



# THE 2013-2014 ANNUAL REPORT

for the year ended 30 June 2014





# ANNUAL REPORT

## 2014

NEW ZEALAND DEFENCE FORCE  
TE OPE KĀTUA O AOTEAROA

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# ABOUT THIS ANNUAL REPORT

## **Report Structure**

The NZDF has a wide range of responsibilities. The Defence Force Leadership Board uses a comprehensive set of information to monitor and manage our performance in achieving our outcomes. Due to the nature of our business the best way to explain our progress is mainly through the written narrative that follows in this report. Throughout the report there are key statistics regarding our performance, which may be of interest to the public and have been released without compromising security.

This report is structured in line with our responsibility to provide for the security of New Zealand and New Zealanders, our success on current operations, the delivery of our outputs and the efficient use of financial and other resources in meeting the Government's expectations of the Defence Force.

**Part One** – Details a summary of our business for the year under review and covers our assessment of our progress towards the strategic intentions published for 2013 – 2016.

**Part Two** – Reports on our outputs. Specifically addressing our readiness for contingent military operations and those tasks where the Government decides to employ the Armed Forces. Our outputs also include supporting our veterans through Veterans' Affairs New Zealand and meeting our obligations to the Government.

**Part Three** - The Chief Executive's statement of responsibility and the independent auditor's report introduce this part of the report. This section presents the consolidated financial statement for 2013/14; detailing the appropriations, expenditure, resources acquired, held or disposed of and the use of those resources during the year by the New Zealand Defence Force. This part also advises of the forecast financial statement for the next fiscal year.

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# THE YEAR IN REVIEW

## BY THE CHIEF OF DEFENCE FORCE

The New Zealand Defence Force contributes to New Zealand's security by being ready for and taking action in and around New Zealand or around the globe on tasks that matter to New Zealanders. The New Zealand Defence Force is a Force for New Zealand.

In this Annual Report we report on the performance of the Defence Force for the 2013-2014 financial year.

### **DELIVERING OUR MISSION**

The primary purpose of the NZDF is the preparation and availability of a credible and effective armed force, capable of serving the Government's defence and national security policy objectives.

Having well trained people equipped with up-to-date sea, land and air capabilities ensures the Defence Force is ready for combat and able to quickly respond to military crisis as they unfold. Being able to turn this same high-end defence technology and equipment to react to domestic security events brings a technological edge to tasks that matter to New Zealanders, without the need for duplication elsewhere in the public sector.

### **GENERATING OPERATIONAL MILITARY CAPABILITY**

The delivery of military capability is not only about our equipment, it is also the people who operate it, their training, technical systems and the underlying management and support structures, which together ensure we are ready for whatever contingency the Government might require the Defence Force to respond to. Over the past year, our readiness for such contingencies was achieved through the successful completion of our exercise and training programmes. Collective training provides the means to practice, develop and validate the practical application of

our military doctrine and the correct and safe operation of our military equipment against the types of real-world scenarios the Defence Force will likely face now and in the future. Major exercises for 2013/14 are summarised in Part One of this report.

### **DELIVERING ON OPERATIONS AND OTHER TASKS**

At the Government's direction, the Defence Force fulfils its obligations towards the security of New Zealand and its interests by employing personnel and military capabilities on a variety of operations. Our commitment to NATO operations in Afghanistan, New Zealand's largest operational mission in the past decade, was wound back during 2013. A small group of our specialists have remained in-country to provide a range of training, planning and logistics tasks in support of the International Security Assistance Force (ISAF) capacity-building activities for the Afghani military forces.

Our participation in United Nations and other multinational operations underlines New Zealand's wider commitment to collective security and our credentials as a good international citizen. Our support to United Nations observer and monitoring missions in the past year included operations in the Sudan (UNMIS), Lebanon/Syria/Israel (UNTSO) and the Republic of Korea (UNCMAC). In addition, our significant contribution to the Multinational Force and Observers (MFO) in the Sinai Peninsula continued despite civil unrest in the region.

Another significant operational commitment during the year included our frigate HMNZS *Te Mana* deploying to the Gulf of Aden as part of international anti piracy operations, aimed at ensuring our long trade routes remained free from interference.

Closer to home we have come to the aid of our neighbours in times of crisis. A RNZAF C-130 Hercules aircraft and specialist personnel deployed to the Solomon Islands following severe flooding and another C-130 deployed to the Philippines to assist following Cyclone Haiyan.

*During March – April 2014, a RNZAF P-3K2 Orion based at RAAF Base Pearce, near Perth in Western Australia, assisted in the search in the Southern Indian Ocean for evidence of the fate of the missing Malaysia Airlines flight MH370.*

### **FURTHER STEPS TOWARDS THE JOINT TASK FORCE BECOMING REALITY**

We continued to make tangible progress in developing our new Joint Task Force (JTF) concept, in line with our 'Future 35' strategic goal. The JTF is the amalgamation of our current frontline operational and support units from all three Services into an integrated and coherent force. The JTF will be capable of deploying and sustaining operations in New Zealand or the South Pacific and by 2015 will be able to work independently or as part of a larger coalition effort, which will ultimately include interagency contributions when engaged in all-of-government operations.

Exercise Southern Katipo 2013 was designed to test our initial operating concepts. The exercise saw the NZDF successfully deploy 2,100 personnel and their equipment, by sea and air, from the North Island to the South Island, executing a combined, joint, inter-agency operation based on a scenario set in the South Pacific. Personnel from nine nations participated in the exercise and three government agencies directly supported the exercise including the NZ Customs Service, NZ Police, and the Ministry of Foreign Affairs and Trade. Building on these experiences, the development of the Joint Task Force will continue with Exercise Southern Katipo scheduled for 2015.

### **PREPARING FOR FUTURE CONTINGENCIES - SIGNIFICANT NEW AND UPGRADED CAPABILITY**

Experience tells us that the NZDF must be able to project and sustain forces for considerable periods and over vast distances. But it is not enough just to arrive. The NZDF must also have reliable, sustainable and high quality equipment that is both effective and safe. In the past year significant progress was made on major capital projects.

With the Ministry of Defence the NZDF continued to deliver on Government's commitment to modernise and upgrade the NZDF materiel capabilities in 2013–14, equipping our soldiers, sailors and airmen and airwomen so that they can operate safely when employed on operations.

The acquisition of the NH90 helicopter is a significant step in our tactical air mobility capability. Throughout the year the fleet was incrementally released for operations and we now have the necessary air support for deployed land combat operations.

The recent experience in Afghanistan and other operational areas has demonstrated the need for protected and highly

mobile land capabilities. The Light Armoured Vehicle (LAV) will be upgraded overtime to provide the necessary protected mobility for our forces and the introduction of the medium and heavy operational vehicle fleet will provide the logistic capabilities necessary to support deployed forces.

The Naval Helicopter Project will deliver a modern maritime aircraft with upgraded capabilities for naval combat operations. In its new configuration the aircraft will considerably enhance our contributions to maritime operations that maintain the freedom of navigation and, with others, secure our trade routes.

The Government has published details of our future military capability in the Defence Capability Plan (2014).

### **WE ARE FOCUSED ON OUR PEOPLE**

The New Zealand Defence Force is a highly professional force with good people at its heart. The soldiers, sailors, and airmen and women who make up the New Zealand Defence Force are among the best in the world. Morale in the NZDF has continued to trend upwards since 2012. In the last quarter some 85% of NZDF personnel rated their morale as satisfactory or better. Meanwhile, Regular Force attrition has fallen to 11.3% – and is considerably below the long-term attrition average of 14.62 percent. Consequently, this Annual Report confirms NZDF's three Services are continuing to deploy forces against the tasks identified by Government. Trade groups and ranks in the three Services that reduced during the one-off spike in attrition two-and-a-half years ago continue to be restored. The training "pipelines" of the three Services are full. Retention and re-enlistment efforts over the past year have continued to be successful.

### **VETERANS' SERVICE HONOURED**

*In May 2014, 38 New Zealand Cassino war veterans attended the New Zealand National Commemorative Service held at the Commonwealth War Graves Cemetery in Cassino. The veterans were accompanied by a 25-strong team of health professionals and carers from the NZDF and Veterans' Affairs New Zealand. A total of 456 New Zealanders are buried at Cassino, and the names of another 55 are listed on a memorial, their graves are unknown.*

As Chief of Defence Force, I am also responsible to the Minister of Veterans' Affairs for the management of Veterans' Affairs New Zealand. In the past year significant activity has focused upon the impacts of service on eligible veterans and their families. Specifically, through its Case Management in the Community (CMIC) initiative and ensuring case managers applied the assessment tools from first contact with veterans, and regularly updated them thereafter. In a new initiative, veterans in receipt of a War Disablement Pension but not previously requiring active case management were proactively engaged to attend events. A survey of veterans in 2013 found 98% of respondents rated their overall satisfaction with VANZ as either excellent (57%) or good (41%).



VANZ was also focused on the management of New Zealand's commemorations programme, including the management of the 2014 Gallipoli commemoration; planning for key Second World War 70th Anniversary Commemorations; the 60th anniversary of the Korean War Armistice in 2013; as well as provision of grants to veterans to enable them to attend commemorations and revisit battlefields where they served. In the past year, VANZ also contributed to the drafting of new legislation to replace the War Pensions Act 1954, a significant undertaking, which will become the foundation stone of the Government's ongoing support to the veterans' community.

#### MAINTAINING MOMENTUM IN KEY RELATIONSHIPS:

*In September 2013, the NZ Army co-hosted the Pacific Armies Chiefs' Conference and the Pacific Armies' Management Seminar. The theme of these events was how the United Nations and the Pacific Armies can improve co-operation on future peacekeeping missions.*

Through our network of Defence attachés and the deliberate engagement carried out by senior leaders, the NZDF progressed key bilateral and multilateral relations in 2014, in particular with our closest military partner Australia, our friends in the Pacific, the United States and with our security partners in Asia and Europe.

#### Australia

Australia is our principal defence and security partner. During the year, close naval cooperation, capability and procurement cooperation and ongoing operational alignment has been achieved since the release of the Defence Relationship Framework in 2012. Major exercises participated in included Exercise Talisman Sabre 2013 – the largest joint military exercise undertaken by the ADF and US to plan and conduct Joint Task Force operations and Exercise Suman Warrior – a Five Power Defence Arrangements (FPDA) command post exercise hosted by the Australian Army in Townsville.

#### South Pacific

New Zealand continues to play a leadership role in the South Pacific, acting in concert with our neighbours. The NZDF provides support to FRANZ – an agreement between France, Australia, and New Zealand on sharing information and assets in response to natural disasters in the Pacific, or QUADS – a cooperation agreement between New Zealand, Australia, France and the United States. Major exercises included humanitarian exercises Pacific Partnership and Coral Reef. The NZDF also provided support in the region as part of the Defence Mutual Aid Programme.

#### United States

Consistent with recent improvements in New Zealand's defence relationship with the US and the US' strategic rebalancing in the region, the NZDF has operated together with US forces in training and exercises in peacekeeping

and humanitarian assistance to further shared interests in the Asia-Pacific region, including RIMPAC 2014.

#### China

New Zealand has a positive defence relationship with China. The NZDF has operated with China on matters of common interest, including Exercise Phoenix Spirit, an annual Humanitarian and Disaster Relief (HADR) exercise first held in New Zealand in August last year, involving NZDF, Australian, US and Chinese defence personnel.

#### Asia-Pacific

In the Asia-Pacific region, the NZDF has maintained and improved New Zealand's security position by continuing an extensive programme of bilateral and multilateral engagement. NZDF elements participated in FPDA exercises and activities, as well as ASEAN Regional Forum activities, including support to the FPDA Defence Ministers' meeting, and the 13th annual Shangri-La dialogue. During the year, a new defence cooperation arrangement with Viet Nam was signed by Defence Minister Jonathan Coleman, which sets out a non-binding framework for defence engagement, visits, exercises, exchanges, and ship visits.

#### Europe

New Zealand is committed to supporting NATO in areas of common interest, including the drawdown and planning for NATO's post 2014 training, advice and assistance mission in Afghanistan. The NATO-ISAF summit held in Brussels earlier this year, was a useful opportunity to discuss and highlight New Zealand's contribution to international maritime security efforts. This has included the recently completed deployment of HMNZS *Te Mana* to NATO's anti-piracy mission, in the Gulf of Aden region. A refreshed relationship with the United Kingdom has the potential to benefit the NZDF in developing its amphibious capability.

The NZDF also contributed to the management of risks to New Zealand's security through other Defence policy and diplomatic activities and active participation in the Officials Committee for Domestic and External Security Coordination (ODESC). We are supporting the development of a National Security Strategy.

#### ADDRESSING DEFENCE AFFORDABILITY:

##### Defence Midpoint Rebalancing Review - providing certainty for the future

Across the year under review, the defence sector began work on the Defence Midpoint Rebalancing Review (DMRR). It was a unique way of considering military capability with the aim of providing long-term investment certainty for the NZDF by achieving an enduring balance between the policy intent set out in the 2010 White Paper, the capabilities required to deliver that policy, and funding. As a consequence of the DMRR process, the Defence Force has been able to effectively plan for the future, integrating our people capability through effective training with the equipment and technologies that will allow our people to

succeed in the battle space. DMRR set out investment not only in our people, and the military hardware and platforms they require, but also the vital infrastructure that underpins everything we do, especially the Defence estate, and communications and information systems. The DMRR process was robust, analytically sound, and data driven. It has been identified as an exemplar by Government for other Government departments to follow.

### **Improving Defence affordability an ongoing focus**

NZDF achieved annually recurring savings of \$220 million by 30 June 2014. This was about the continued identification of resources that were able to be reprioritised internally toward more important ends. These savings and future efficiency initiatives identified but not yet realised have since been built into the Defence Midpoint Rebalancing Review – and efficiencies and reforms within the NZDF are continuing as ‘business as usual’ activity.

### **MAKING ORGANISATIONAL IMPROVEMENTS:**

*The NZDF won a joint IPANZ award with the NZ Police, Ministry of Social Development and Inland Revenue called ‘transition.’ The joint inter-agency group identified a gap in leadership development and strived to support the transition from tier four to tier three careers.*

### **NZDF committed to continuous improvement**

The NZDF has recognised the need to permanently create a high performance environment. Operating smarter as an organisation is part of a permanent culture shift the NZDF has been seeking to embed across the organisation. We have committed to Government to continue focusing on affordability, and building excellence and innovation into our processes as a business-as-usual way of operating. To this end, the ‘Defence Excellence’ approach is utilising improvement frameworks, process improvement interventions and education to embed a culture of continuous improvement and efficiency. In the past year it has been successfully applied to middle and back office logistics, personnel and shared services functions. Most notably have been the benefits realised through individual ownership and responsibility for change and results. This approach is now being shared and built upon across the NZDF.

### **Successfully implementing our new Human Resources Management Information System**

The NZDF has successfully rolled out a significant new ITC project, its Human Resources Management Information System (HRMIS). Based on SAP Human Capital Management (SAP HCM) the system replaced the Defence Force’s ageing HR platforms and covers almost 14,200 people. Alongside greater accuracy and efficiency, the new system is able to produce better HR data to help leaders manage the Defence Force. HRMIS is working as designed and importantly from a payroll perspective, the system is performing to expectations with error rates significantly lower

than were experienced with the legacy system. Extensive training and robust early life support was put in place to enable personnel to use the new system to good effect. The NZDF will be continuing to develop the functionality for better career management and performance information in the coming year.

### **Strengthening our approach to diversity**

A significant piece of work completed in the past year was the Ministry of Defence’s report “Maximising Opportunities for Military Women”. It found that while New Zealand compares well with other forces – the NZDF has a higher proportion of women in uniform compared to Australia, US, Canada and the UK – continued improvement is needed in the way the Defence Force attracts and retains the people it needs to succeed in modern conflicts. The Review concluded that in the past 15 years there has been substantial progress in gender equity in the NZDF: “Women in the military find it a safer environment, but there is still work to be done, particularly in the areas of increasing recruitment, retention and progression to senior ranks. Getting women in the door, into branches that lead to the most progression opportunities, and retaining them are the biggest challenges for the future, and more innovative recruitment, workforce planning and retention strategies need to be developed.” A detailed work programme drawing on the findings of the Ministry’s Review is now being developed.

The NZDF is strongly committed to ensuring the identification and elimination of any policy, procedural or institutional barriers that have the potential to impact on equal employment opportunities. This year the NZDF has made considerable progress; we won the diversity award at the ANZ Trust Awards and took out the Supreme Award for our ‘Overwatch Network’; a peer support group for the NZDF gay, lesbian, bisexual, transgender and intersex community. The NZDF encourages the use of tikanga Maori and recognises the special role of NZDF Maori Cultural Groups. These groups have participated in a number of national and international events during the year.

### **Improving our health and safety systems**

Health and safety was prioritised in 2013 as a key organisational issue for the NZDF. Ours is no normal workplace. It is inherently dangerous, so NZDF has to actively manage risk and not just refer to compliance. The NZDF is implementing a range of initiatives to reinforce a comprehensive health and safety focus. To maintain public confidence and provide surety to Government, an external review of our safety management, training and culture was initiated in 2013.

The Review found the NZDF injury rates were comparable to other agencies and other similar militaries. We accepted the findings, especially the challenge of preventing injuries from non-military training, which accounted for 84% of NZDF’s injuries. The NZDF is developing a Health and Safety Strategy aligned to our Future 35 strategy, and which takes a pan-NZDF approach to Health and Safety, rather than a single Service one.

To gain better visibility of issues, the NZDF is implementing a centralised Health and Safety Information Management System, which will allow the NZDF to better monitor and respond to emerging trends. We have committed to improving our ACC partnership rating from primary to secondary, as a tool for lifting organisation-wide H&S performance. Meanwhile, the NZDF is on track to meet the New Zealand injury reduction target of 25% by 2020; and on track to meet our own internal target of reducing serious harm incidents by 10% by 2016.

### **Appointment of a Provost Marshal**

A new senior disciplinary role was established during the reporting period focused on strengthening aspects of the Defence Force's military justice investigations. This position is the Provost Marshal and has been appointed to an experienced former police officer. The Provost Marshal is responsible for supporting commanders at all levels in maintaining and enforcing military discipline; dealing with serious incidents and complex disciplinary situations; and professionalising the investigative capability within the NZDF.

