of missile ammunition.

PPE is shown at cost or valuation less accumulated depreciation, accumulated impairment losses, and loss of service potential.

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.

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 the point of setting the life time costs.

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 Accredited Employer Programme.

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 lower of the remaining contractual commitment and 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	Estimated Actual Changes	Estimated Actual
	(\$000)	(\$000)	(\$000)
Income			
Crown	2,283,623	(133,955)	2,149,668
Departmental	24,117	(4,828)	19,289
Other	8,777	2,438	11,215
Gains	(2,750)	(100)	(2,850)
Interest	100	(90)	10
Total Revenue	2,313,867	(136,535)	2,177,332
Expenditure			
Personnel	857,559	(39,623)	817,936
Operating	630,468	(46,326)	584,142
Depreciation and amortisation	374,769	(49,650)	325,119
Capital charge	453,721	(746)	452,975
Total Output Expenses	2,316,517	(136,345)	2,180,172
Other expenses	-	-	-
Total Expenses	2,316,517	(136,345)	2,180,172

The main contributors to the changes were:

		(\$000)
	Vote: Defence Force	
Personnel expenses	This reflects savings and under spends due to workforce optimisation and high personnel attrition rates. This will be transferred to 2012/13.	(39,623)
Operating expenses	The change was due to savings and under spends achieved through efficiency and reform programmes as part of the Defence White Paper 2010. This will be transferred to 2012/13.	(46,863)
Depreciation	This reflects the delays in delivery of major platforms and capitalisation of assets, together with the impacts of asset revaluations.	(49,650)
Capital charge	This reflects the change in the value of net Taxpayers' Funds.	(746)
	Total Output Expenses	(136,882)
Other Expenses	This reflects the disposal costs of the decommissioned Air Combat Force.	-
	Total Expenses	(136,882)

		(\$000)
	Vote: Veterans' Affairs - Defence Force	
Operating expenses	The increase was due to additional funding to provide for commemorative activity and converting funding into a capital injection.	537
	Total Expenses	537

Variations from Budget

Explanations for major variances from the “Estimated Actuals” and “Actuals” are as follows.

The final result for the year was a surplus of \$31.034 million compared with the deficit of \$2.840 million. The main factors causing this surplus are:

- an increase in Gains of \$19.351 million due to foreign exchange gains;
- an increase in Personnel expenditure of \$16.580 million due to the actuarial recalculation of the military long service and incentive leaves;
- a decrease in Operating expenditure of \$26.883 million due to slower than anticipated servicing of airframes and delays in introduction into service of new capabilities;
- a decrease in Depreciation of \$9.987 million due to delays in introduction into service of new capabilities and the subsequent asset capitalisation before depreciation is charged; and
- an increase in other operating expenses of \$1.959 million due to the final decommissioning costs of the Air Combat Force.

The Net Assets financial position at 30 June 2012 was \$5,655.580 million compared to the budget of \$5,693.991 million. The main factors causing this decrease are:

- an increase in Current Assets of \$94.857 million due to improved liquidity as a result of delays in the delivery and payment of capital projects, with unused Crown funding being received and then transferred to Debtor - Crown;
- a decrease in Non-Current Assets of \$81.870 million due to delays in introduction into service of new capabilities and the subsequent asset capitalisation;
- an increase in Current Liabilities of \$28,252 million due to the higher than anticipated surplus, which is repayable to the Crown; and
- an increase in Non-Current Liabilities of \$13.146 million due to the actuarial recalculation of the military long service and incentive leaves.