## **BEING A FORCE FOR NEW ZEALAND**

### **Working in Partnership**

*In August 2013, a Humanitarian Assistance and Disaster Relief (HADR) planning exercise, co-led by the NZDF and the United States Pacific Command and involving China was held in Christchurch. Exercise Phoenix Spirit was an important opportunity for New Zealand to engage with its international partners and provided a forum for the NZDF to share some of the lessons learnt from the Canterbury earthquakes.*

While a separately legislated government department, the New Zealand Defence Force's closest public sector partner is the Ministry of Defence. Together over the past year we contributed advice to Government on security and defence issues; worked closely maintaining and enhancing international defence relationships; managed the development and acquisition of significant new and upgraded military capabilities; and received their support around important organisational issues, for example, the "Maximising Opportunities for Military Women" Report (as previously mentioned).

### **Contributing in and around New Zealand**

Over the past year, the Defence Force has added value through our contributions to all-of-government responses to domestic security issues. Participation in a diverse range of activities include preparations to assist the NZ Police counter terrorism; protecting our marine resources; responding to natural disasters; explosive ordnance disposal; providing specialist capabilities for search and rescue and supporting conservation efforts.

In the Deep South, the Offshore Patrol Vessels *Wellington* and *Otago* and Orion surveillance aircraft conducted maritime patrols in the Southern Ocean to monitor fishing

activities in the region in support of the Ministry of Foreign Affairs and Trade and Ministry for Primary Industries as they enforced the Convention for the Conservation of Antarctic Maritime Living Resources (CCAMLR).

I take this opportunity to also thank those other agencies and organisations which we partner to deliver security outcomes for New Zealand. The Defence Force contributes to all-of-government efforts to secure New Zealand's sovereign and economic borders, helping to detect, report and respond to unlawful activities in our maritime zones. To this end, the NZDF is a partner in, and major provider to, the National Maritime Coordination Centre (NMCC) for domestic security operations supporting the work of Customs, Police, Ministry for Primary Industries, and the Department of Conservation, in particular. Working together we also provide specialist military capabilities and Defence Force resources towards emergencies and other urgent work of national importance, both in New Zealand and further afield. In achieving this, we are appreciative of the strong working relationships we maintain with Maritime New Zealand, Antarctica New Zealand, NZAID, the Ministry of Civil Defence and Emergency Management, the NZ Fire Service and the National Rural Fire Authority, and the Police. The Defence Force also provides support for governmental activities and state occasions, and works closely with the Department of the Prime Minister and Cabinet, Ministry of Foreign Affairs and Trade, Department of Internal Affairs, Government House, and Ministry for Culture and Heritage to deliver outcomes in furtherance of New Zealand's foreign and domestic goals.

### **A Force for good**

Defence tasks – be they military operations involving combat or national building activities, as well as domestic responsibilities in times of crisis or more regular support to other agencies in and around New Zealand - can only be performed by well-trained and equipped military people. I commend the service and commitment of the men and women of the Defence Force – Regular Force, Reserve Force and Civilian staff, over the past year. Part of the NZDF's reputation around the world is for professional excellence, and this relates to the high ethical standards our people uphold in the delivery of our mission. This also ensures we remain a force for good in the world.



**T.J. KEATING**

Lieutenant General  
Chief of Defence Force

30 September 2014



# PART ONE - ABOUT US

## THE ROLE OF THE NEW ZEALAND DEFENCE FORCE

The New Zealand Defence Force (NZDF) is the organisation, in partnership with the Ministry of Defence, responsible for delivering Defence.

The Defence Force provides essential support to the delivery of the Government's national security objectives. The principal role of the New Zealand Defence Force is to defend the nation's sovereign territory and those areas for which New Zealand is responsible, delivering security for New Zealanders including against terrorism and related asymmetric threats.

Our core responsibility is to achieve success on operations, remain affordable while preparing for future challenges to our security and all the while, caring for our military members, their families and preserving the wellbeing of our civil staff.

The contribution of the Defence Force to national security is further defined through our operational outputs which describe what military capabilities the Government may consider employing in expeditionary combat operations and on domestic security tasks in and about New Zealand.

The Government's contingent military capabilities are held for unforeseen emergencies or to reinforce existing operations. This could include New Zealand contributions to multinational operations or United Nations mandated missions, however, the forces are held principally to allow the Defence Force to respond to security events in which New Zealand acts alone to protect national interests.

### VETERANS' AFFAIRS NEW ZEALAND

Veterans' Affairs is an integrated operational unit within the NZDF. The role of Veterans' Affairs New Zealand (VANZ) is to ensure that veterans are able to access the services they need to support them in their everyday lives. VANZ manages the Government's relationship with veterans and their representative organisations, advises on policy relating to veterans and facilitates veterans' access to pensions and other services.

### LEGISLATION

The New Zealand Defence Force functions are mandated by the Defence Act 1990, the Veterans' Affairs Act 1999 and related regulations.

The Defence Act 1990 is the key legislation concerning the raising and maintaining of New Zealand's Armed Forces and the responsibilities of the Secretary of Defence. The Defence Act includes provisions that set out the broad legislative framework for the command and administration of the New Zealand Defence Force and its three Services; the Navy, the Army and the Air Force.

The Act confirms the purposes of the Armed Forces, constitutes the Defence Force, affirms that the Armed Forces are under Ministerial authority, defines the roles and relationships of senior officials, and makes provisions, generally, in respect of the establishment, control and activities of the Defence Force, and related matters<sup>1</sup>.

Under the Defence Act 1990, New Zealand's Armed Forces are 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 or arrangements; and
- the contribution of forces to the United Nations (UN) or other organisations or states for operations in accordance with the principles of the Charter of the UN.

The Defence Act 1990 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.

The functions and duties of Veterans' Affairs New Zealand are set in statute under the Veterans' Affairs Act 1999. This Act enables the integration of the Crown's functions relating to veterans' affairs and stipulates the administration of the legislation concerning war pensions and allowances and related functions.

Other 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 Victualing Stores Act Repeal Act 1998
- Patriotic and Canteen Funds Act 1947

<sup>1</sup> The Defence Amendment Bill will amend the Defence Act 1990 to implement government policy as set out in the Defence White Paper 2010.

- 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.

## OUR STRATEGY – FUTURE 35

Based on the direction provided in the Defence White Paper, the NZDF Strategy outlines ways and means of developing the force structure, military capabilities and organisational resilience which the Defence Force aims to deliver by 2035. It focuses on preserving the ability to deploy highly capable forces quickly when needed and prepare a greater scale and range of military capabilities that will meet the Government's requirements.

## MISSION

Our mission is 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.

## DEFENCE FORCE PRIORITIES

The Defence Force continued to contribute to the Government's key priorities while maintaining our support to all-of-government efforts to secure the sovereign and economic borders, protect national interests and provide for the safety of New Zealanders.

We also focused our efforts in meeting the key priorities for the NZDF agreed between the Prime Minister and Minister of Defence for 2013/14:

- Addressing affordability issues
- Maintaining momentum, in key relationships
- Organisational improvements

## MANAGING DEFENCE

The New Zealand Defence Force is an organisation within the Government headed by a Cabinet Minister. The Minister of Defence exercises control of the NZDF through the Chief of Defence Force (CDF).

The command structure of the NZDF is a single chain emanating from the Crown, through the CDF to individual units and Service personnel.

The Chief of Defence Force is the professional head of the Armed Forces as a whole and the Government's principal military adviser. CDF is solely responsible for the delivery of military capability including the direction of military operations; and, through the Chiefs of Service (Navy, Army and Air Force), is responsible, amongst other things, for ensuring the fighting effectiveness, efficiency and morale of the NZDF.

In addition to his strategic command role, CDF is the Chief Executive of the Defence Force and solely accountable to the Government and people of New Zealand for the effective and efficient management of the NZDF.

The Headquarters, New Zealand Defence Force, supports the CDF in his role as the strategic commander of New Zealand's military operations worldwide and the Government's principal military adviser. In this role, the CDF draws on the operationally focused advice provided by the Chiefs of Service, the Commander Joint Forces New Zealand and senior members of the civil staff.

The headquarters concentrates on engaging with other government departments on national security issues. In the international sphere the headquarters focuses, in general, on the fundamental policy questions, bilateral relations with security partners and other nations, liaison with international organisations and the strategic aspects of operations involving the NZDF.

The Headquarters Joint Forces New Zealand plans and executes joint or potentially joint operations in support of the Government's direction to the Defence Force. For domestic crisis, this headquarters is responsible for the NZDF contributions to the civil power.

In providing clear and unambiguous policy advice to the Government and other governmental departments at the strategic level, CDF is supported by a key governance and management body; the Defence Force Leadership Board. The Board is chaired by CDF. Membership comprises the Vice Chief of Defence Force, the Chief Operating Officer, Chief Financial Officer, Commander Joint Forces New Zealand, the three Chiefs of Service (Navy, Army and Air Force) and the Warrant Officer of the Defence Force. The Defence Force's high-level organisation is shown below.

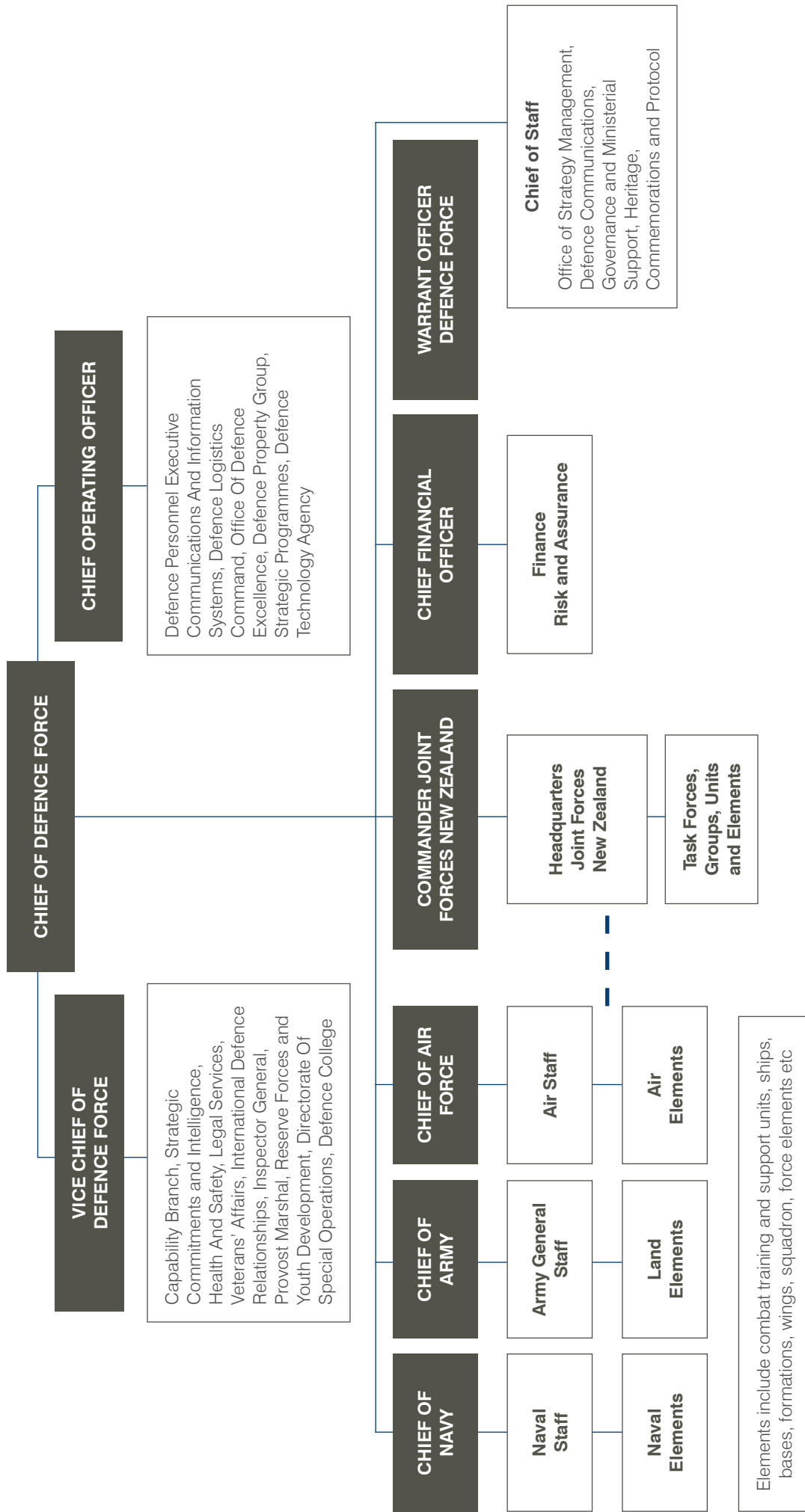
There are a number of other functions that are managed collectively with the Ministry of Defence. They include the Capability Management Board, for the effective maintenance of military equipment-based capabilities; the Defence Business Committee where matters of common and mutual interest are aligned; and along with the Ministry of Foreign Affairs and Trade, Defence International Engagement for our relationship with allies, security partners and other nations.

## REPORTING

In addition to the regular reports to the Government, the Defence Force provides an annual report to Parliament on its non-financial and financial performance. Non-financial performance is reported against the targets and measures set out in the outputs and our financial reports accord with the Public Finance Act 1989.

# NZDF HIGH LEVEL FUNCTIONAL ORGANISATION

## AS AT 30 JUNE 2014



# MAJOR NEW ZEALAND DEFENCE FORCE UNITS

## HEADQUARTERS NEW ZEALAND DEFENCE FORCE

### 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

### Trentham

- Defence College
- Defence Shared Services

### Auckland

- Defence Technology Agency (located at Devonport Naval Base)
- Geospatial Intelligence NZ (located at Devonport Naval Base)

## JOINT FORCES NEW ZEALAND

### Trentham

- Operational Headquarters Joint Forces New Zealand
- Commander Joint Forces New Zealand

## ROYAL NEW ZEALAND NAVY

### Auckland

- HMNZS Philomel
- Logistics Command (Maritime)
- Fleet Personnel and Training Organisation
- HMNZ Dockyard
- HMNZS Ngapona (Reserve Unit)

### Naval Combat Force

- HMNZS *Te Kaha*
- HMNZS *Te Mana*

### Naval Support Force

- HMNZS *Canterbury* (Amphibious Sealift)
- HMNZS *Endeavour* (Fleet Replenishment)

### Littoral Warfare Support Force

- HMNZS *Manawanui*
- Naval Patrol Force
- HMNZS *Otago*
- HMNZS *Wellington*
- HMNZS *Rotoiti*
- HMNZS *Hawea*
- HMNZS *Pukaki*
- HMNZS *Taupo*

### Wellington

- HMNZS *Olphert* (Reserve Unit)

### Christchurch

- HMNZS *Pegasus* (Reserve Unit)

### Dunedin

- HMNZS *Toroa* (Reserve Unit)

## NEW ZEALAND ARMY

### Papakura

- 1st (New Zealand) Special Air Service Regiment Combat Service Support Company (North)

### Waiouru

- Headquarters Training and Doctrine Command
- Army Command School
- The Army Depot
- Waiouru Military Training Facility

### 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

### Hokowhitu

- Land Operations Training Centre

### Trentham

- Headquarters Deployable Joint Task Force (Land)
- 1st (New Zealand) Military Intelligence Company
- 1st (New Zealand) Military Police Company
- E Squadron (Explosive Ordnance Disposal), 1st (NZ) SAS Regt
- Wellington Regional Support Centre

### Burnham

- 2nd/1st Battalion RNZIR
- 3rd Combat Service Support Battalion
- Army Leadership Centre
- Southern Regional Support Centre
- Tekapo Military Training Area

### Army Reserve Units

- 2/4 RNZIR comprising Canterbury, Nelson, Marlborough, West Coast Company and Otago and Southland Company.
- 3/6 RNZIR comprising Auckland (Countess of Ranfurly's Own) and Northland Company and Hauraki Company.
- 5/7 RNZIR comprising Wellington, West Coast and Taranaki Company and Wellington (City of Wellington's Own) and Hawke's Bay Company

## ROYAL NEW ZEALAND AIR FORCE

### Auckland: 485 Wing

- No 5 Squadron
  - » 6 x Lockheed P-3K2 Orion
- No 6 Squadron
  - » 5 x Kaman SH-2G(NZ) Seasprite
- No 40 Squadron
  - » 2 x Boeing 757-200
  - » 5 x Lockheed C-130H (NZ) Hercules
- No 209 (Expeditionary Support) Squadron
- No 230 (Mission Support) Squadron
- Parachute Training Support Unit

### Ohakea: 488 Wing

- No 3 Squadron
  - » 8 x Bell UH-1H Iroquois
- No 42 Squadron
  - » 4 x Beech King Air B200
- Pilot Training Squadron
  - » 12 x Aerospace Industries CT-4E Airtrainer
- Helicopter Transition Unit
  - » 5 x Augusta Westland A 109 T/LUH
  - » 7 x NATO Helicopter Industries NH 90 MUH

### Woodbourne

- Ground Training Wing



# Location of New Zealand Defence Force Units



**To find out more:**

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](http://www.nzdf.mil.nz)  
[www.facebook.com/NewZealandDefenceForce](https://www.facebook.com/NewZealandDefenceForce)

**Headquarters New Zealand Defence Force**  
2–12 Aitken Street, Wellington 6011

**Defence Communications Group**  
[dcg@nzdf.mil.nz](mailto:dcg@nzdf.mil.nz)

**Defence Library**  
[defence.library@nzdf.mil.nz](mailto:defence.library@nzdf.mil.nz)

**Navy:** [www.navy.mil.nz](http://www.navy.mil.nz)  
[www.facebook.com/pages/Royal-New-Zealand-Navy](https://www.facebook.com/pages/Royal-New-Zealand-Navy)

**Navy Today:** Monthly publication

**Torpedo Bay Navy Museum:** [www.navymuseum.co.nz](http://www.navymuseum.co.nz)  
Torpedo Bay, Devonport, Auckland

**Army:** [www.army.mil.nz](http://www.army.mil.nz)  
[www.facebook.com/OfficialNZArmy](https://www.facebook.com/OfficialNZArmy)

**Army News:** Monthly publication

**National Army Museum:** [www.armymuseum.co.nz](http://www.armymuseum.co.nz)  
Waiouru

**Air Force:** [www.airforce.mil.nz](http://www.airforce.mil.nz)  
[www.facebook.com/RoyalNewZealandAirForce](https://www.facebook.com/RoyalNewZealandAirForce)

**Air Force News:** Monthly publication

**Air Force Museum of New Zealand:**  
[www.airforcemuseum.co.nz](http://www.airforcemuseum.co.nz)  
Wigram, Christchurch

**Ministry of Defence:** [www.defence.govt.nz](http://www.defence.govt.nz)

## DEFENCE AT A GLANCE

	2012/13	2013/14
<b>Operations and Tasks</b>		
Number of personnel deployed on OE 16 operations	1,100	317
Naval Patrol (Days)	452	440
Air Surveillance (Hours)	176	542
Number of SAR callouts	14	13
Number of EOD callouts	142	163
<b>Our People Capability</b>		
Total uniformed personnel numbers	8,502	8,846
Total Civil Staff numbers	2,794	2,814
NZDF Uniformed Attrition Rate	15%	11%
NZDF – Female members	1,335	1,362
<b>Our Financial Resources</b>		
Crown Revenue (\$000)	2,220,008	2,278,948
Revenue Other (\$000)	10,165	8,566
Expenditure (\$000)	2,217,730	2,254,004
Operating Result Surplus/(Deficit) (\$000)	42,528	48,295

# OPERATIONS AND TASKS

## Security for New Zealand and New Zealanders

Our greatest contribution to the nation has been the contributions we continue to make to the Government's efforts to secure our borders from illegal activities and the unauthorised exploitation of our marine resources, especially in New Zealand's Exclusive Economic Zone.