Note 3: Crown Revenue

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

Note 4: Departmental Revenue

30 June 11		30 June 12	30 June 12
Actual		Actual	Estimated Actual
(\$000)		(\$000)	(\$000)
11,600	Ministry of Social Development	9,793	11,059
4,991	Land Information New Zealand	5,525	6,088
2,146	State Services Commission	1,832	1,835
350	Ministry of Defence	350	307
19,087	Total Departmental Revenue	17,500	19,289

Note 5: Gains

30 June 11		30 June 12	30 June 12
Actual		Actual	Estimated Actual
(\$000)		(\$000)	(\$000)
11,554	Gain on realised foreign exchange	6,570	-
-	Gain on unrealised foreign exchange	9,931	-
-	Gain on sale of fixed assets	-	(2,850)
11,554	Total Gains	16,501	(2,850)

Note 6: Personnel Costs

30 June 11		30 June 12	30 June 12
Actual		Actual	Estimated Actual
(\$000)		(\$000)	(\$000)
785,346	Salaries and wages	755,449	750,230
54,674	Superannuation contributions to defined contribution schemes	49,067	51,155
4,561	Retirement and accumulated leave adjustment	21,589	8,149
8,263	Accident Compensation Corporation (ACC) levies	8,411	8,402
852,844	Total Personnel Costs	834,516	817,936

Note 7: Operating Costs

30 June 11		30 June 12	30 June 12
Actual		Actual	Estimated Actual
(\$000)		(\$000)	(\$000)
205,847	Materials	195,727	305,486
67,245	Premises cost	73,605	70,072
86,516	Repairs and maintenance	69,481	72,308
53,127	Training and travel	53,681	34,175
44,633	Operating lease rentals and other license charges	46,794	51,176
4,387	Consultancy	557	240
350	Audit fees for financial statements audit: Audit NZ	380	350
30	Fees for other services: Audit NZ	13	-
-	Fees to auditors other than Audit NZ	18	-
186	Increase/(decrease) in provision for doubtful debts	(113)	-
24,431	Realised foreign exchange losses	14,001	-
9,286	Unrealised foreign exchange losses	3,135	-
8,091	Loss/(gain) on sale of property, plant and equipment	(9,032)	-
119,864	Other operating costs	109,012	50,335
623,993	Total Operating Costs	557,259	584,142

Note 8: Finance Costs

30 June 11		30 June 12	30 June 12
Actual		Actual	Estimated Actual
(\$000)		(\$000)	(\$000)
408	Interest on finance leases	837	-
408	Total Finance Costs	837	-

Note 9: Depreciation and Amortisation

30 June 11		30 June 12	30 June 12
Actual		Actual	Supplementary Estimates
(\$000)		(\$000)	(\$000)
33,546	Buildings	51,455	50,626
272,860	Specialist military equipment	236,948	249,510
10,012	Plant and equipment	9,777	9,487
6,345	Office and computer equipment	9,220	6,950
5,618	Computer application software	3,789	4,634
4,999	Motor vehicles	3,943	3,912
333,380	Total Depreciation and Amortisation	315,132	325,119

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 2012 was 8.0% (2011 7.5%).

Note 11: Other Operating Expenses

30 June 11		30 June 12	30 June 12
Actual		Actual	Estimated Actual
(\$000)		(\$000)	(\$000)
2,015	Air Combat Force disposal costs	1,959	-
2,015	Total Other Operating Expenses	1,959	-

Note 12: Taxpayers' Funds General Funds

30 June 11		30 June 12
Actual		Actual
(\$000)		(\$000)
3,713,286	Opening Balance	3,738,457
24,281	Net surplus for the year	31,034
22,445	Transfers from revaluation reserve on disposal of assets	(11,745)
6,635	Capital contribution	38,435
(28,190)	Repayment of surplus	(23,607)
3,738,457	Closing Balance	3,772,574

Note 12: Taxpayers' Funds General Funds**Revaluation Reserve for Property, Plant and Equipment**

30 June 11		30 June 12	30 June 12	30 June 12	30 June 12
Total		Land	Buildings	Specialist Military Equipment	Total
(\$000)		(\$000)	(\$000)	(\$000)	(\$000)
1,939,440	Opening Balance	615,123	709,186	593,090	1,917,399
554	Revaluation gains/(losses)	-	-	-	-
(150)	Impairment losses	(34,110)	8,648	(10,676)	(36,138)
(22,445)	(Gains)/losses transferred to general funds for assets disposed	-	3,993	7,752	11,745
1,917,399	Closing Balance	581,013	721,827	590,166	1,893,006