In line with our obligations to assist the civil power in times of emergency, the NZDF stood ready to provide specialised support to lead governmental agencies and first responders when safety of life was put at risk or our critical infrastructure came under threat.

This year has seen the NZDF respond to 13 search and rescue callouts as far as the Cook Islands in the north and into the Southern Ocean. Our support to the NZ Police and public safety required our 'Bomb Disposal' teams to be called out on 163 occasions.

The NZDF continued to play a role in exercising New Zealand's right of sovereignty, including in the Ross Dependency. Operation MAWSONI enabled the NZDF to demonstrate the ability to operate in the challenging marine and air environment of Antarctica in support of New Zealand's contributions to the Convention on the Conservation of Antarctic Marine Living Resources (CCAMLR).

## Contributing to the Security of the Nation and the People

Each day throughout the year NZDF remained ready to assist the Government provide for the safety of the community and our neighbours.

The NZDF has two specialised roles that are made available to the civil power on an enduring basis to ensure public safety:

- A specialised counter-terrorist group, with tactical airlift and helicopter support, to assist the NZ Police in counter-terrorist operations and deal with related asymmetric threats; and
- The national response for complex chemical, biological, radiological events and the disposal of explosive ordnance and improvised explosive devices.

The Defence Force makes available other military capabilities and responds to civil emergencies in New Zealand at the request of the civil power. These same assets are used when responding to regional crises or conducting search and rescue and recovery missions in the New Zealand Search and Rescue Region. At any one time, the following military capabilities are made available to the civil power:

- One P3 Orion at 2 hours notice and another Orion at 24 hours notice for search and rescue missions and other emergencies;
- One helicopter at 2 hours, and a second helicopter when required, for search and rescue missions and support to government agencies;
- One naval ship at 8 hours notice to react to border incursions, search and rescue tasks and other emergencies;
- One strategic airlift aircraft (normally a C130 Hercules) available at short notice for search and rescue missions and to assist with the movement of people from high-risk environments and move cargo in times of emergency;
- The sealift ship, *Canterbury*, to assist with the movement of people from high-risk environments and move cargo in times of emergency;
- A specialised underwater search and recovery detachment at short notice to assist the police;
- Emergency response teams available to Civil Defence and Emergency Management, at each Base and Camp;
- Additional national teams and specialised equipment available to Civil Defence and Emergency Management; and
- A capability to respond immediately to road traffic incidents and fires in the central plateau region (Waiouru).

## Deployed Operations

Abroad the NZDF continued to make significant contributions to peace support operations and other missions aimed at maintaining the international rule of law.

Further demonstrating New Zealand's role as a credible security partner, the NZDF contributed to the multinational maritime security operations to counter terrorism and piracy in the Arabian Sea and off the Horn of Africa. In August 2013, the Government deployed the frigate HMNZS *Te Mana*, tasked with detecting and deterring maritime traffic from conducting terrorist, piracy and other illegal activities.

In August 2013, the ten year deployment of NZDF personnel in the Solomon Islands ended. The NZDF contributed personnel to the Regional Assistance Mission to Solomon Islands (RAMSI) - a mission in partnership between the people and Government of Solomon Islands and other contributing Pacific nations. The NZDF has contributed to a total of 17 deployments to RAMSI since the start of the mission.

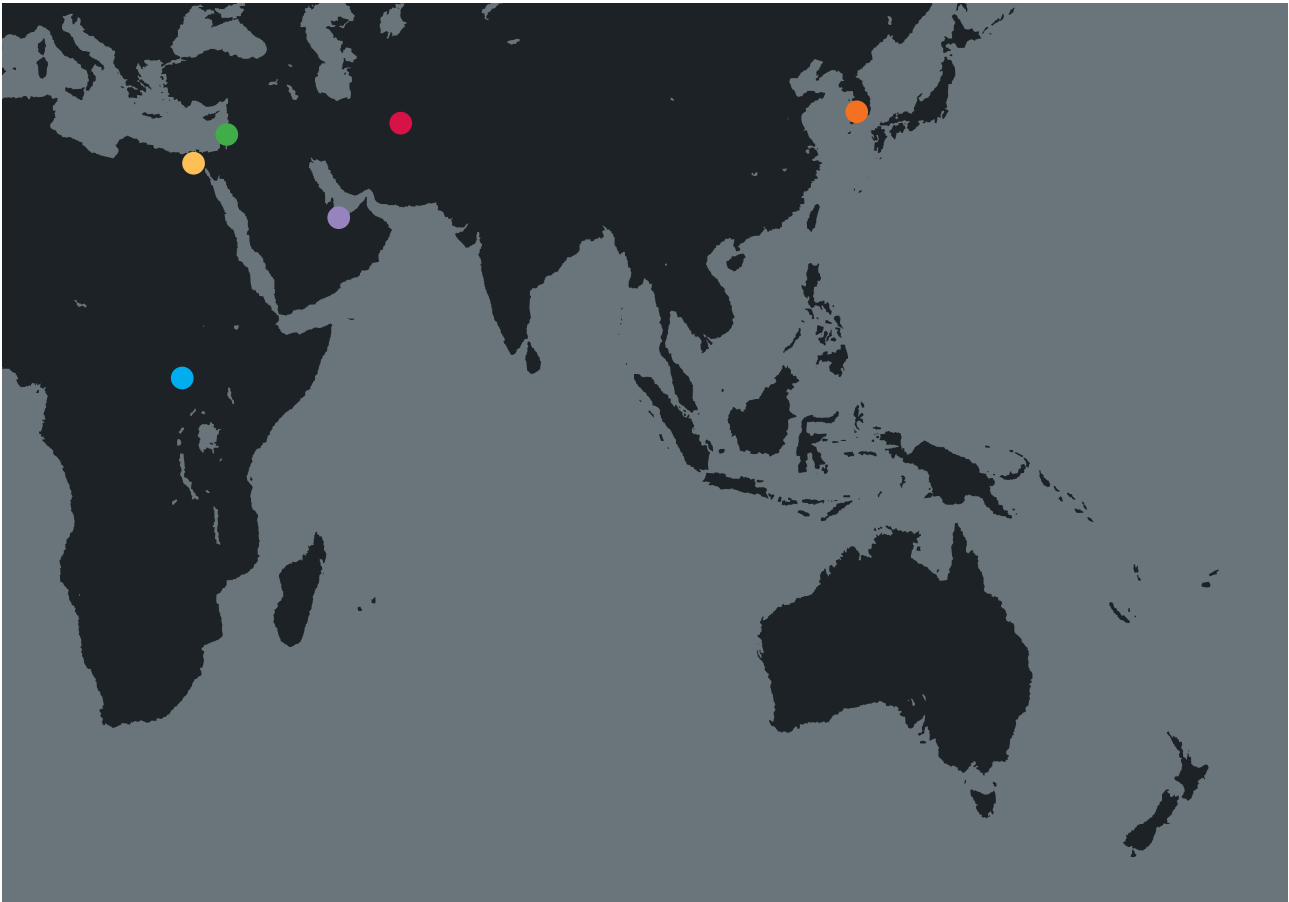
During October 2013, the NZDF's one-person deployment to the United Nations Assistance Mission in Iraq (UNAMI) ended after an eight-year commitment. Over that period several senior Army officers have been posted to Iraq as military advisors to the UN's Special Representative to the Secretary-General.

Early in the reporting period, the NZDF-led Operation PUKAURUA cleared over four tonnes of explosives in unexploded World War Two bombs, mortars, grenades and projectiles in the Solomon Islands.

The NZDF also provided support to Kiribati, with 90 personnel on the ground working alongside locals and Pacific Partnership nations. HMNZS *Manawanui* provided support to two explosive ordnance teams in the safe disposal of remnants of war, the Army had Engineers and Health elements engaged in eight and 12 projects respectively across the atoll, and the Air Force provided the necessary airlift to bring in supplies and personnel.



## MAP OF CURRENT DEFENCE FORCE OPERATIONS



### Key:

- |  |   |  |
|--|---|--|
| <span style="color: red;">●</span> Afghanistan     | <span style="color: orange;">●</span> Republic of Korea | <span style="color: blue;">●</span> Sudan        |
| <span style="color: purple;">●</span> Arabian Gulf | <span style="color: yellow;">●</span> Sinai             | <span style="color: green;">●</span> Middle East |

Overseas, the Defence Force fulfils its obligations towards the security of New Zealand and its interests by deploying personnel and capabilities on a variety of operations. These operations occur in a range of environments, and include support to post-conflict reconstruction and development as in Afghanistan, security and stability operations, as recently in Timor-Leste and Solomon Islands, and support to extant United Nations observer and monitoring missions, as in the Middle East, Africa and Korea. Details of our operations during the reporting year are shown below.

## NZDF OPERATIONS AND MISSIONS OVERSEAS

Region	Contribution
Afghanistan	The NZDF has been actively involved in Afghanistan since 2003. Since then, the NZDF has provided 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 has been provided to HQ Combined Joint Task Force (CJTF) and Combined Forces Command Afghanistan (CFC-A). The PRT was withdrawn in April 2013, but NZDF personnel are continuing in a range of training, planning and logistics roles as part of the ISAF mission until December 2014. A small number of personnel are expected to remain at the UK-led Afghan National Army Officer Academy in roles focused on training assistance and capacity building beyond 2014.
Arabian Gulf	The NZDF maintains a small 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. During the reporting period, HMNZS <i>Te Mana</i> joined a multi-national maritime security task force to undertake counter-piracy operations.
Iraq	The NZDF's one-person deployment to the United Nations Assistance Mission in Iraq (UNAMI) ended on 29 October 2013, after an eight-year commitment.
Israel, Lebanon	The NZDF has been providing UN Observers to the United Nations Truce and Supervisory Organisation (UNTSO) since 1954.  These personnel are currently deployed to UNTSO in Israel and Lebanon and patrol the area of operations and monitor ceasefires and military activity within the region.
Republic of Korea	The NZDF provides staff support to operations, watch-keeping and corridor control to the United Nations Command Military Armistice Commission in Korea (UNCMAC).
Sinai Peninsula	The NZDF has been providing expertise to the Multinational Force and Observers (MFO) in driver tasking, courses and training since 1982. In addition, NZDF personnel monitor the operation of the Egyptian Border Guard Force.
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 concluded in November 2012, however, some NZDF personnel continued to serve in the mission's headquarters until August 2013.
Sudan	The NZDF provides Military Observers and Staff Officer assistance to the United Nations Mission in Sudan (UNMIS).
Timor-Leste	The NZDF has been supporting various operations in Timor-Leste since 1999. NZDF personnel have been 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 agreed to conclude New Zealand's military and police participation in UNMIT by 31 December 2012. Eight NZDF personnel remained in the Solomons working with the Combined Task Force, but have since returned to New Zealand. The New Zealand Government also agreed that Defence engagement with Timor-Leste be continued by retaining five Technical Advisors to the Timor-Leste Defence Force.
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 Part Two.

## JOINT, COMBINED AND SINGLE SERVICE EXERCISES

The New Zealand Defence Force conducts a schedule of exercises each year that assist in the achievement and maintenance of operational readiness. While exercises are covered in more detail by force elements in Part 2 of this report, the table below provides an indication of the high level of exercise activity undertaken by the Defence Force over the reporting period.

Activity	Description
Alam Halfa	A joint and combined task group field training exercise involving 1 (NZ) Brigade and US Marine Corps, US Army, British and Canadian army personnel. This exercise involved live firing of NZDF armoured personnel carriers, infantry support weapons, artillery and mortars.
ANZAC Exchange	An annual exchange programme with Australia to promote interoperability between the NZDF and ADF (up to 50 personnel each year).
Bersama Shield	An exercise held in the South China Sea and airspace adjacent to Singapore and Malaysia to practice combined operations for the defence of the region.
Bold Alligator	This exercise involved integrating and streamlining staff command and control procedures of an Expeditionary Strike Force. The exercise comprised around 3,500 personnel from 16 countries and Strike Force NATO.
Dawn Blitz June	A six week long amphibious warfare exercise in South California at the US Marine Corps' Camp Pendleton in June saw our sailors and soldiers learn amphibious war fighting skills from their US Marine counterparts alongside Japanese and Canadian forces.
Green Flag East	Exercise Green Flag East or Joint Readiness Training Course, is a two week tactical flying exercise for transport aircraft based out of Little Rock Air Force Base in Arkansas, USA. This year, 40 Sqn deployed one C-130H(NZ) along with two crews, two planning teams, and maintenance and support staff; to learn with and compete against crews of US and Canadian C-130s and a Canadian C-17.
Joint Warrior	Held in the United Kingdom, this was a medium intensity, multi-threat biannual exercise. NZDF participation in this exercise included a P-3K2 to enhance interoperability within a coalition environment.
Lion Walk Oct	This exercise provided an opportunity for a Singapore Armed Force (SAF) unit to train in a different environment, while enhancing the understanding and interoperability between the SAF and NZDF.
Longlook	An annual exchange programme between the NZDF and UK Armed Forces to promote interoperability and knowledge sharing.
Pacific Partnership	A multi-national exercise that consisted of humanitarian and civic assistance, civil military operations, disaster management and humanitarian assistance operations in Solomon Islands.
RIMPAC	A multinational exercises conducted by the US Third Fleet in Hawaiian waters to practice maritime operations (naval, air and amphibious operations). RIMPAC is the world's largest multi-national maritime exercise involving more than 20 countries.
ROKKIWI	Deploying with the P-3K2 for the first time, conducting ASW Trials and Development and Maritime Surveillance in the Republic of Korea.
Southern Katipo	A major multi-national and inter-agency exercise hosted by New Zealand in the South Island, which involved 10 nations and 2,200 personnel. This exercise practiced amphibious operation to develop the Joint Amphibious Task Force.
Suman Warrior	This exercise, held in Townsville, Australia was a command post exercise that enhanced interoperability amongst FPDA members.
Talisman Sabre	Talisman Sabre is a biennial training activity jointly sponsored by the Australian Defence Force (ADF) Joint Operations Command and the US Pacific Command to train the United States 7th Fleet and Australian Deployable Joint Headquarters staff members as a designated Combined Task Force.
Tempest Express	A joint NZDF/USPACOM hosted activity. This exercise provided a venue for a number of countries to exchange ideas and lessons learned when undertaking capital disaster planning and associated disaster support activities in the Southwest Pacific.
Triton Centenary	HMNZS <i>Te Mana</i> deployed to Australia to participate in Exercise Triton Centenary in conjunction with the Royal Australian Navy's International Fleet Review. The exercise period included a multi-national maritime security field training exercise as part of the 18-member nation ASEAN Defence Ministers Meeting Plus framework.
Western Pacific Naval Symposium Mine Counter Measures and Diving Exercise	A multi national exercise involving 14 nations and all elements of the Littoral Warfare Support Force, in addition to HMNZS <i>Canterbury</i> .





## OUR PEOPLE CAPABILITY

Our people are our greatest asset and most important capability.

Total personnel numbers have grown over the reporting period, with just over 300 more personnel compared to last year.

Regular Force attrition has fallen to 11.3% – and is considerably below the long-term attrition average of 14.8% (Jul 2003 - Jun 2014).

The increased funding for the NZDF, following the DMRR and Budget 2014, will enable the NZDF to increase the number of personnel in the Navy, Army and Air Force and allow the NZDF to more readily extend deployments in future.

Trade groups and ranks in the three Services that reduced during the one-off spike in attrition two-and-a-half years ago are now being restored. The training “pipelines” of the three Services are full, and they are vigorously recruiting laterally (i.e., from other Armed Forces).

Retention and re-enlistment efforts are being successful.

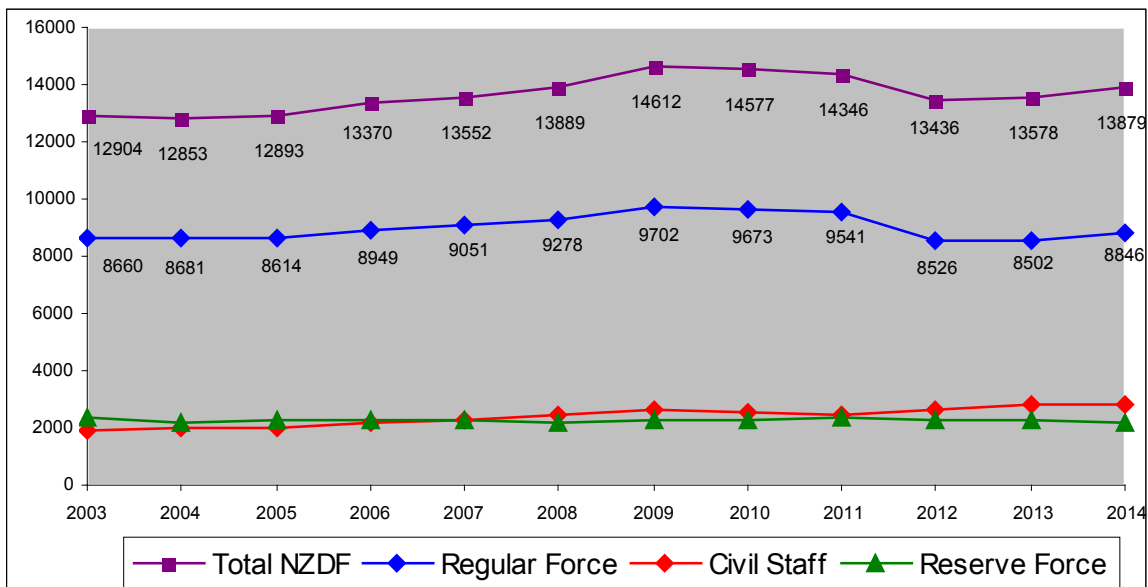
Morale, engagement, and military belonging have all increased over the past year. NZDF morale has trended upwards since early 2012.

## People Statistics (as at 30 June 2014)

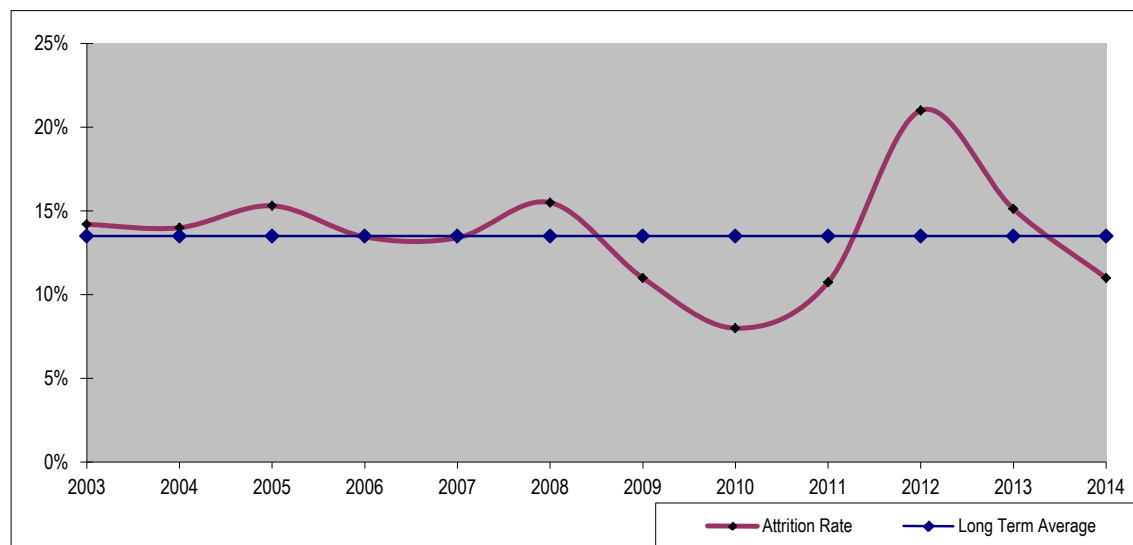
Total NZDF personnel by employment status

	Regular	Reserves	Total
<b>Navy</b>	2,050	392	2,442
<b>Army</b>	4,407	1,623	6,030
<b>Air Force</b>	2,389	204	2,593
<b>Civilian</b>			2,814
<b>Total</b>	<b>8,846</b>	<b>2,219</b>	<b>13,879</b>

## Personnel Trend Over Last 12 Years



## NZDF Regular Force Attrition by Year (12-month rolling average) Compared to 12-Year Average



### The Ongoing Attitude Survey

The NZDF Ongoing Attitude Survey continues to provide a valuable source of information to monitor organisational health and assists in the development of people policies. The survey is currently being reviewed as part of the wider NZDF research strategy to ensure that it continues to reflect best practice and meet the requirements of the NZDF.

## 85% of NZDF personnel rated their morale as satisfactory or better

(13% 'Excellent', 41% 'Good', and 30% 'Satisfactory')

Last quarter – 83%, same quarter 2013 – 80%.

## When asked about the morale in their workplace, 86% of respondents rated it as satisfactory or better

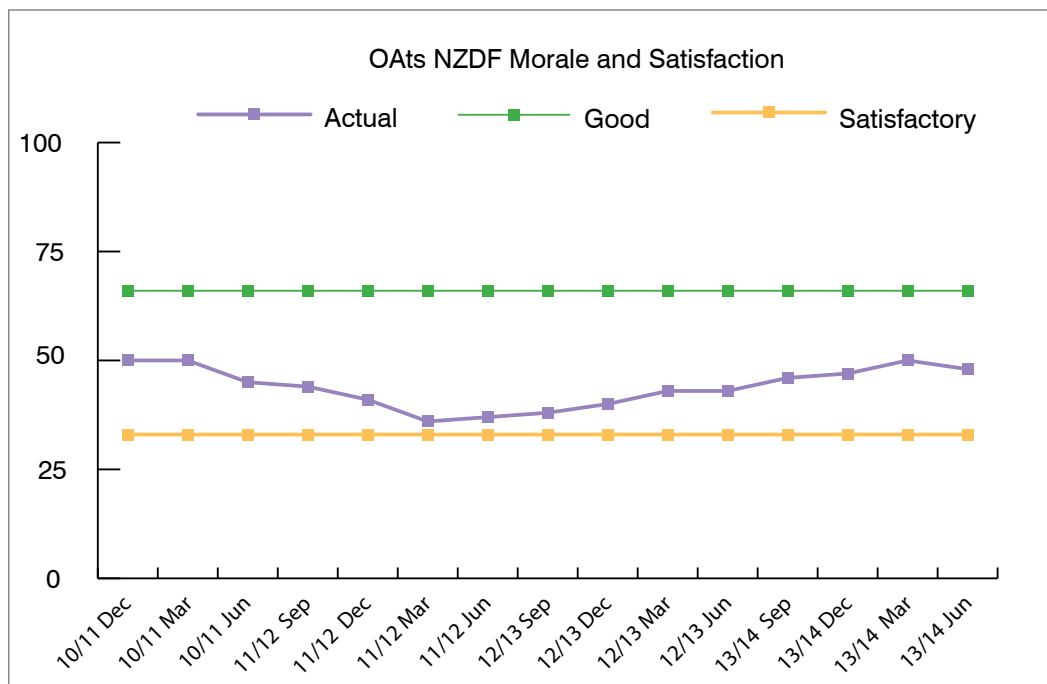
(7% 'Excellent', 39% 'Good', and 40% 'Satisfactory')

Last quarter – 82%, same quarter 2013 – 79%.

## 89% of respondents rated their overall satisfaction with their employment in the NZDF as satisfactory or better

(12% 'Excellent', 44% 'Good', and 33% 'Satisfactory')

Last quarter – 84%, same quarter 2013 – 81%.



## PREPARING FOR FUTURE CONTINGENCIES

During the reporting year, good progress was made on progressively introducing into service new and refurbished capabilities. These included upgraded P3-K2, C-130 H aircraft, and upgraded Seasprite helicopters, new medium and light helicopters and training aircraft, army trucks, and an upgrade of ANZAC frigate systems and Light Armoured Vehicles.

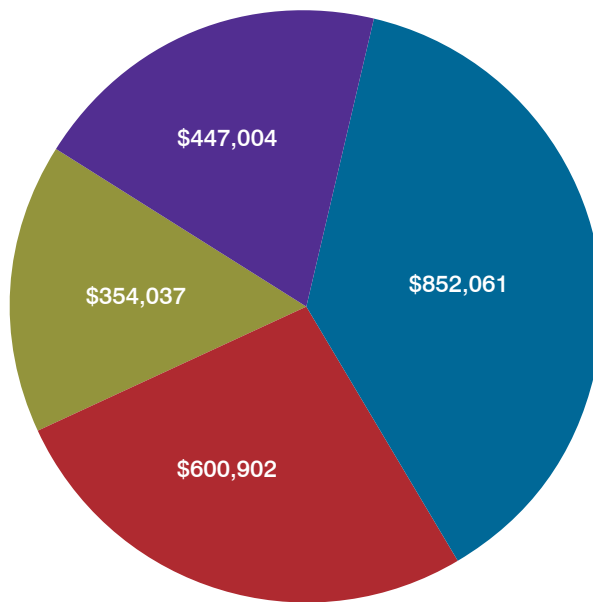
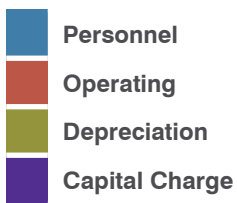
## OUR FINANCIAL RESOURCES

NZDF expenditure for the year ended 30 June 2014 was \$2.254 billion, exclusive of GST. Of this total, \$447 million (20%) was returned to the crown as capital charge for the use of defence assets.

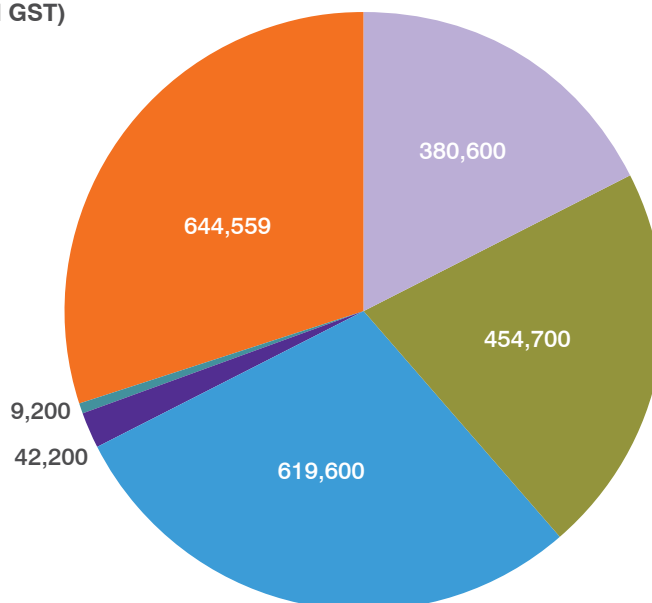
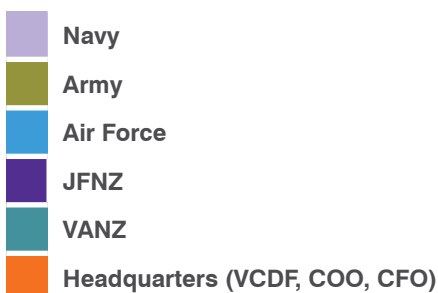
A graphical summary of expenditure by function and service is shown below.

The full financial statements and notes are shown in Part 3 of this report.

**Expenditure by Cost Category (\$000 excl GST)**



**Expenditure by Service/Function (\$000 excl GST)**



## 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 living within its baselines through the four-year planning process and a culture of continuous improvement.

The NZDF has undergone a period of significant change and has focused on moving resources from non-deployable to deployable areas of the NZDF. Progress made on the Savings and Redistribution Programme has resulted in \$220 million reinvested in frontline capabilities. The objective 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.

To assist with achieving this objective, the Defence Mid-Point Rebalancing Review (DMRR) was commissioned by Ministers to develop a robust long-term funding plan. This resulted in the Government agreeing to invest \$100.9 million in 2014/15, which is the first stage of an allocation of \$535.5 million in operating funding for the NZDF over the next four years.

Following on from the DMRR, the NZDF's output classes were restructured to better reflect the preparation of forces for military operations and support to other agencies.

The restructured outputs, which take effect from 1 July 2014, do not change the role or tasks of the NZDF or the appropriation for Vote Defence Force.



## CASE STUDY – DEFENCE MID-POINT REBALANCING REVIEW (DMRR)

### Aim

- The Defence White Paper 2010 identified defence capability requirements through to 2030. The DMRR was commissioned by the Government to cost these requirements and provide advice on how to achieve a balance between policy objectives, capability and cost.
- The aim of the DMRR was to identify and present to Ministers options to address the imbalance, and achieve an enduring balance, between the Government's defence policy, consequential military capability requirements, and the funding of the NZDF.

### Process

- The DMRR, a joint Defence Force and Ministry of Defence project, represented a unique way of considering military capability. The Review Team developed a structure of towers and tiles, with each tower constituting a capability area, and the tiles representing a specific level of capability.
- Using a technique called Multi-Criteria Decision Analysis, a total of 220 tiles were scored against five, policy-based criteria, and the criteria weighted relative to each other.
- This allowed the entire Defence portfolio to be broken into small manageable parts which could be compared and ranked. Finally, workshops looked at each funding track, applying policy and military judgment to deliver the most coherent Defence Force in terms of value-for-money. Support functions were then sized for that level of military capability.
- The DMRR gave Ministers choice between the breadth of military capability to be retained by the NZDF and its funding parameters. It addressed the risk currently carried in the NZDF's budget, providing certainty to Government that the forecast investment in military capability was affordable out to 2029/30 and that its policy could be met.

### Result

- The DMRR was a combined effort by the NZDF, MoD, Treasury and DPMC. It has been identified as a model process for understanding costs across the public service.
- As a result, the Government agreed to a sustainable long-term funding approach for the NZDF out to 2030. In Budget 2014, the Government announced an investment of \$100.9 million in 2014/15 as the first stage of an allocation of \$535.5 million in operating funding for the NZDF over the next four years.
- The new funding will enable the NZDF to maintain and improve its current mix of capabilities, and sustain and grow personnel numbers over time. It also allows the Government to continue to modernise and upgrade the NZDF's capability to protect and advance New Zealand's interests at home, in the South Pacific and globally.
- The funding certainty through to 2030 provided by the Government has allowed Defence to increasingly treat New Zealand's defence capability with portfolio disciplines. Maturing these is a work in progress for Defence, but the transparency it offers for Defence and Ministers has been warmly welcomed.

## PERFORMANCE IMPROVEMENT FRAMEWORK

No performance improvement framework reviews were carried out during the reporting year for the NZDF. A performance improvement framework review assessment is planned for 2015.

## PUBLIC PERCEPTIONS OF THE NZDF

The Defence Force continues to ensure Parliament, the public, the media and other interest parties understand our role, what we do and why we do it. The results of an independent public opinion poll conducted on our behalf show that New Zealanders continue to be favourable towards the NZDF.

Defence Force and the Armed Services reputation ratings, confidence and relevance remain high overall. The Defence Force and Armed Services remain viewed as dedicated, professional, trustworthy, intelligent and passionate.



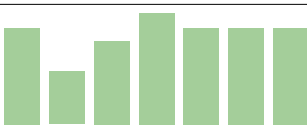

In February 2014, the Hague-based Centre for Strategic Studies rated the NZDF as the world's most inclusive military organisation for lesbian, gay, bisexual, transgender and intersex personnel.

## SUPPORT TO DEPARTMENTS AND AGENCIES

Each year, the NZDF seeks feedback from departments and agencies on the support the NZDF has provided. This support is a significant deliverable for the NZDF. The support is a joint, multi-agency activity and typically involves operations concerning New Zealand's EEZ/maritime environment and New Zealand's territory, including border patrol.

The table below summarises this feedback for the 2013/14 reporting year and shows that, overall, NZDF's support is highly valued. More detail is provided in Part 2.