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

Note 13: Debtors and Other Receivables

30 June 11		30 June 12
Actual		Actual
(\$000)		(\$000)
10,126	Trade debtors	20,922
(362)	Less: provision for doubtful debts	(83)
9,764	Total Debtors and Receivables	20,839

As at 30 June 2012, all overdue receivables have been assessed for impairment and appropriate provisions have been applied, as detailed below.

30 June 11				30 June 12		
Gross	Impairment	Net		Gross	Impairment	Net
(\$000)	(\$000)	(\$000)		(\$000)	(\$000)	(\$000)
9,523	-	9,523	Past due to 30 days	19,095	-	19,095
80	-	80	Past due 31 - 60 days	65	-	65
105	-	105	Past due 61 - 90 days	639	-	639
418	(362)	56	Past due >91 days	1,123	(83)	1,040
10,126	(362)	9,764	Total	20,922	(83)	20,839

Movements in the Provision for Doubtful Debts

30 June 11		30 June 12
Actual		Actual
(\$000)		(\$000)
337	Opening Balance	362
25	Additional provisions made during the year	-
-	Charged against provision for the year	(279)
362	Closing Doubtful Debt Provision	83

Note 14: Inventories

30 June 11		30 June 12
Actual (\$000)		Actual (\$000)
105,386	Total Current Inventories	87,160
189,237	Total Non - Current Inventories	206,459
294,623	Total Inventories	293,619

The carrying amount of inventory held for distribution is at weighted average cost as at 30 June 2012 of \$293.619 million.

The write-down of inventory held for distribution amounted to \$3.414 million (2011: \$17.696 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 (2011: nil). Some inventory is subject to retention of title clauses.

Inventories by Category

30 June 11		30 June 12
Actual (\$000)		Actual (\$000)
193,174	Equipment and spares	196,341
71,653	Ammunition	74,678
38,884	General materials and consumables	46,752
20,169	Stock on board ships	20,179
33,547	Fuel, clothing and other inventories	20,385
(62,804)	Obsolescence	(64,716)
294,623	Total Inventories	293,619

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 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)
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)
Contingency Reserve Stock	-	-	30,668	-	-	30,668
Balance at 30 June 2011	707,848	1,183,107	3,971,158	268,772	66,759	6,197,644
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)	-	-
Contingency Reserve Stock obsolescence	-	-	(25,199)	-	-	(25,199)
Balance at 30 June 2011	-	(42,436)	(733,048)	(153,089)	(44,139)	(972,712)
Net PPE at 30 June 2011	707,848	1,140,671	3,238,110	115,683	22,620	5,224,932

Cost or Valuation						
Balance at 1 July 2011	707,848	1,183,107	3,971,158	268,772	66,759	6,197,644
Additions	-	58,915	421,885	14,757	9,326	504,883
Reversal of impairment	-	10,902	-	-	-	10,902
Impairment	(34,110)	(2,254)	(10,676)	-	-	(47,040)
Disposal	-	(3,456)	(12,007)	(11,190)	(242)	(26,895)
Work in progress movement	-	22,062	(228,973)	(4,764)	(792)	(212,467)
Balance at 30 June 2012	673,738	1,269,276	4,141,387	267,575	75,051	6,427,027
Accumulated Depreciation						
Balance at 1 July 2011	-	(42,436)	(733,048)	(153,089)	(44,139)	(972,712)
Depreciation expense	-	(51,455)	(236,950)	(13,719)	(9,219)	(311,343)
Eliminated on disposal	-	1,031	9,523	9,384	241	20,179
Balance at 30 June 2012	-	(92,860)	(960,475)	(157,424)	(53,117)	(1,263,876)
Net PPE at 30 June 2012	673,738	1,176,416	3,180,912	110,151	21,934	5,163,151

Contingency Reserve Stock consists of missile ammunition that provides an ongoing service of deterrence and is only fired in the event of serious conflict or to dispose of at end of life. These assets were reclassified as property, plant and equipment from non-current inventory.