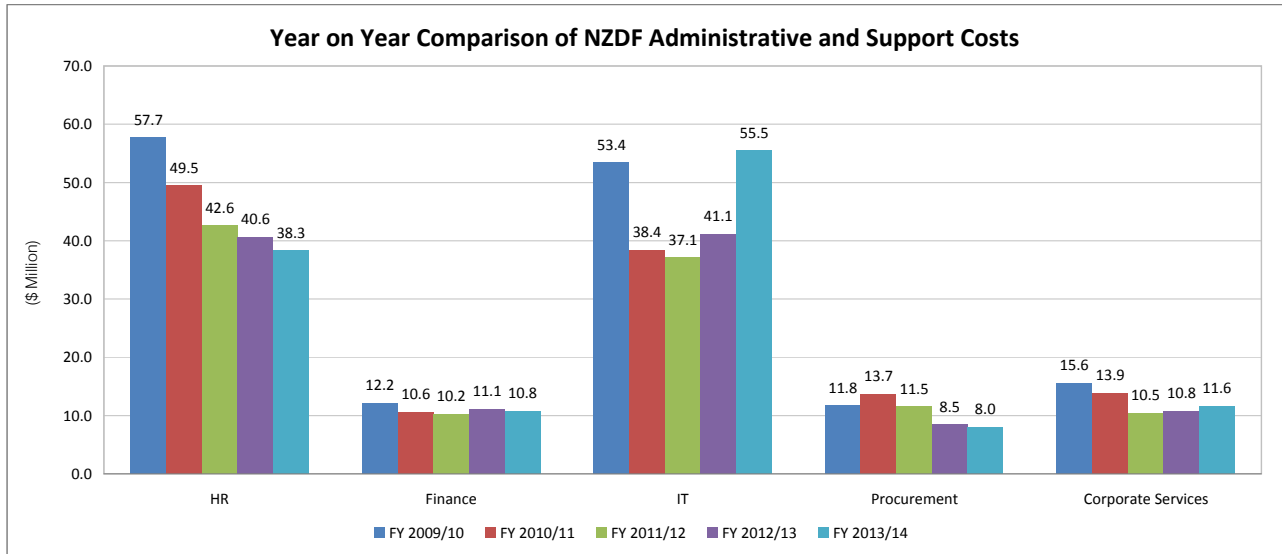
## AGENCY FEEDBACK

<b>Performance against Expectations</b>	Exceeded Expectations		<b>Six of seven agencies indicated NZDF performance Met or Exceeded Expectations</b>
	Below Expectations		
<b>NZDF Timelines</b>	Strongly Agree		<b>All seven agencies agreed the NZDF delivery was Timely</b>
	Strongly Disagree		
<b>NZDF Effectiveness</b>	Strongly Agree		<b>Six of seven agencies agreed the NZDF delivery was Effective</b>
	Strongly Disagree		
<b>NZDF Responsiveness</b>	Strongly Agree		<b>All seven agencies agreed the NZDF was responsive to their Needs</b>
	Strongly Disagree		
<b>Dealing with NZDF</b>	Strongly Agree		<b>Five of seven agencies strongly agree NZDF was easy to deal with</b>
	Strongly Disagree		
<b>Overall Satisfaction</b>	Strongly Agree		<b>All seven agencies were satisfied or very satisfied with overall NZDF performance</b>
	Strongly Disagree		

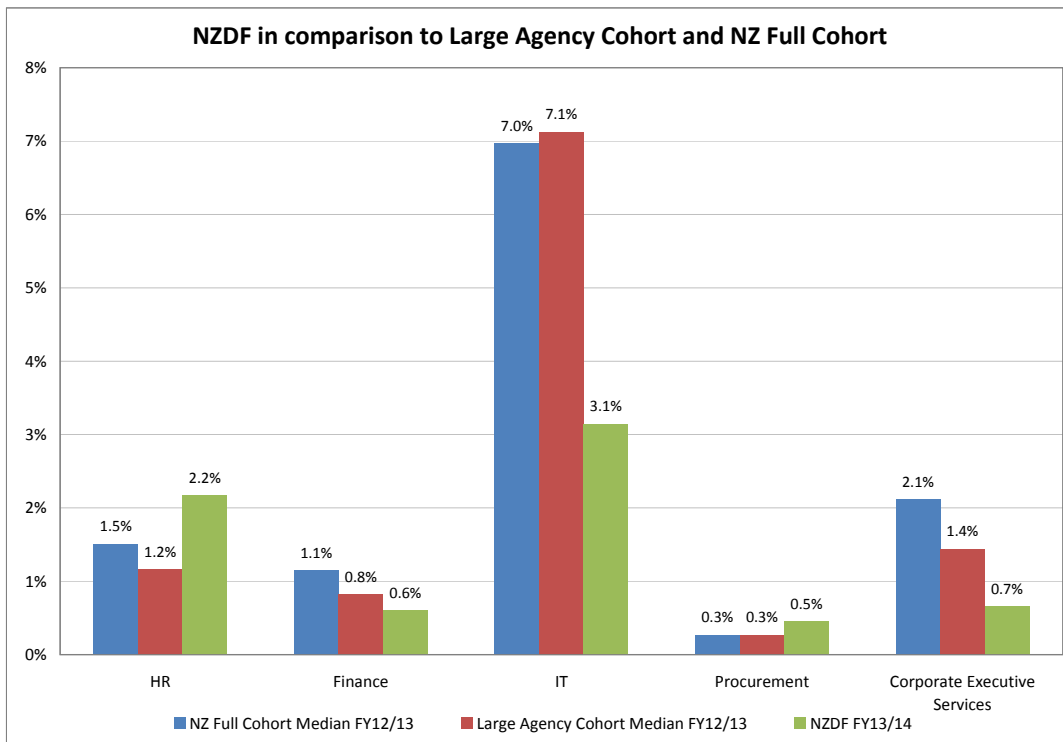
## BETTER ADMINISTRATIVE SUPPORT SERVICES

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. The first graph below shows that NZDF administrative and support (A&S) costs, overall, have generally fallen from 2009/10 to 2013/14. The second graph shows that, in general, NZDF A&S costs compare favourably with other organisations' costs for 2013/14.

### Comparison of NZDF Administrative and Support Costs FY 2009/10 – 2013/14



### Comparison of NZDF Administrative and Support Costs to NZ Peer and Cohort Groups – FY 2013/14





# OUTCOME AND STRATEGIC PERFORMANCE

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:

- 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.

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 Defence 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 Statement of Service Performance). A full discussion of the principal tasks can be found at Chapter 4 of the Defence White Paper 2010.

## Defence Outcomes

In pursuing New Zealand's security interests, the Defence Force expresses defence policy objectives in terms of Defence Outcomes<sup>2</sup>. While the Defence Force is constitutionally the sole provider of military forces, it is not the sole contributor to Defence Outcomes. The Ministry of Defence (MoD), Ministry of Foreign Affairs and Trade (MFAT), New Zealand Customs Service, New Zealand Police, and other departments and agencies also contribute to the outcomes.

From 1 July 2014, the Defence Force transitioned from an input and activities-based outcomes framework towards an emphasis on reporting on impacts (or effects) and outcomes. A new output framework will further refine the outcome framework to better align with the Government's National Security Interests.

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 quantifiable measures for its higher level outcomes. These were included in the 2013 – 2016 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 completed a review of its output structure in conjunction with the Ministry of Defence and central agencies. The new output structure provides 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 changed from 1 July 2014 and will be formally reported on in the NZDF Annual Report for the year ended 30 June 2015.

<sup>2</sup> The word 'outcome' means a state or condition of society, the economy, or the environment, and includes a change in that state or condition.

## **Outcome Framework**

This section reports progress against the NZDF's outcome framework (as included in the 2013-2016 Statement of Intent), as shown in the diagram below.

## **Defence Force Strategy**

Future 35 (F35) is the strategy that describes how the Defence Force will meet the defence and security needs of New Zealand out to 2035. F35 has three overarching themes:

2015: Joint Amphibious Task Force

2020: Enhanced Combat Capability

2035: The Integrated Defence Force

# NZDF OUTCOME FRAMEWORK

## 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 sovereignty 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

### DEFENCE OUTCOMES

A secure New Zealand, including its people, land, territorial waters, EEZ, natural resources, 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

### DEFENCE IMPACTS

The New Zealand Government is aware of events and developments in contiguous zone, exclusive zone or approaching the coastline	The New Zealand Government's decision-making processes are informed by the interests of foreign defence interest	Increased opportunities for New Zealanders and increased awareness of New Zealand's rich military heritage	All-of-government efforts to secure the safety of New Zealand citizens are enhanced	Risks to our interests abroad are mitigated	The resilience of New Zealand's offshore interests is enhanced and regional nations have improved levels of social and environmental wellbeing	New Zealand strong and reliable defence partner	The New Zealand Government has credible military response options to respond to future contingencies
Foreseeable military threats to New Zealand's sovereign territory are able to be deterred or neutralised	Civil authorities are better able to maintain law and order and public safety, save lives, prevent human suffering or mitigate property damage in the event of natural and unauthorised activities in and about New Zealand's maritime domain	Conflict-affected States have a greater chance of reducing instability and restoring peace and other irregular activity	Military threats to regional nations, especially those territories for which New Zealand has constitutional obligations (Cook Islands, Tokelau) are able to be deterred	Rules-based international order can be maintained and conflict resolved or prevented by New Zealand's constructive role in promoting global stability			

### VANZ OUTCOMES

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 Working in partnership with the NZDF, the impact of service on eligible veterans and their dependants is monitored and they have information about, and access to, services and support to promote wellbeing The veterans' perspective is considered as part of government decision-making on issues that impact on their lives

### VANZ IMPACTS

Providing veterans with support to enable them to participate in the commemoration of significant events related to their service	In partnership with the Defence Force, effectively coordinating the New Zealand Government's participation in key commemorations	Providing support to Cemetery Authorities to ensure that Services Cemeteries are maintained in perpetuity	Providing accurate information to veterans	Improving service delivery	Provision of quality, evidence-based advice on veterans' issues	Collection of quality data on the veteran population that can be used to inform policy
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### DEFENCE PRINCIPAL TASKS

New Zealand's sovereignty defended	Contributes to, and where necessary, lead peace and security operations in the South Pacific	Contributes 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 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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## DEFENCE 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, Administration Services, Services and Payments to Veterans)

# CONTRIBUTIONS MADE TO ACHIEVEMENT OF OUTCOMES

## OUTCOME 1: SECURE NEW ZEALAND, INCLUDING ITS PEOPLE, LAND, TERRITORIAL WATERS, EXCLUSIVE ECONOMIC ZONE, NATURAL RESOURCES AND CRITICAL INFRASTRUCTURE

Impacts/Effects	Results
<p>The New Zealand Government is aware of events and developments in New Zealand's territorial waters, contiguous zone, exclusive zone or approaching the coastline.</p>	<p>Assets and crew (primarily Orion aircraft and Naval Patrol vessels) assisted the National Maritime Coordination Centre to achieve maritime domain awareness through planned patrols and short-notice response tasks, including Tapestry (NZ EEZ), Mawsoni (Southern Ocean) and NORPAT (South Pacific) patrols. The NZDF also provided to the Ministry of Foreign Affairs and Trade (MFAT) surveillance patrols in the South Pacific under the Forum Fishery Agency and in the sub-Antarctic region under the Commission for the Conservation of Antarctic Living Resources (CCAMLR).</p> <p>HMNZS <i>Otago</i> conducted surveillance and deterrence operations in the Southern Ocean.</p> <p>Information on maritime traffic was passed to NMCC.</p>
<p>Foreseeable military threats to New Zealand's sovereignty are able to be deterred or neutralised</p>	<p>For this effect, the NZDF uses the Ministry of Defence's assessment of current security and likely changes. There have been no material changes to New Zealand's security outlook during the period of this report.</p> <p>The security outlook for New Zealand and its EEZ is 'very low' with a 'stable' outlook.</p> <p>A direct security threat to New Zealand and our EEZ remains unlikely.</p> <p>(Source: Ministry of Defence Annual Report for the year ended 30 June 2014).</p> <p>Appropriate force elements were available at various degrees of notice and directed levels of preparedness to respond to likely threats within New Zealand and its territories.</p> <p>Support was also provided to Antarctica New Zealand. (See section on support provided to the Government and community).</p>

Impacts/Effects	Results
<p>The New Zealand Government's decision-making processes are well-informed on matters of foreign defence interest.</p>	<p>Submissions to Cabinet, reports and briefing papers to Ministers (in conjunction with the Ministry of Defence) were provided as required.</p> <p>Contributions were provided to National Assessments Committee Reports, liaison was provided to intelligence groups, and military threat assessments and other reports were provided as required in relation to military operations.</p> <p>In conjunction with the Ministry of Defence, the provision of operational policy advice and threat assessments on operational deployments, when required.</p> <p>The NZDF and Ministry of Defence (collectively "Defence") works closely with other agencies, including the Ministry of Foreign Affairs and Trade, the Department of the Prime Minister and Cabinet and the New Zealand Police to deliver the Government's outcomes in the national security sector.</p> <p>A major project undertaken by Defence for Ministers during the reporting period was the Defence Mid-Point Rebalancing Review.</p> <p>The Officials Committee for Domestic and External Security Coordination (ODESC) provides leadership and coordination of all-of-government responses to national security issues at departmental level. Both the Chief of Defence Force and Secretary of Defence are members of ODESC. ODESC considers major defence issues before advice is submitted to Ministers.</p>
<p>All-of-government efforts to secure the safety of New Zealand citizens offshore are enhanced.</p>	<p>During the reporting period, the NZDF maintained air, land and maritime capabilities at short notice to assist civil authorities when required. (See table of NZDF elements available for Emergency Tasks).</p>
<p>Civil authorities are better able to fulfil their mandated national security responsibilities to maintain law and order and public safety, save lives, prevent human suffering or mitigate property damage.</p>	
<p>Increased opportunities for New Zealanders and increased awareness of New Zealand's rich military heritage.</p>	<p>25 courses conducted for NZCF officers and 33 courses conducted for NZCF cadets.</p> <p>18 Limited Service Volunteer courses provided, and an average of 20 Service Academies, and four Military-Style Camps supported.</p> <p>The NZDF provides routine support (for example, air and land transport, specialist training, and ceremonial support) to other government departments and agencies.</p> <p>Support provided to Navy, Army and Air Force Museums. (See Output Class 15.3 (Support to Service Military Museums) for details).</p> <p>The NZDF assisted in the planning and conduct of significant overseas military commemorations.</p>

### CASE STUDY – SOUTHERN KATIPO 13

Exercise Southern Katipo 13 was a medium-scale joint exercise held in South *Canterbury* in October and November 2013. The exercise formed part of the progressive development of the NZDF’s Joint Amphibious Task Force (JATF) capability, initiated with Exercise Southern Katipo 11. The exercise included the insertion of the Combined Joint Task Force (CJTF) by both air and sea, and demonstrated and evaluated the NZDF’s Joint Amphibious Task Force capability. In so doing, it validated the integration of elements of the Royal New Zealand Navy, the New Zealand Army and Royal New Zealand Air Force and a number of foreign participants as a step towards achieving Future 35.

What the NZDF sought to achieve	What action was taken	What was the result
<p>To exercise a Combined Joint Task Force (CJTF) in limited joint warfighting, facilitated by amphibious operations.</p>	<ul style="list-style-type: none"> <li>• Well in advance, a small exercise planning cell was established at HQ JFNZ.</li> <li>• Elements of 1 NZSAS Regt and the Literal Warfare Support Force conducted a range of advanced force operations.</li> <li>• Elements of the Enhanced Infantry Capability conducted amphibious landing.</li> <li>• Remainder of CJTF was deployed by a combination of air and naval platforms into South <i>Canterbury</i>.</li> <li>• Stability operations campaign by CJTF against notional enemy Bekarans.</li> <li>• Non-Combatant Evacuation Operation successfully conducted from Invercargill with the use of both Air and maritime assets.</li> <li>• Elements of JATF capability were demonstrated and refined.</li> <li>• Foreign forces were integrated into exercise, including five transport aircraft, Australian and U.S. infantry capabilities, and the French frigate Prarial.</li> </ul>	<ul style="list-style-type: none"> <li>• CJTF exercised in limited joint warfighting, tested and evaluated Joint Amphibious Task Force capability.</li> <li>• Demonstrated limited Enhanced Infantry Capability amphibious competence.</li> <li>• Successfully deployed approximately 1,850+ personnel as part of the CJTF.</li> <li>• Successfully commanded three land task groups in a NZ-led coalition, incorporating recent allied experience in stability operations.</li> <li>• RNZAF moved 476,330 kg of cargo and 1,235 personnel as part of Ex SK 13 and the associated EX Kiwi Flag 13.</li> <li>• Strengthened ties with allies and partners (of note: the United States, Australia, France, Tonga, PNG, and Canada).</li> <li>• Identified opportunities for focus during Ex SK 15 to further progress Joint Amphibious Task Force capability development.</li> </ul>

## OUTCOME 2: REDUCED RISKS FROM REGIONAL AND GLOBAL INSECURITY

Impacts/Effects	Results
<p>Conflict-affected States have a greater chance of reducing instability resulting from breakdowns in law and order, insurgency and other irregular activity.</p>	<p>The NZDF was ready (at the New Zealand Government's direction) to deploy force elements to assist States in reducing instability resulting from breakdowns in law and order, insurgency and other irregular activity.</p> <p>The NZDF provided assistance to Afghanistan, Timor-Leste and Solomon Islands, as well as other peace support missions. (See Output Expense 16).</p>
<p>Risks to New Zealand's interests abroad are mitigated.</p>	<p>To protect New Zealand's trade and economic interests and demonstrate a commitment to global security, the NZDF contributed to anti-piracy patrols with the deployment of HMNZS <i>Te Mana</i> to the Gulf of Aden for three months from November 2013. The NZDF also deployed staff officers for command appointments and a P-3K2 Orion maritime patrol aircraft to the Gulf during 2014.</p>
<p>Military threats to regional nations, especially those territories for which New Zealand has constitutional obligations (Cook Islands, Niue, and Tokelau) are able to be deterred.</p>	<p>The NZDF has maintained forces that are able to deter military threats to regional nations and respond to likely low-level threats within the region, either independently, or with the Australian Defence Force.</p> <p>The NZDF also maintained forces to contribute to collective international peace and security and the international rule of law.</p> <p>Refer to Statement of Service Performance for preparedness states of force elements.</p>

**CASE STUDY: HMNZS *Te Mana* DEPLOYMENT TO GULF OF ADEN FOR COUNTER-PIRACY OPERATIONS (OP TIKI VI)**

<b>What the NZDF sought to achieve</b>	<b>What action was taken</b>	<b>What was the result</b>
<p>To effectively support Coalition Maritime Forces (CMF), European Union and NATO operations, and NZDF initiatives in the region from Nov 13 to Jun 14, in order to contribute to Counter-Piracy efforts in the Indian Ocean and the Gulfs of Oman and Aden.</p>	<ul style="list-style-type: none"> <li>• HMNZS <i>Te Mana</i> with a compliment of 179 personnel on board and HQ staff augmentees deployed in support of Operation TIKI VI.</li> <li>• Enhancement of Operation TROY's ability to support Operation TIKI VI through the deployment of specialist RNZN logistic staff as a National Support Element.</li> <li>• Employment of ship borne helicopter providing coastal Intelligence, Surveillance and Reconnaissance (ISR).</li> <li>• Personnel rotations were conducted mid-deployment to ensure the training value of coalition operations would be maximised.</li> <li>• RNZAF B757 logistics support through Mumbai and Seychelles for <i>Te Mana</i> personnel rotation.</li> <li>• Port visits in support of defence diplomacy requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• HMNZS <i>Te Mana</i>, supported NZ's national interest in countering the threat from piracy and terrorism as highlighted in the 2010 Defence White Paper.</li> <li>• Whilst in the Area of Operations, <i>Te Mana</i> patrolled in excess of 22,500 nm.</li> <li>• Patrolled under direct support to two multi national Combined Task Forces.</li> <li>• Interacted with 94 vessels (dhows, whalers, and skiffs) manned by Somali, Indian, Iranian and Yemeni nationals.</li> <li>• <i>Te Mana</i>'s organic helicopter flew 116.3 hours conducting ISR in support of Counter Piracy operations in the region. Good visual imagery was able to be recorded, with a usable ISR product sent to Commander CTF 151. Products provided by <i>Te Mana</i> received high praise by CMF intelligence staff and Commanders.</li> <li>• Strengthening of ties between multi-national coalition forces.</li> <li>• Forced rotation of personnel enhanced training and regeneration whilst preserving operational capability.</li> <li>• In support of Defence Diplomacy, <i>Te Mana</i> co-hosted three official receptions with High Commissioners and Embassies to help further NZ's reputation in the region and pave the way for increased military engagement, trade, and inter-governmental co-operation.</li> </ul>



**CASE STUDY: OP TYPHOON HAIYAN – HUMANITARIAN ASSISTANCE AND DISASTER RELIEF (HADR) SUPPORT TO PHILIPPINES**

<b>What the NZDF sought to achieve</b>	<b>What action was taken</b>	<b>What was the result</b>
<p>To provide air logistic support to the Government of Philippines as part of the New Zealand contribution to Humanitarian Assistance and Disaster Relief support coordinated by the Ministry of Foreign Affairs and Trade during November 2013.</p>	<ul style="list-style-type: none"> <li>• The deployment of a C-130 and 26 personnel consisting of aircrew and maintenance personnel from No. 40 Squadron and a dedicated air loading team from No. 209 Squadron.</li> <li>• The transport of aid from NZ to the Philippines via B757 and C-130 aircraft.</li> <li>• Integration of the C-130 into the International Air Logistics Relief effort based out of Cebu Airfield.</li> <li>• Direct support from the Defence Attaché into both the NZ High Commission and the higher level HQ in Manila.</li> </ul>	<ul style="list-style-type: none"> <li>• 32.7 flying hours flown within Philippines between 16-29 November 2013.</li> <li>• 746,709lb of humanitarian aid carried to the worst affected areas of Tacloban, Guiuan, Ormoc and Roxas.</li> <li>• 1,226 displaced persons evacuated to Cebu.</li> <li>• NZDF advanced NZ's national interest by demonstrating resolve to provide humanitarian assistance to our regional partners and maintain the trust of Pacific Island states, as highlighted in the 2010 Defence White Paper.</li> <li>• Highly visible contribution to relief efforts in New Zealand, Philippines and international media throughout.</li> <li>• Meeting the New Zealand Government's key national security interest in building a network of strong international linkages and meeting the 2010 Defence White Paper aims, through reaffirming the close ties between New Zealand and the Philippines.</li> </ul>

**OUTCOME 3: NEW ZEALAND VALUES AND INTERESTS ADVANCED THROUGH PARTICIPATION IN REGIONAL AND INTERNATIONAL SECURITY CONCERNS**

Impacts/Effects	Results
Enhancing the resilience of New Zealand's offshore interests and assisting regional nations to achieve improved levels of social and environmental wellbeing.	<p>The NZDF actively engages in the Southwest Pacific with the MAP programme, exercises and support provided to natural disasters (Tonga cyclone, Solomon Islands flooding, Philippines typhoon and protection of EEZs).</p> <p>The NZDF collaborated closely with Australia, France and the United States in order to build capacity within the region.</p> <p>The NZDF maintained engagement in Southeast Asia through ongoing relations with Five Power Defence Arrangements (FPDA) partners, Singapore and Malaysia.</p>
Assisting in the maintenance of a rules-based international order and contributing to the prevention or resolution of conflict by New Zealand's constructive role in promoting global stability.	<p>The NZDF maintained appropriate capabilities to contribute to likely United Nations and other appropriate multilateral peace support and humanitarian relief operations. See Output Expense 16 for missions supported during the reporting year.</p>
New Zealand continues to be seen as a strong and reliable defence partner.	<p>The NZDF worked with the MoD to develop an international engagement strategy that will support enhanced alignment of engagement, ranging from participation in military-to-military dialogues, exercises, and participation in international peace operations.</p> <p>The NZDF supported New Zealand's defence interests with Australia and the United States with active engagement in the Southwest Pacific to build capacity in addressing regional security issues.</p> <p>The NZDF maintained engagement in Southeast Asia through ongoing activities with FPDA, and support to the ASEAN Defence Minister's Meeting Plus, in particular to the various working groups. In April 2014, Defence relinquished the co-chair of the Peacekeeping Operations Experts' Working Group with the Philippines and assumed the co-chair of the Maritime Security Experts' Working Group with Brunei.</p> <p>The NZDF's relationship with the China's People's Liberation Army has continued to evolve, including the hosting of Exercise Phoenix Spirit which included China, Australia and the United States.</p> <p>The NZDF supported New Zealand's commitment to NATO ISAF.</p> <p>The NZDF maintained a network of defence linkages that contribute to regional and international peace and security; ranging from the assignment of defence advisers/attachés, senior officer visits, exchange postings, through to formal military-to-military talks, and participation in bilateral and multilateral exercises.</p> <p>The NZDF participated in standing arrangements, including the 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).</p>

**OUTCOME 4: NEW ZEALAND ABLE TO MEET FUTURE NATIONAL SECURITY CHALLENGES**

Impacts/Effects	Results
The New Zealand Government has credible military response options to respond to future contingencies.	<p>The NZDF and MoD use a variety of strategic planning tools to assess future capability requirements to ensure the Government has credible military response options to respond to future contingencies.</p> <p>During the reporting year, these tools were used to support the development of the National Security and Resilience Plan, the Defence Assessment 2014, and the Defence Mid-point Rebalancing Review (DMRR). Following completion of the DMRR, the Defence Capital Plan was updated to meet Government requirements. The NZDF continued to second personnel to the MoD to work on major capability projects.</p> <p>The NZDF also restructured its output classes to better reflect the preparation of forces for military operations and support to other agencies. The restructured output classes were subsequently approved by Cabinet.</p>

# STRATEGIC PERFORMANCE

Perspective	Objectives	Results
To deliver the expectations of the people of New Zealand	Relevant and sustainable joint force elements able to conduct operations and prepared for contingencies	The period ended with around 80 NZDF personnel contributing overseas to United Nations and multinational peace support activities. In addition, personnel were involved in security-related operations and exercises. HMNZS Te Mana also completed anti-piracy patrols off the Somali coast and the Gulf of Aden during the period. This was the third of five planned contributions to Combined Maritime Forces Maritime Security Operations under the collective Operation Tiki banner. No issues were apparent in the ability to sustain the current operational deployments and good progress was made on preparations for the deployment of a P-3K2 Orion maritime patrol aircraft and crew to the Gulf in August 2014.
	Evolving military capability to meet future threats	Based on force element availability and preparedness, the NZDF can provide the Government with contributions to meet Output Plan requirements. Some responses to high-end, but less likely, events are constrained by the ability to provide additional rotations of personnel and a number of equipment sustainment challenges.
	Excellent organisational performance supporting NZDF operations	During the year, the Human Resource Management Information System project successfully implemented a new SAP-based payroll and leave system.
	Train for operating in a Joint, Inter-agency and Multinational (JIM) environment	During the year, work continued on developing a Joint Amphibious Task Force (JATF) that will integrate current single Service strengths and be capable of conducting a wide range of tasks expected in the Southwest Pacific. A major milestone was the successful completion of Exercise Southern Katipo 13, which tested the capability of the NZDF to mount a medium-scale amphibious operation that involved maritime, land and air assets. Army continued to embed the land component of the Deployable Joint Task Force Headquarters.
	Integrate the NZDF	The Joint Enablers programme is reviewing the potential for enabling functions to become more 'joined up' to achieve synergies in training, to increase the depth within capabilities, and to improve the ability for personnel to work with other Services and support functions. This includes a Joint Officer Induction Course, a Joint Policing Unit, Joint Intelligence Program and a more integrated delivery of health across the NZDF.
We will undertake to	Apply foresight to capability development	The Defence Capability Plan was updated to meet Government requirements. Work also commenced, with the Ministry of Defence, on the next Defence Assessment.
	Invest in NZDF capability	The Defence Mid-point Resourcing Review was completed, which resulted in additional future funding for the NZDF.
	Enable the NZDF to win on operations	During the year, a number of Defence Excellence initiatives were introduced, including Lean Six Sigma training, value stream mapping and performance improvement.
Through our people	Recruit and retain the right people	Morale has continued to trend upwards since early 2012. Eighty five per cent of respondents now rate their overall satisfaction with their employment in the NZDF as 'satisfactory', 'good' or 'excellent' – up from 78% during the same period a year ago. Similar positive trends are evident in employee engagement and intent to leave. When compared with the same time last year, there have been improvements in the perception that pay and benefits are fair for the work done and perceptions of change, senior leadership and organisational success. The Services continue to work to improve the numbers in priority trades through focused career management, rebalancing outputs and targeted re-enlistment.
Supported by our equipment	Equip our forces	Good progress continued to be made towards introducing new and upgraded capabilities, including the signing of the Pilot Training Capability contract. Contracts were also awarded for the purchase of eight SH-2G(I) Seasprite helicopters, a new battle training facility for the NZSAS and a combat systems upgrade of the Navy's frigates.
and infrastructure	Optimise our infrastructure	During the year, the NZDF continued to develop the NZDF housing strategy, management of the Defence Estate and Camp and Base Strategic Development Plans.

# PART TWO - 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.

<b>EC 1 - Security Challenges and Defence Tasks in New Zealand and its Environs:</b>	
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.
<b>EC 2 - Security Challenges to New Zealand's Interests in the South Pacific:</b>	
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.
<b>EC 3 - Challenges to New Zealand and Australia Common Security Interests:</b>	
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.
<b>EC 4 - Security Challenges to New Zealand's Interests in the Asia-Pacific Region:</b>	
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.
<b>EC 5 - Security Challenges to New Zealand's Interests in Global Peace and Security:</b>	
EC 5A	Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation.
EC 5B	Unresolved conflict or conflict resolution process where protagonists have sought third party resolution assistance.
EC 5C	State failure or fragility leading to internal conflict and/or humanitarian crisis.
EC 5D	Terrorist Threats. (The War against Terrorism)
EC 5E	WMD proliferation.
EC 5F	Contravention of international norms that triggers a multi-national response.
EC 5G	Major breakdown in international security leading to wide-scale war.

Note: The 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). 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.

# MILITARY CAPABILITY

As noted previously, the annual outputs of the NZDF fall into three main categories:

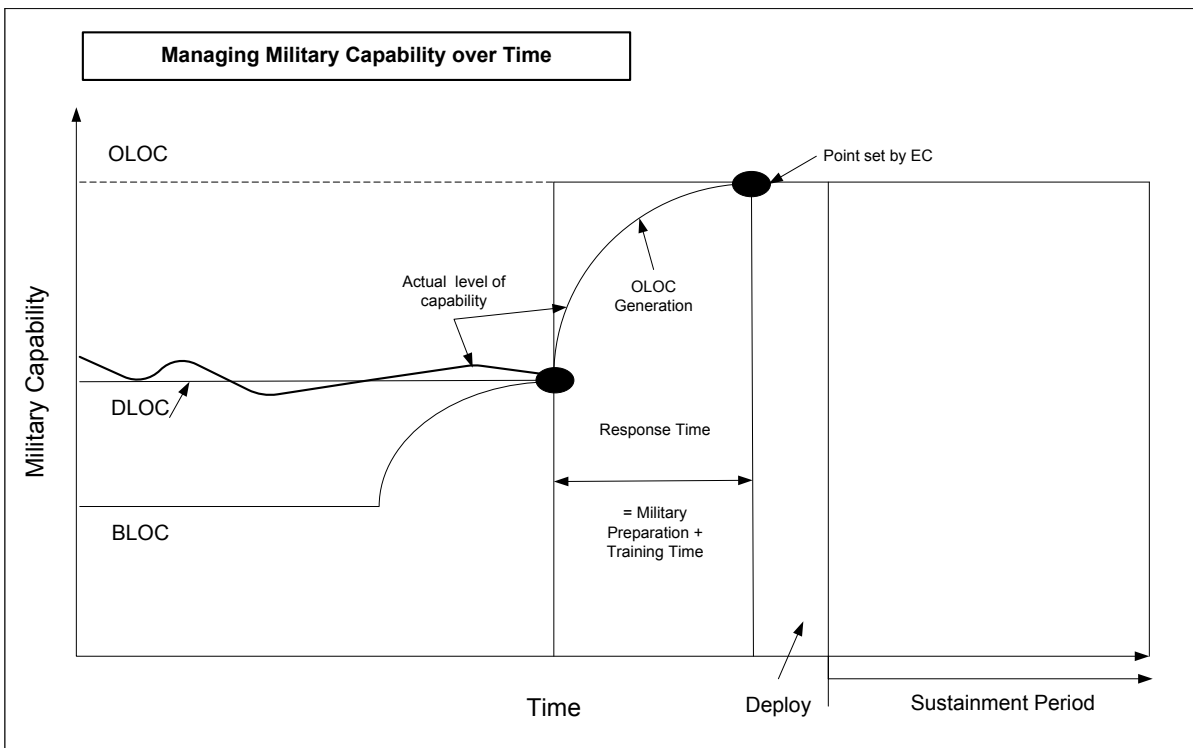
- sustaining currently approved operational missions;
- performing predictable or routine tasks, such as providing policy advice, completing multi-agency operations and tasks, including response to emergency situations, and community support; and
- maintaining the required level of military capability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

The figure below shows the relationship between DLOC and OLOC.

## 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

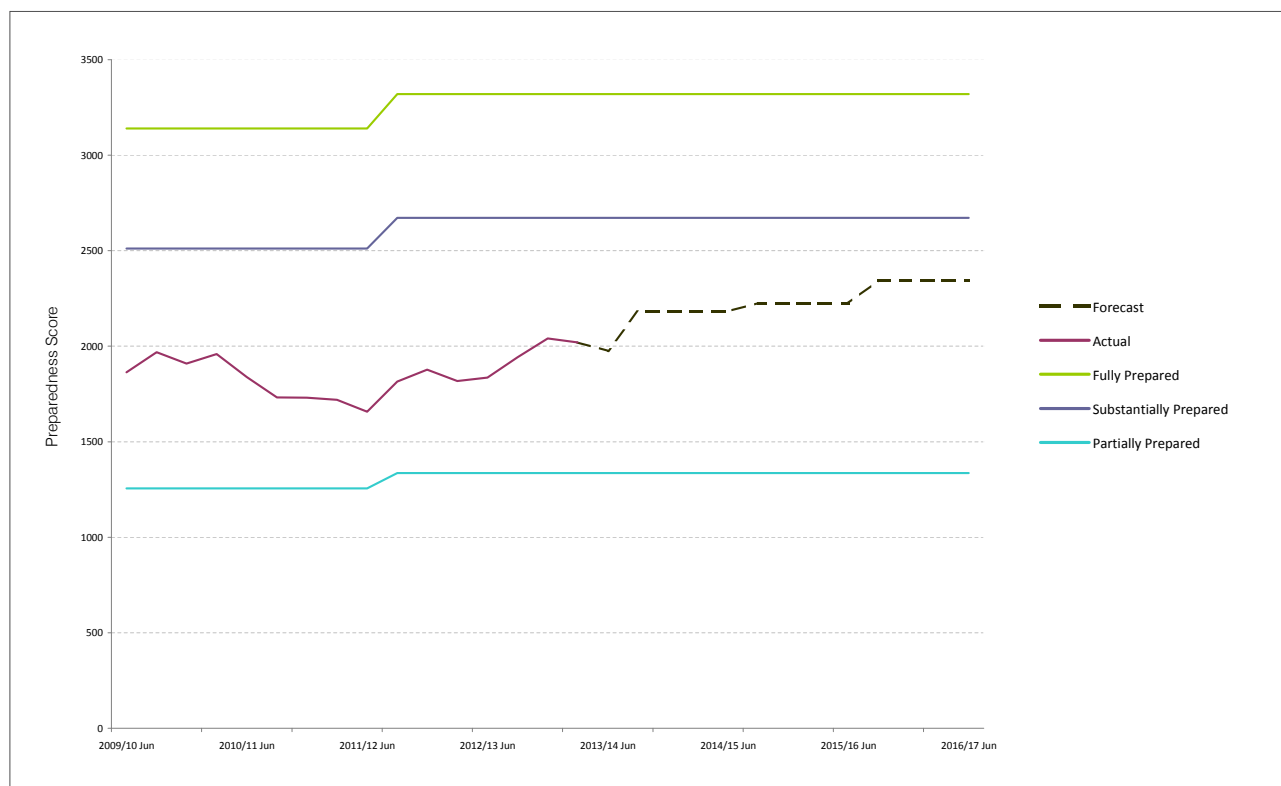
The graph below shows the OPRES Performance Rating Scale used to quantify force element performance in achieving preparedness (DLOC):

### 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.

The 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.

## Aggregated Operational Preparedness of NZDF Force Elements



Overall, the aggregate level of preparedness of force elements is in the 'substantially prepared' range between the Output Plan upper and lower score ranges, as shown in the figure above. This reflects the directed 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 level of preparedness during the reporting year reflects the unavailability of some platforms due to the introduction into service of new and modernised capabilities. 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.

### 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 2014 is shown in Part 3 (NZDF Financial Statements).



# OUTPUT EXPENSE 1:

## POLICY ADVICE AND RELATED OUTPUTS MCOA (A MULTI-CLASS OUTPUT APPROPRIATION)

### SERVICE PERFORMANCE

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#### Description

Provision of policy advice to the Minister of Defence and contributions to policy advice led by other agencies, Ministerial services, and the collection and dissemination of strategic military intelligence and contributions to the national intelligence community.

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.

#### Output Classes

##### Output Class 1: Policy Advice

Provision of advice (including second opinion advice and policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to Defence and the NZDF.

##### Output Class 2: Ministerial Services

Provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities. Also included, are responses to Ministerial and Parliamentary questions, Official Information Act inquiries and Ombudsmen correspondence.

##### Output Class 3: Strategic Military Intelligence

Collection, collation, analysis and dissemination of strategic military intelligence on areas of interest to New Zealand. With other security sector agencies, the NZDF is responsible for supporting Defence and government decision making, and assisting with the planning and conduct of military operations.