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 \$6.931 million (2011: \$7.773 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 cost less accumulated depreciation.

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 2012 was \$663.880 million (2010: \$876.346 million). This included \$567.444 million for work in progress for capital projects managed by the Ministry of Defence (2011: \$782.574 million).

30 June 11		30 June 12
Actual (\$000)		Actual (\$000)
41,252	Buildings	63,314
820,186	Specialist military equipment	591,214
7,957	Plant and equipment	3,193
6,951	Office and computer equipment	6,159
876,346	Total Work in Progress	663,880

Note 16: Intangible Assets

30 June 11		30 June 12
Actual (\$000)		Actual (\$000)
	Cost or Valuation	
34,092	Opening balance	36,309
2,273	Additions	400
(56)	Disposals	-
-	Transfers	-
36,309	Closing Balance	36,709
	Accumulated Amortisation	
(22,119)	Opening balance	(27,701)
(5,618)	Less amortisation	(3,789)
36	Eliminated on disposal	122
-	Transfers	-
(27,701)	Balance	(31,368)
8,608	Net Intangible Assets	5,341

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 11		30 June 12
Actual (\$000)		Actual (\$000)
26,714	Trade creditors	16,029
120,574	Accrued expenses	135,485
18,171	Payroll liabilities	14,630
3,794	Other short term liabilities	6,400
169,253	Total Trade Creditors and Accruals	172,544
21,100	GST payable	16,707
190,353	Total Creditors and Payables	189,251

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 11		30 June 12
Actual (\$000)		Actual (\$000)
24,281	Net operating surplus	31,034
2,015	Add: other expenses	1,959
1,894	Less: realised foreign exchange losses on derivative financial instruments	(9,386)
28,190	Net Surplus from Delivery of Outputs	23,607
28,190	Total Provision for Repayment of Surplus	23,607

The repayment of surplus is required to be paid by the 31st October of each year.

Note 19: Provisions

30 June 11		30 June 12
Actual \$(000)		Actual \$(000)
6,509	Opening Balance	10,372
3,964	Additional provisions made during the year	4,272
(101)	Charges against provision during the year	(577)
10,372	Closing Balance	14,067

These provisions relate to environmental liabilities arising from the requirement to address issues identified under the Resource Management Act and are expected to be utilised within the next 12 months.

Note 20: Employee Entitlements

30 June 11		30 June 12
Actual (\$000)		Actual (\$000)
	Current Entitlement	
2,488	Retirement, incentive and long service leave	2,549
35,741	Accrued and annual leave	37,982
38,229	Total Current Entitlement	40,531
	Non – Current Entitlement	
25,198	Retirement, incentive and long service leave	36,677
9,146	Accrued leave	6,513
623	Sick leave	232
3,039	ACC self insurance liability	2,990
38,006	Total Non – Current Entitlement	46,412
76,235	Total Provision for Employee Entitlements	86,943

Annual leave is calculated using the number of days owing as at the end of June 2012. 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 3.50% and a discount rate between 2.43% 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 3.50% and a discount rate between 2.43% 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 7.2% 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 \$2.500 million. The NZDF has a stop loss limit since joining the Accredited Employer Programme set at \$8.500 million, which is 200% of the risk.