## Output Performance Measures and Standards

	2012/13	2013/14	
Performance Measures	Actual	Budget Standard	Performance Achieved
<b>Policy Advice</b>			
• Number of Submissions to Cabinet (in conjunction with the Ministry of Defence).	23	35 - 50	33
• Number of Reports and Briefing Papers to Minister (in conjunction with the Ministry of Defence).	642	400 - 450	595
<b>Ministerial Services</b>			
• Number of Statutory Reports to Parliament (Statement of Intent and Annual Report).	2	2	2
• Numbers of Select Committee Reports.	No reports were required	1 - 2	None required
• Numbers of Select Committee Questions (Foreign Affairs Defence & Trade, and Finance and Expenditure Committees).	460	400 - 500	495
• Numbers of Ministerial Correspondence ("Ministerials").	204	250 - 350	168
• Numbers of Parliamentary Questions (for Written and Oral answer).	128 (includes six oral)	200 - 300	131 (includes six oral)
<b>Strategic Military Intelligence</b>			
• Number of contributions to National Assessments Committee Reports	74	30 – 50	60
• Number of Military Threat Assessments	11	5 - 10	8
• Other reports and assessments	33 (Excludes routine, periodic reports)	3 - 5	143. This reflects the way reports are now released individually, rather than as a collective report

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
<b>Quality of Products</b>			
The supply of individual products, as above, of high quality - defined by the characteristics of quality advice.	Feedback on quality and relevance indicated that key stakeholders were satisfied with the intelligence products provided	Meet	Feedback on quality and relevance indicated that key stakeholders were satisfied with the intelligence products provided
All reports and oral advice will be delivered within the agreed or statutory time frame as follows:			
<ul style="list-style-type: none"> <li>Percentage of replies to Ministerials will be provided within 20 working days of receipt of request</li> </ul>	77%. Improvements within Ministerial Services are continuing, including the introduction of a new IT collaboration process for managing ministerial correspondence across the NZDF	95%	79%
<ul style="list-style-type: none"> <li>Percentage of replies to Parliamentary Questions for Written Answer will be provided by due date</li> </ul>	96%	95%	96%
<ul style="list-style-type: none"> <li>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</li> </ul>	100%. The NZDF also received 242 OIA requests during the reporting period	95%	100%
Percentage of the first drafts of all policy papers accepted by the Minister.	95%	95%	95%
Percentage of other responses accepted without substantive amendment.		95%	95%
The satisfaction of the Minister of Defence with the policy advice service, as per the common satisfaction survey.	Replacement measure	At least 90%	60%
Technical quality of policy advice papers assessed by a survey with a methodical robustness of 90%. (The higher the robustness score, the stronger the methodical quality of the completed assessment.)	Replacement measure	At least an average of 70%	74% of NZDF/MOD policy papers sampled by NZIER were rated good or excellent
The total cost per hour of producing policy advice outputs.	Replacement measure	At most \$150	\$76

Notes:

1. While the Ministry of Defence is the principal provider of defence policy advice to the Government, the Defence Force contributes to policy advice led by the Ministry and other agencies.
2. 'Policy advice' is that limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to Defence and the NZDF.
3. The quality characteristics for policy advice papers (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 (GST Exclusive)

Actual 30 Jun 13 (\$ 000)	Category	Main Estimates (\$ 000)	Supplementary Estimates (\$ 000)	Actual 30 Jun 14 (\$ 000)
	<b>Expenditure</b>			
11,904	Personnel	9,610	10,646	7,621
3,026	Operating	2,419	2,553	2,577
799	Depreciation	2,083	1,105	995
415	Capital Charge	407	920	920
<b>16,144</b>	<b>Total Expenses</b>	<b>14,519</b>	<b>15,224</b>	<b>12,113</b>
	<b>Income</b>			
16,238	Revenue Crown	14,304	14,657	15,048
35	Revenue Department	-	4	-
270	Revenue Other	244	263	224
<b>16,543</b>	<b>Total Income</b>	<b>14,548</b>	<b>14,924</b>	<b>15,272</b>
<b>399</b>	<b>Gross Surplus (Deficit)</b>	<b>29</b>	<b>(300)</b>	<b>3,159</b>
-	Losses on Foreign Exchange	-	-	-
-	Gains on Foreign Exchange	-	-	-
-	<b>Net Foreign Exchange</b>	-	-	-
<b>399</b>	<b>Net Surplus (Deficit)</b>	<b>29</b>	<b>(300)</b>	<b>3,159</b>
	<b>Cost by Output</b>			
1,705	Output 1.1 Policy Advice	1,746	2,049	1,885
1,902	Output 1.2 Ministerial Services	1,658	1,305	863
12,537	Output 1.3 Strategic Military Intelligence	11,115	11,870	9,365

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements include foreign exchange gains and losses. The total approved appropriation in 2013/14 for this output expense was \$15.224 million and the total expenditure was \$12.113 million. There was no unappropriated expenditure for this output expense as the outputs were realigned under section 26A of the Public Finance Act.

# 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 regenerating from recent operations in Afghanistan, Timor-Leste and Solomon Islands.**

## Context

Significant contributions were made to counter-piracy operations in the Somali Basin and Gulf of Aden as well as assisting with the search for Malaysian Airlines flight MH370. A range of new and improved capabilities were progressed into service including upgraded Orions and Hercules as well as new helicopters. Contributions were made to a diverse range of all-of-government responses to domestic security issues and provision of support to the community, including a very successful Royal Tour. Important leadership roles were also undertaken in the hosting of the Pacific Army Chief's Conference and the Western Pacific Naval Symposium Mine Counter Measures and Diving Exercise.

## Navy – Output Expenses 2 – 5

- The operational tempo of the Navy was high with significant contributions made by all Navy Output Expenses across all Employment Contexts. The average overall Fleet preparedness level remained within the planned range for the period.
- Of particular note for the reporting period was the Navy's hosting of the Western Pacific Naval Symposium Mine Counter Measures and Diving Exercise 14 held in the Hauraki Gulf. The exercise was the largest multi-national exercise held by the RNZN in several decades and involved 14 nations and all elements of the Littoral Warfare Support Force in addition to HMNZS *Canterbury*.
- A number of strategies were implemented to regenerate the Navy and to get ships back to sea, including careful prioritisation of ship crewing and implementing personnel partnering initiatives with the Royal Australian Navy. The strategies succeeded in growing Regular Force numbers by 7%, reducing the rate of annualised Trained Force attrition by 39%, and increasing morale and satisfaction perceptions by 20%.<sup>3</sup> This, and an expected further marginal reduction in personnel attrition next year, will provide a platform for gradual but steady workforce regeneration.

- The Navy's shortage of experienced personnel in key trades continued to impact the Naval Patrol Force (NPF) in particular. The Offshore Patrol Vessels (OPVs) HMNZ Ships *Otago* and *Wellington* were prioritised over the Inshore Patrol Vessels (IPVs) in crewing terms due to their capability advantages and value as training platforms. As a result, the OPVs maintained a high operational tempo in New Zealand and overseas, delivering 96% of planned mission availability days and 103% of planned days at sea. The IPVs achieved 38% of planned mission availability days and 48% of planned days at sea, delivered by two of the four vessels. Whilst the NPF under-delivered against mission availability and sea day metrics, they met more than 90% of other government agencies tasking requirements in support of Outcome 1 (Secure New Zealand).
- The Naval Combat Force (NCF) delivered only 51% of planned mission availability but achieved 113% of planned days at sea. The lower-than-planned mission availability was a direct result of significant delays to the second phase of HMNZS *Te Kaha*'s Platform Systems Upgrade (PSU) work package. Notwithstanding this, HMNZS *Te Mana* delivered nearly 300% of that ship's planned days at sea, undertaking a seven-month overseas deployment that included three months of counter-piracy operations in the Somali Basin and Gulf of Aden.
- HMNZS *Canterbury* delivered 94% of planned mission availability days and 91% of planned days at sea. *Canterbury* undertook a busy programme in New Zealand and overseas and achieved the DLOC for all Employment Contexts (ECs).
- HMNZS *Manawanui* delivered 86% of planned mission availability days and 83% of planned days at sea. Although the ship is now 35 years old and increasingly challenging to maintain (as reflected in mission availability), intensive management of maintenance and programming ensured that *Manawanui* achieved a high tempo in New Zealand and overseas.
- HMNZS *Endeavour* was not mission available and spent no days at sea due to delays in maintenance and classification survey work. *Endeavour* substantially completed the ship's re-classification project, with a planned return to operational availability early in FY 2014/15.
- The Diving, Military Hydrography and Mine Countermeasures Forces met all targets (diving hours) and maintained the required preparedness levels. A significant amount of specialist support was provided to the NZ Police during the reporting period, in addition to operations in the South Pacific involving disposal of Explosive Remnants of War.

<sup>3</sup> Morale and satisfaction data correct to Quarter 3 as Quarter 4 data unavailable at the time of writing.

## Army – Output Expenses 7 – 10

- Land Force elements continued to sustain a number of major Output Expense 16 operations, as well as providing support to civil authorities in New Zealand and in the Pacific.
- Land Combat Forces remained prepared for a wide range of operational contingencies. Land Combat Force elements of the NZ Army continued to be able to provide a high-readiness manoeuvre element for short-notice contingencies. These requirements fully committed the equivalent of an infantry company throughout the year. Effective interoperability with key allies and partners was achieved with a number of operations and exercises both in New Zealand and throughout the South Pacific and South East Asia, including with the Five Power Defence Arrangement (FPDA) and American, British, Canadian, and Australian (ABCA) partners.
- Land Combat Support Force elements had the ability to provide communications and engineering to our Pacific Island neighbours in support of humanitarian assistance and disaster relief (HADR) deployments. There was an improvement in their trained state in combat operations over the reporting period, demonstrated through participation in complex combined arms exercises.
- Land Combat Service Support (CSS) Forces had the ability to provide support to the independent deployments of a concurrent LTG and CATG. Providing support for additional deployed rotations would only have been possible if resources had been redeployed from Army's training establishment. This would have significantly risked Army's training pipeline to the point of failure. There was an improvement in the trained state for combat operations over the reporting period, demonstrated through participation in complex combined arms exercises.
- Equipment met the required standards for support to current operations. Munitions, stores and equipment were available for OLOC generation. In addition, significant progress was made to ameliorate the Role Two Enhanced medical capability that was declared non-operational in FY 2012/13. However, the effect of personnel attrition on Combat Supply, Maintenance Support and Movements ranks and trades, and shortages in specialist Medical appointments, has seen risk of Army's ability to provide additional rotations for a deployed force.
- 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 ECs 1 to 5. 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.
- The Counter-Terrorist (CT) 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 Explosive Ordnance Disposal / Improvised Explosive Device Disposal (EOD / IEDD) threats and a specialised response team was available to respond to Chemical Biological Radiological Explosive (CBRE) threats. 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.

- Land Force elements participated in a number of major readiness training and joint exercises activities in the reporting period including: Exercise Tempest Express, a joint NZ and USPACOM hosted activity; Exercise Aqua Terra 14, a five nation Command Post Exercise; Exercise Suman Warrior, a FPDA command post exercise; Exercise Southern Katipo 13; Exercise Alam Halfa 14; and Exercise Hamel 14.
- Of particular note, Army hosted the combined Pacific Armies Chiefs Conference and the Pacific Armies Management Seminar in Auckland during September 2013. This conference, co hosted with the US Army hosted 29 Asia Pacific and Indian Ocean nations in sharing ideas in support of regional dialogue, understanding and stability across the region. The theme for the Conference was "The Sum is Greater than the Parts: 21st Century Peace Operations in a United Nations Context."

## Air Force – Output Expenses 11 – 14

- The RNZAF personnel state has improved over the year, with attrition now 8.48%, which is within the optimal range. Regular Force Full Time Equivalent strength is 99.5% of planned. Projects are starting to produce results. The Maritime Helicopter Capability Project and the Pilot Training Capability Project are the latest to get underway and will resolve many of the remaining equipment issues for the RNZAF. The Orion Mission Systems Upgrade has progressed to the point where the next year is expected to see the Airborne Surveillance and Response Force return to full capability. Delays in the Hercules Life Extension Project have resulted in fewer aircraft being available than planned for the next year, but progress continues. The NH90 Project is progressing, albeit at a slower rate than planned. The A109 is producing results, with the first Helicopter Basic Course completed.
- During the reporting period, the Naval Helicopter Force (NHF) provided the continual supply of one aircraft as the embarked aviation capability of HMNZS *Te Mana* during her seven month OE16 anti-piracy mission. On a number of occasions, a second aircraft was deployed either domestically within New Zealand or on HMNZS *Canterbury*. The current inability to meet all expected outputs and readiness measures is driven by the combination of a limited number of trained crews, lack of spares and equipment obsolescence. NHF outputs will be reduced throughout the next period as resources also contribute to the Maritime Helicopter Replacement project.

- The NHF flew 1,037 hours. This is 86% of budgeted hours, which were impacted by weather and serviceability.
- Throughout the reporting period, the Airborne Surveillance and Response Force (ASRF) achieved the standards, except for short periods when the maritime SAR requirement could not be met. Alternative arrangements were made for those occasions.
- The introduction into service of the Orion Mission Systems Project made significant progress during the period with the acceptance of the sixth and final Orion into the P-3K2 fleet. The release of surveillance capability allows the upgraded Orion to deliver Multi-Agency Operations and Tasks (MAO&T) in addition to the SAR and Humanitarian Assistance and Disaster Relief (HADR) roles. Operational Testing and Evaluation continues with the warfare related roles of the ASRF with release of this capability expected in 2014/15.
- Integration of the whole ASRF capability (No 5 Squadron, 209 Squadron, 230 Squadron, and HQ Joint Forces NZ) was demonstrated successfully during Operation Iron Sea patrols in the South China Sea. The ASRF participated in the search for the missing airliner MH370 in the Southern Indian Ocean. The new capability was able to sustain five weeks of continuous operations with the upgraded aircraft seamlessly integrating into the Australian-led coalition operation.
- The ASRF flew 1,767 hours. This is 77% of budgeted hours. Variations were due in part to tasking not being received from other agencies and in part from project delays.
- The B757-200 Transport Force achieved performance targets. Significant tasks completed during the period included support to the Royal Tour, Operation Antarctica and the commemorative events associated with Korea, Monte Cassino and D-Day.
- The B757-200 Transport Force flew 1,367 hours. This was 105% of budgeted hours. This is largely due to increased requirements to support other agencies.
- The C-130 Transport Force achieved performance targets. The availability of the Hercules continued to be limited due to the Hercules Life Extension Programme (LEP) which continues to progress. Three upgraded aircraft were available through the period, with the final two aircraft remaining under upgrade in Woodbourne. Outstanding introduction into service (IIS) activities were largely completed during the period, which will allow for certification to be completed early in FY 2014/15.
- During the period, the C-130 Transport Force completed the significant tasks of support to the Royal Tour, Operation Antarctica, deployment to the Philippines on Operation Typhoon Haiyan and support to the Solomon Islands following the April 2014 flooding.
- The C-130 Transport Force flew 1,409 hours. This was 78% of the budgeted hours. Variance was due to cancelled or reduced exercises and delays in project production of aircraft that were not confirmed until after appropriations bids were submitted.
- IIS of the NH90 medium and A109 light utility helicopter continued, however, the expected completion date has extended beyond the forecasted completion of mid 2014, due to a number of factors. The two main reasons were delays by the Original Equipment Manufacturer and the departure of flying instructors from the Service.
- First deployment trial of the NH90 and A109 aircraft (battlefield airmobile exercise support) was held in July 2013.
- NH90's NZ3305, NZ3306 and NZ3307 arrived at Ohakea in the Final Configuration (seven of eight aircraft received). The first four aircraft were inducted into the Interim Configuration to Final Configuration upgrade in October 2013. They are due back in service by July 2014.
- An Interim Type Certificate issued at the end of March for the NH90, which released the following roles and tasks: basic Air Mobile, Air Logistic Support, Ferry, Maintenance Check Flying and Display Flying.
- The NH90 Medium Utility Helicopter Force flew 667 hours. This is 69% of budgeted hours. The continuing effects of the loss of instructors and a lightning strike early in the financial year reduced the availability of crews and aircraft to complete IIS flying hours.
- The first Helicopter Basic Course on the A109 commenced in March 2014 with five Pilots and five Helicopter Crewmen.
- The A109 Light Utility Transport Force flew 749 hours. This is within the range of budgeted hours. The difficulty in reaching reforecast hours was largely due to delays in the supply of spare parts for routine servicing.
- The UH-1H Utility Helicopter Force continued to meet its directed outputs. Crew numbers remained relatively constant throughout with a total of four available, whilst the aircraft numbers steadily reduced to eight at the end of the period as the Iroquois progresses towards its planned withdrawal date in December 2015.
- The UH-1H Utility Helicopter Force conducted a number of exercises during the year, provided SAR support to Operation Wisteria (support to the Royal visit) and conducted Operation Lucy (NZ Police cannabis recovery operation).
- The UH-1H Utility Helicopter Force flew 1,317 hours. The hours were 122% of budgeted hours. The increase reflected the updated Helicopter Transition Plan, an unplanned helicopter crewman course and two pilots reconverting to the Iroquois.

# OUTPUT EXPENSE 2:

## NAVAL COMBAT FORCES

### SERVICE PERFORMANCE

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#### 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

The Naval Combat Force (NCF) achieved only 51% of planned mission availability due to delays in Phase 2 of HMNZS *Te Kaha*'s Platform Systems Upgrade (PSU) project. The Ministry of Defence project commenced in October 2012 and was planned to have been completed - and the ship made available to the Navy - by October 2013, however, the project was ongoing at the end of June 2014.

Notwithstanding the reduction in NCF strength, HMNZS *Te Mana* delivered 113% of the NCF's planned days at sea, with a seven-month deployment to Australia, the Indian Ocean and then to the Horn of Africa to join multi-national counter-piracy efforts.

Future capability development efforts continued, resulting in Government approval of the Frigate Systems Upgrade project with upgrades to commence in 2016.

#### Readiness Training Activities

The NCF achieved and maintained the Directed Level of Capability (DLOC) for all employment contexts for the majority of the year through training activities in New Zealand and Australia and as a result of ongoing training activities during *Te Mana*'s counter-piracy operations. *Te Mana* reached and maintained an Operational Level of Capability (OLOC) for four months, however, the ability to maintain this level was limited by personnel resources.