Note 21: Finance Leases

30 June 11		30 June 12
Actual (\$000)		Actual (\$000)
	Total Minimum Lease Payments Payable	
2,070	Not later than one year	2,344
6,730	Later than one year and not later than five years	5,995
1,239	Later than five years	801
10,039	Total Minimum Lease Payments	9,140
(2,037)	Future finance charges	(1,631)
8,002	Present Value of Minimum Lease Payments	7,509
	Present Value of Minimum Lease Payments Payable	
1,465	Not later than one year	1,790
5,442	Later than one year and not later than five years	4,982
1,095	Later than five years	737
8,002	Total Present Value of Minimum Lease Payments Payable	7,509
	Represented by:	
1,465	Current finance lease liabilities	1,790
6,537	Non-current finance lease liabilities	5,719
8,002	Total Finance Lease Liabilities	7,509

Description of Leasing Arrangements

The NZDF has entered into finance leases for computer equipment. The net carrying amount of the leased items 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

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 \$3.084 million (2011 net unrealised loss of \$11.060 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 The Treasury.

The NZDF uses foreign exchange forward contracts with options to manage foreign exchange exposures. The notional principal amount outstanding at reporting date on hedged purchase and sale commitments was \$143.216 million (2011: \$128.202 million).

Sensitivity Analysis – Cash and Cash Equivalents

At 30 June 2012, if the NZ dollar strengthened by 5% against the major currencies with all other variables held constant, the unrealised loss for the year would have been \$0.503 million higher. Conversely, if the NZ dollar weakened by 5% against all the major currencies with all other variables held constant, the unrealised loss for the year would have been \$0.455 million lower. The movements are a result of the exchange gains or losses on translation of overseas currencies.

Sensitivity Analysis – Derivative financial instruments

At 30 June 2012, 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 \$5.882 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 \$6.501 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 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	190,353	-	-	-
Finance Leases	1,034	431	-	-
Derivative financial instruments	5,633	3,539	-	-
Total Current Liabilities	197,020	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	197,020	3,970	7,586	1,095
Net Liquidity of Continuing Operations	227,644	(3,835)	(7,575)	(1,095)

30 June 12	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	79,109	-	-	-
Debtors and other receivables	416,280	-	-	-
Derivative financial instruments	367	746	-	-
Total Current Assets	495,756	746	-	-
Non Current Assets				
Derivative financial instruments	-	-	375	-
Total Non Current Assets	-	-	375	-
Total Assets	495,756	746	375	-
Liabilities				
Current Liabilities				
Creditors and other payables	189,251	-	-	-
Finance leases	877	913	-	-
Derivative financial instruments	2,709	812	-	-
Total Current Liabilities	192,837	1,725	-	-
Non Current Liabilities				
Finance leases	-	-	4,624	1,095
Derivative financial instruments	-	-	1,052	-
Total Non Current Liabilities	-	-	5,676	1,095
Total Liabilities	192,837	1,725	5,676	1,095
Net Liquidity of Continuing Operations	302,919	(979)	(5,301)	(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 11	Quoted Market Price	Observable Inputs	Significant non Observable Inputs	Total
	(\$000)	(\$000)	(\$000)	(\$000)
Assets				
Derivative financial instruments	-	256	-	256
Liabilities				
Derivative financial instruments	-	11,316	-	11,316

30 June 12	Quoted Market Price	Observable Inputs	Significant non Observable Inputs	Total
	(\$000)	(\$000)	(\$000)	(\$000)
Assets				
Derivative financial instruments	-	1,488	-	1,488
Liabilities				
Derivative financial instruments	-	4,573	-	4,573

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

Note 25: Categories of Financial Instruments

30 June 11		30 June 12
Actual (\$000)		Actual (\$000)
	Loans and Receivables	
81,387	Cash and cash equivalents	79,109
343,167	Debtors and other receivables	416,280
424,554	Total Loans and Receivables	495,389
	Fair Value through Profit and Loss	
256	Derivative financial instrument assets	1,488
(11,316)	Derivative financial instrument liabilities	(4,573)
(11,060)	Total Fair Value through Profit and Loss	(3,085)
	Financial Liabilities Measured at Amortised Cost	
190,353	Creditors and other payables	189,251
190,353	Total Financial Liabilities Measured at Amortised Cost	189,251

Note 26: Derivative Financial Instruments

The notional principal amounts of outstanding forward exchange contracts as at 30 June 2012 and 30 June 2011 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 12	30 June 11
Australia (AUD)	17,020,000	18,300,000
Canada (CAD)	900,000	2,070,000
Euro (EUR)	4,500,000	3,938,479
Great Britain (GBP)	9,930,000	10,160,000
Norway (NOK)	-	2,500,330
Sweden (SEK)	14,558,226	16,319,978
USA (USD)	55,445,000	48,300,000

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. Purchases from government-related entities for the year ended 30 June 2012 were \$194.9 million (2011 \$168.5 million) and included capital purchases from the Ministry of Defence of \$154.3 million (2011 \$134.4 million), with major platform maintenance upgrades from Air New Zealand and electricity from Genesis totalling \$40.6 million (2011 \$34.1 million).

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 11		30 June 12
Actual (\$000)		Actual (\$000)
	Income	
4,285	Non public funds	3,378
1,678	Service museums	6,956
5,963	Total Income	10,334
	Expenditure	
2,235	Non public funds	2,174
1,252	Service museums	1,254
3,487	Total Expenditure	3,428
2,476	Total Net Surplus	6,906

Financial Position of Service Museums and Non Public Funds

30 June 11		30 June 12
Actual (\$000)		Actual (\$000)
	Assets	
17,648	Current assets - non public funds	18,413
5,763	Current assets - service museums	8,323
4,217	Property, plant and equipment - non public funds	4,381
6,777	Property, plant and equipment - service museums	9,365
15,680	Investments – non public funds	14,906
150	Investments – service museums	210
9,276	Property investment – non public funds	9,704
224	Museum collections – non public funds	224
37,310	Museum collections – service museums	37,310
97,045	Total Assets	102,836
	Liabilities	
1,789	Liabilities – non public funds	1,449
1,324	Liabilities – museums	1,277
3,113	Total Liabilities	2,726
93,932	Total Equity	100,110

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 11 (\$000)		30 June 12 (\$000)
2,975	Salaries and short term employee benefits	3,131
-	Other long term benefits	(13)
2,975	Total Key Management Personnel	3,118

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.

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 three 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 2012 were \$5,951 (2011: \$6,475).

The companies are Wright Technologies Ltd, who have supplied marine electronic services to the value of \$522,552 during the year (2011: \$282,000); Wright Satellite Communications Ltd for mobile satellite communication to the value of \$515,460 during the year (2011: \$494,000); and Environmental Laboratory Services Ltd, who conducted chemical analysis to the value of \$15,577 during the year (2011: \$18,000).

Note 28: Reconciliation of Net Surplus/ (Deficit) to Net Cash Flow from Operating Activities for the Year Ended 30 June 2012

30 June 11		30 June 12
Actual (\$000)		Actual (\$000)
24,281	Net Operating Surplus / (Deficit)	31,034
	Add / (less) Non – Cash Items	
333,380	Depreciation and amortisation expense	315,132
29,153	Increase / (Decrease) in the provision for stock obsolescence	1,912
25	Increase / (Decrease) in provision for doubtful debts	(279)
(5,700)	Increase / (Decrease) in non - current employee entitlements	8,406
3,846	Increase / (Decrease) in non – current finance leases	(818)
1,709	Increase / (Decrease) in non – current derivatives	(1,456)
1,894	Realised foreign exchange gain/(loss)	(14,001)
364,307	Total Non - Cash Items	308,896
	Add / (less) Items Classified as Investing Activities	
8,091	(Gains) / losses on disposal of property, plant and equipment	9,032
8,091	Total Investing Activity Items	9,032
	Add / (less) Movements in Working Capital Items	
(123,539)	(Increase) / Decrease in debtors and receivables	(72,834)
(41,999)	(Increase) / Decrease in inventories	(1,317)
12,222	(Increase) / Decrease in prepayments	(5,191)
24,315	Increase / (Decrease) in creditors and other payables	37,859
9,385	Increase / (Decrease) in current employee entitlements	2,302
1,265	Increase / (Decrease) in current finance leases	325
185	Increase / (Decrease) in current derivatives	(6,519)
3,863	Increase / (Decrease) in provisions	5,830
(114,303)	Net Movements in Working Capital Items	(39,545)
282,376	Net Cash from Operating Activities	291,353

Note 29: Appropriation Movements

		(\$000)	(\$000)
Vote: Defence Force			
Main Estimates as at 1 July 2011			2,308,387
October Baseline Update – through Revenue Crown			
Operationally Deployed Forces	CAB Min (11) 34/3	545	
Vote Transfer to Vote Veterans' Affairs Defence Force	Joint Ministers	(37)	
October Update – through Revenue Department			
Youth Life Skills Package – Ministry of Social Development	Joint Ministers	500	
			1,008
March Baseline Update – through Revenue Crown			
Expense Transfers to 2012/13	Joint Ministers	(135,000)	
March Baseline Update – through Revenue Department and Other			
Technical Revenue Other Recognition	Joint Ministers	2,438	
Limited Service Volunteer Programme – Ministry of Education	Joint Ministers	672	
			(131,890)
Total Appropriation Changes			(130,882)
Total Supplementary Estimate of Appropriations			2,177,505

		(\$000)	(\$000)
Vote: Veterans' Affairs - Defence Force			
Main Estimates as at 1 July 2011			8,130
October Baseline Update - through Revenue Crown			
Vote Transfers from Vote Defence Force	Joint Ministers	37	
Financial Support for Military Commemorations	DOM (11) 85	700	
			737
March Baseline Update – through Revenue Department			
Operating to Capital Swap	Joint Ministers	(200)	(200)
			(200)
Total Appropriation Changes			537
Total Supplementary Estimate of Appropriations			8,667

Non-Departmental Financial Statements for the Year Ended 30 June 2012

Statement of Non-Departmental Expenditure and Appropriations for the year ended 30 June 2012

Vote: Veterans' Affairs – Defence Force

30 June 11			30 June 12	30 June 12	30 June 12	30 June 12	30 June 12
Actual		Description	Main Estimates	Supplementary Estimates	Section 26A Changes	Total Appropriation	Actual
(\$000)			(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
		Non-Departmental Output Classes					
700	1	Development & Maintenance of Services Cemeteries	746	746	-	746	742
1,975	2	Support for Veterans and Their Families	1,277	1,477	-	1,477	1,373
2,675		Total Non-Departmental Output Appropriations	2,023	2,223	-	2,223	2,115
		Other Expenses to be Incurred by the Crown					
188		Ex Gratia Payments	1,400	1,200	-	1,200	290
163		Debt Write-down for Benefits and Other Unrequited Expenses	250	250	-	250	217
351		Total Other Expenses to be Incurred by the Crown	1,650	1,450	-	1,450	507
		Benefits and Other Unrequited Expenses to be Incurred by the Crown					
135,413		War Disablement Pensions	137,284	129,621	-	129,621	128,685
20,704		Medical Treatment	22,723	21,670	-	21,670	19,862
10		Interest Concessions for Land and Buildings	7	9	-	9	6
31		Special Annuities	26	29	-	29	26
156,158		Total Benefits and Other Unrequited Expenses to be Incurred by the Crown Appropriations	160,040	151,329	-	151,329	148,579
159,184		Total Non-Departmental Expenditure	163,713	155,002	-	155,002	151,201

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

Schedule of Non-Departmental Expenditure for the year ended 30 June 2012

30 June 11		30 June 12
Actual (\$000)		Actual (\$000)
	Vote: Veterans Affairs - Defence Force	
135,154	War Disablement Pensions	128,399
20,652	Medical Treatment	19,825
1,871	Case Management Costs	1,242
651	Works Maintenance	657
174	Non-Recurring Expenses	283
478	Non-Deductible GST	546
163	Debt Write-Down for Benefits and Other Unrequited Expenses	217
31	Special Annuities	26
10	Interest Concessions for Land and Buildings	6
159,184	Total Non-Departmental Expenditure	151,201

Schedule of Non-Departmental Assets as at 30 June 2012

Vote: Veterans' Affairs – Defence Force

30 June 11			30 June 12
Actual (\$000)		Note	Actual (\$000)
	Current Non-Departmental Assets		
8,864	Cash and cash equivalents		6,670
448	Debtors and other receivables	2	737
9,312	Total Current Non-Departmental Assets		7,407
	Non - Current Non-Departmental Assets		
3,870	Debtors and other receivables	2	3,870
3,870	Total Non - Current Non-Departmental Assets		3,870
13,182	Total Non-Departmental Assets		11,277

Schedule of Non-Departmental Liabilities as at 30 June 2012

Vote: Veterans' Affairs – Defence Force

30 June 11			30 June 12
Actual (\$000)		Note	Actual (\$000)
	Current Non-Departmental Liabilities		
5,519	Creditors and payables	3	3,154
5,519	Total Non-Departmental Liabilities		3,154

There are no non-departmental commitments, contingent assets or contingent liabilities at 30 June 2012 (2011: nil).

Statement of Non-Departmental Unappropriated Expenditure for the Year Ended 30 June 2012

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 2012

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 2012. 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 Non-Departmental Expenditure and Appropriations and Debtors and Receivables and Creditors and Payables in the Schedules of Non-departmental Assets and Liabilities, 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 11		30 June 12
Actual (\$000)		Actual (\$000)
448	Other Receivables	737
448	Total Current Debtors and Receivables	737
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
4,318	Total Debtors and Receivables	4,607

As at 30 June 2012, all overdue receivables have been assessed for impairment and appropriate provisions have been applied, as detailed below.

30 June 11				30 June 12		
Gross (\$000)	Impairment (\$000)	Net (\$000)		Gross (\$000)	Impairment (\$000)	Net (\$000)
74	-	74	Past due to 30 days	147	-	147
153	-	153	Past due 31 - 60 days	36	-	36
19	-	19	Past due 61 - 90 days	10	-	10
202	-	202	Past due >91 days	544	-	544
448	-	448	Total	737	-	737

Note 3: Creditors and Other Payables

30 June 11		30 June 12
Actual (\$000)		Actual (\$000)
840	Trade creditors	93
4,679	Other short term liabilities	3,061
5,519	Total Creditors and Payables	3,154

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 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	8,864	-	-	-
Debtors and other receivables	448	-	-	-
Total Current Assets	9,312	-	-	
Non Current Assets				
Debtors and other receivables				3,870
Total Assets	9,312	-	-	3,870
Liabilities				
Current Liabilities				
Creditors and other payables	5,519	-	-	-
Total Current Liabilities	5,519	-	-	-
Total Liabilities	5,159	-	-	-
Net Liquidity of Continuing Operations	3,793	-	-	3,870

30 June 12	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	6,670	-	-	-
Debtors and other receivables	737	-	-	-
Total Current Assets	7,407	-	-	-
Non Current Assets				
Debtors and other receivables	-	-	-	3,870
Total Assets	7,407	-	-	3,870
Liabilities				
Current Liabilities				
Creditors and other payables	3,154	-	-	-
Total Current Liabilities	3,154	-	-	-
Total Liabilities	3,154	-	-	-
Net Liquidity of Continuing Operations	4,253	-	-	3,870

Note 5: Categories of Financial Instruments

30 June 11		30 June 12
Actual (\$000)		Actual (\$000)
	Loans and Receivables	
8,864	Cash and cash equivalents	6,670
4,318	Debtors and other receivables	4,607
13,182	Total Loans and Receivables	11,277
	Financial Liabilities Measured at Amortised Cost	
5,519	Creditors and other payables	3,154
5,519	Total Financial Liabilities Measured at Amortised Cost	3,154