*Te Mana* successfully deterred pirate activity in three months of operations in the Somali Basin and Gulf of Aden while serving in both a Combined Maritime Forces (CMF) task force (Combined Task Force 151) and a NATO operation (Combined Task Force 508 – Operation Ocean Shield).

During her deployment, *Te Mana* carried out defence diplomacy tasks in Australia, India and the United Arab Emirates. The final part of the year was spent in a maintenance period.

HMNZS *Te Mana* and Navy personnel participated in the following major activities:

- Operation Cradock 01/13. HMNZS *Te Mana* deployed to Australia for Exercise Triton Centenary and DLOC/OLOC work ups in preparation for Operation Tiki VI counter-piracy operations.
- Exercise Triton Centenary. HMNZS *Te Mana* participated in a multi-national Australian-led exercise in conjunction with the Royal Australian Navy's (RAN's) International Fleet Review. The exercise period included a multi-national maritime security Field Training Exercise (FTX) as part of the 18 member-nation ASEAN Defence Ministers Meeting Plus framework. *Te Mana* also conducted her DLOC work up in preparation for Operation Tiki VI prior to and during the exercise, followed by an OLOC work up.
- Operation Tiki VI. HMNZS *Te Mana* operated with multi-national forces and conducted two counter-piracy patrols in the Somali Basin as part of the Combined Maritime Forces (CMF) Combined Task Force (CTF) 151 followed by a third patrol in the Gulf of Aden as part of NATO's CTF 508 (Operation Ocean Shield). *Te Mana* conducted a total of 94 boardings over 89 days of operations, which included 81 sorties with the ship's SH2(G) Seasprite helicopter. During the deployment HMNZS *Te Mana* carried out defence diplomacy port visits to India, the Seychelles and the United Arab Emirates.
- Operation Cradock 01/14. HMNZS *Te Mana* returned from Operation Tiki VI via Australia, and undertook a defence diplomacy task in support of MFAT.



- Navy personnel were posted to the staff of Commander CTF 151 in addition to HMNZS *Te Mana*'s contribution.
- Exercise RIMPAC 14. Navy personnel were posted into the Exercise Rim of the Pacific (RIMPAC) Headquarters. RIMPAC is the world's largest multi-national maritime exercise involving more than 20 countries.
- Navy personnel were posted to the Australian frigate HMAS *Melbourne* to augment that ship's anti-piracy boarding teams during operations in the Gulf of Aden.

#### Output Performance Measures and Standards

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
Number of ANZAC frigates, capable of embarking a Seasprite helicopter when ordered, available for military tasks (from a total fleet of two ANZAC frigates).  (Details on the Seasprite Helicopters are recorded under Output Expense 11 - Naval Helicopter Forces).	At least one frigate was available for military tasks with an embarked Seasprite throughout the period apart from some short notice tasks.	One frigate. (HMNZS <i>Te Kaha</i> will continue its PSU Phase Two period through until October 2013 with HMNZS <i>Te Mana</i> entering its PSU Phase Two period in April 2014)	One frigate (HMNZS <i>Te Mana</i> ) was available until April 2014 and then at extended notice for the remainder of the year. HMNZS <i>Te Kaha</i> 's PSU Phase Two project was delayed and not completed by year's end, preventing <i>Te Mana</i> from entering her planned PSU Phase Two project
Undertake Domestic 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	No requirement during the reporting period	Deliver to the satisfaction of supported department/ agency	HMNZS <i>Te Mana</i> provided training support to the 1st NZSAS Regiment, otherwise there were no requirements during the reporting period

	2012/13		2013/14
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 in the Pacific, Australia and South-East Asia completed	Deliver to the satisfaction of supported department/ agency	<p>Delivered to the satisfaction of supported department/agency</p> <p>HMNZS <i>Te Mana</i> participated in a maritime security exercise in Australia as part of the 18 member-nation ASEAN Defence Ministers Meeting Plus framework and represented New Zealand at the Royal Australian Navy's (RAN's) 100th anniversary fleet review</p> <p><i>Te Mana</i> deployed to the Horn of Africa to join multi-national counter-piracy efforts and successfully deterred pirate activity in the Somali Basin and Gulf of Aden, while serving in both a Combined Maritime Forces (CMF) task force and latterly a NATO operation. The commander of the NATO force formally stated "<i>Te Mana's</i> reputation for thorough and professional counter-piracy operations was established prior to joining my force. ...<i>Te Mana</i> has set an excellent example to other units conducting counter-piracy operations. You will be missed in the theatre..."</p> <p>Defence diplomacy port visit tasks were undertaken in the region in support of the Ministry of Foreign Affairs and Trade (MFAT). After one such visit hosted by <i>Te Mana</i>, the NZ High Commissioner to Australia commented that "The well patronised event certainly allowed productive discussions with a wide range of senior political and business leaders. The unique location in a piece of New Zealand only helped to enhance the experience."</p> <p>See also the section on Support to the Government, Agencies and Community</p>
Naval Combat Force Mission Availability Days / Sea Days for the year (range is target mid-point plus or minus 5%).	The NCF was mission available for 396 days (126%) and spent 202 days (116%) at sea	453 / 152 - 168	<p>The Naval Combat Force (NCF) was mission available for 233* days (51%) and spent 180 days (113%) at sea</p> <p>*Due to an historical planning and reporting anomaly mission availability targets were inflated and unachievable. Mission availability was further reduced due to delays in HMNZS <i>Te Kaha's</i> PSU Phase Two project</p>

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
<b>Preparedness - Naval Combat Forces: Employment Context</b>			
Security Challenges and Defence Tasks in New Zealand and its environs			
<b>Illegal exploitation of marine resources within the New Zealand EEZ, and other low-level threats to New Zealand territorial sovereignty (EC 1A)</b>	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available or otherwise provided by other vessels in accordance with provisions of the Output Plan
<b>Terrorist and Asymmetric Threats (EC 1D)</b>	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available or otherwise provided by other vessels in accordance with provisions of the Output Plan
Security Challenges to New Zealand's Interests in the South Pacific			
<b>Natural and manmade disasters (EC 2B)</b>	Available at the appropriate degree of notice	Available at the appropriate degree of notice	No availability at the required degree of notice for the majority of the period due to HMNZS <i>Te Mana</i> 's counter-piracy deployment and HMNZS <i>Te Kaha</i> 's PSU Phase II project  Alternative vessels were available from other Output Expenses
<b>State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)</b>	Substantially prepared	Substantially prepared	Fully prepared for 75% of the period and partially prepared for remainder
<b>Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)</b>	Substantially prepared	Substantially prepared	Substantially prepared
Security Challenges to New Zealand's Interests in the Asia-Pacific Region			
<b>Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation (EC 4A)</b>	Substantially prepared	Substantially prepared	Substantially prepared for 50% of the period and partially prepared for the remainder.  HMNZS <i>Te Kaha</i> 's PSU Phase Two project was delayed and not completed by year's end, resulting in an extended response time for part of the period
<b>Inter-State conflict (EC 4F)</b>	Substantially prepared	Substantially prepared	Substantially prepared for 50% of the period and partially prepared for the remainder  HMNZS <i>Te Kaha</i> 's PSU Phase Two project was delayed and not completed by year's end, resulting in an extended response time for part of the period
Security Challenges to New Zealand's Interests in Global Peace and Security			
<b>Terrorist Threats (EC 5D)</b>	Substantially prepared	Substantially prepared	Fully prepared for 75% of the period and partially prepared for the remainder

### Costs for Output Expense 2 (GST Exclusive)

<b>Actual</b> <b>30 Jun 13</b> <b>(\$ 000)</b>	<b>Category</b>	<b>Main</b> <b>Estimates</b> <b>(\$ 000)</b>	<b>Supplementary</b> <b>Estimates</b> <b>(\$ 000)</b>	<b>Actual</b> <b>30 Jun 14</b> <b>(\$ 000)</b>
	<b>Expenditure</b>			
93,853	Personnel	92,654	99,394	99,234
68,255	Operating	56,422	60,532	59,252
74,339	Depreciation	84,016	91,236	86,540
95,972	Capital Charge	92,265	83,224	83,228
<b>332,419</b>	<b>Total Expenses</b>	<b>325,357</b>	<b>334,386</b>	<b>328,254</b>
	<b>Income</b>			
334,166	Revenue Crown	321,308	335,275	327,452
50	Revenue Department	1,448	-	-
1,834	Revenue Other	3,049	2,204	1,397
<b>336,050</b>	<b>Total Income</b>	<b>325,805</b>	<b>337,479</b>	<b>328,849</b>
<b>3,631</b>	<b>Gross Surplus (Deficit)</b>	<b>448</b>	<b>3,093</b>	<b>595</b>
(2,227)	Losses on Foreign Exchange	-	-	(3,353)
1,990	Gains on Foreign Exchange	-	-	913
(237)	<b>Net Foreign Exchange</b>	-	-	(2,440)
<b>3,394</b>	<b>Net Surplus (Deficit)</b>	<b>448</b>	<b>3,093</b>	<b>(1,845)</b>
	<b>Cost by Output</b>			
332,419	Naval Combat Forces	325,357	334,386	328,254

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements include foreign exchange gains and losses. The total approved appropriation in 2013/14 for this output expense was \$334.386 million and the total expenditure was \$328.254 million. There was no unappropriated expenditure for this output expense as the outputs were realigned under section 26A of the Public Finance Act.

# OUTPUT EXPENSE 3:

## NAVAL SUPPORT FORCES

### SERVICE PERFORMANCE

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#### 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 *Canterbury* delivered 94% of planned mission availability days and 91% of planned days at sea. The marginal shortfall in sea days was in part due to a cancellation of a planned exercise that was to have been hosted by the French Navy in New Caledonia. *Canterbury* undertook a busy programme in New Zealand and overseas and achieved the Directed Level of Capability (DLOC) for all Employment Contexts (ECs).

HMNZS *Endeavour* was not mission available and spent no days at sea due to delays in maintenance and classification survey work, coupled with personnel shortages. *Endeavour* substantially completed the ship's re-classification project, with a planned return to operational availability early in FY 2014/15. *Endeavour* did not achieve DLOC, and was assessed as 'not prepared' for EC 2 and 'partially prepared' for ECs 4 and 5.

#### Readiness Training Activities

HMNZS *Canterbury* participated in the following major activities:

- Exercise Pacific Partnership 13. *Canterbury* was a central element in a phase of this multi-lateral exercise that consisted of humanitarian and civic assistance, civil military operations, disaster management and humanitarian assistance operations in Solomon Islands, including a period as flagship for the US Navy mission commander. *Canterbury* transported Australian Defence Force (ADF) equipment from the Regional Assistance Mission Solomon Islands (RAMSI) to Australia during the ship's return voyage to NZ.
- Exercise Southern Katipo 13. This multi-national combined-joint and inter-agency exercise hosted by New Zealand in the South Island involved 10 nations and 2,200 personnel. *Canterbury* provided sealift support and exercised the ship's role in beach assaults and non-opposed amphibious operations.
- Operation Hopeke 01/14. *Canterbury* assisted the Department of Conservation (DoC), the Met Service and GNS Science (GNS) by off-loading personnel and equipment as part of a resupply of the remote Stephens Island.
- WPNS MCM/DIVEX 14. The Western Pacific Naval Symposium Mine Counter Measures and Diving Exercise 14 (WPNS MCM/DIVEX 14) was a multi-national exercise hosted by the RNZN in the Hauraki Gulf focusing on mine clearance operations in a Humanitarian and Disaster Relief (HADR) scenario. *Canterbury* was the sea-base for embarked multi-national forces. The exercise involved over 600 personnel from 14 nations.

- Exercise RIMPAC 14. The Rim of the Pacific (RIMPAC) exercise is a predominately maritime exercise hosted by the United States Navy Pacific Command. The largest exercise of its type in the world, it spans all maritime based warfare disciplines including amphibious operations. *Canterbury* transported over 100 Australian Army soldiers and their equipment from Australia to Hawaii for RIMPAC.
- Exercise Hamel. Support to the NZ Army's participation in the Australian Army's major brigade certification Exercise Hamel was provided by *Canterbury* delivering Army equipment to Australia on the way to RIMPAC.
- During the reporting period, HMNZS *Endeavour* provided training support to the 1st New Zealand Special Air Service Regiment (1st NZ SAS).

#### Output Performance Measures and Standards

Performance Measures	2012/13		2013/14
	Actual	Budget Standard	Performance Achieved
HMNZS <i>Endeavour</i> available for military tasks.	Available	Available only during September 2013 and April – June 2014 due to maintenance and classification survey work, coupled with personnel shortages	Not available due to delays in maintenance and classification survey work, coupled with personnel shortages
<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 embarking four NH-90 medium utility helicopters – to be acquired by the NZDF in 2011/12/13 – 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>	HMNZS <i>Canterbury</i> was only available for the months of July 2012 and June 2013 due to delays in the scheduled Phase One remediation period. Alternative arrangements were in place over the period of HMNZS <i>Canterbury</i> 's unavailability	Available	Available

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
Undertake Domestic 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 the supported department/ agency	Deliver to the satisfaction of supported department/ agency	<p>HMNZS <i>Canterbury</i> delivered to the satisfaction of supported departments/ agencies including a re-supply of Stephens Island on behalf of DoC, GNS and the Met Service</p> <p>HMNZS <i>Canterbury</i> assisted the Wellington City Mission by hosting two fundraising events, resulting in the following appreciation: "I want to express my sincere thanks to the Royal NZ Navy for their support. These were both outstanding events and we are most appreciative of the opportunity to partner in this way with the Navy"</p> <p>HMNZS <i>Endeavour</i> provided training support to the 1st NZSAS Regiment</p> <p>See also the section on Support to the Government, Agencies and Community</p>
Both vessels undertake Defence Diplomacy tasks in accordance with NZDF and Government/MFAT requirements. This normally involves ship visits to foreign ports.	HMNZS <i>Endeavour</i> undertook defence diplomacy tasks in Australia and the Pacific, including port visits and the hosting of official functions	Deliver to the satisfaction of supported department/ agency	<p>Delivered to the satisfaction of supported department/agency</p> <p>HMNZS <i>Canterbury</i> participated in multi-national exercises in New Zealand (including the Western Pacific Naval Symposium Mine Counter Measures and Diving Exercise) and in Hawaii (Rim of the Pacific – RIMPAC), demonstrating interoperability with more than 20 nations</p> <p><i>Canterbury</i> undertook defence diplomacy tasks in Australia and the Pacific, including port visits and the hosting of official functions, and provided assistance to the Australian Defence Force (ADF) by returning mission equipment to Australia from the Regional Assistance Mission Solomon Islands (RAMSI)</p> <p><i>Canterbury</i> was a key participant in 'Pacific Partnership' providing aid to the Solomon Islands in cooperation with US forces. New Zealand led the Solomon Islands and Kiribati phases of the wider four-month operation. The US Navy mission commander using <i>Canterbury</i> as his flagship commented on "the tears in the eyes from leaders in the communities as they were able to take part alongside our experts...they said thanks at every opportunity"</p>

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
HMNZS <i>Endeavour</i> Mission Availability Days / Sea Days for the year (range is target mid-point plus or minus 5%).	HMNZS <i>Endeavour</i> was mission available for 227 days (116%) and spent 117 days (111%) at sea	133 / 49 - 61	HMNZS <i>Endeavour</i> was not mission available and spent no days at sea due to delays in maintenance and classification survey work, coupled with personnel shortages
HMNZS <i>Canterbury</i> Mission Availability Days / Sea Days for the year (range is target mid-point plus or minus 5%).	HMNZS <i>Canterbury</i> was mission available for 119 days (61%) and spent 58 days (46%) at sea	303 / 144 - 160	HMNZS <i>Canterbury</i> was mission available for 286 days (94%) and spent 138 days (91%) at sea
<b>Preparedness - Naval Support Forces: Employment Context</b>			
Security Challenges and Defence Tasks in New Zealand and its environs			
<b>Illegal exploitation of marine resources within the New Zealand EEZ, and other low-level threats to New Zealand territorial sovereignty (EC 1A)</b>			
HMNZS <i>Canterbury</i>	Available at the appropriate degree of notice (availability period less than anticipated due to delays to the completion of Phase One remediation work.	Available at the appropriate degree of notice	Available at the appropriate degree of notice
<b>Terrorist and Asymmetric Threats (EC 1D)</b>			
HMNZS <i>Canterbury</i>	Available at the appropriate degree of notice (availability period less than anticipated due to delays to the completion of Phase One remediation work.	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Security Challenges to New Zealand's Interests in the South Pacific			
<b>Natural and manmade disasters (EC 2B)</b>			
HMNZS <i>Endeavour</i>	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Not available due to delays in maintenance and classification survey work, coupled with personnel shortages
HMNZS <i>Canterbury</i>	Available at the appropriate degree of notice (availability period less than anticipated due to delays to the completion of Phase One remediation work	Available at the appropriate degree of notice	Available at the appropriate degree of notice



	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
<b>State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)</b>			
HMNZS <i>Endeavour</i>	Substantially prepared	Substantially prepared	Not prepared Due to delays in maintenance and classification survey work, coupled with personnel shortages, <i>Endeavour</i> was not sufficiently prepared to meet response times for this employment context
HMNZS <i>Canterbury</i>	Partially prepared (due to Phase One remediation work)	Substantially prepared	Substantially prepared
<b>Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)</b>			
HMNZS <i>Endeavour</i>	Substantially prepared	Substantially prepared	Not prepared Due to delays in maintenance and classification survey work, coupled with personnel shortages, <i>Endeavour</i> was not sufficiently prepared to meet response times for this employment context
HMNZS <i>Canterbury</i>	Partially prepared (due to Phase One remediation work)	Substantially prepared	Substantially prepared
Security Challenges to New Zealand's Interests in the Asia-Pacific Region			
<b>Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation (EC 4A)</b>			
HMNZS <i>Endeavour</i>	Substantially prepared	Substantially prepared	Partially prepared Due to delays in maintenance and classification survey work, coupled with personnel shortages, <i>Endeavour</i> was prepared to meet an extended response time for this employment context
HMNZS <i>Canterbury</i>	Partially prepared (due to Phase One remediation work)	Substantially prepared	Substantially prepared

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
<b>Inter-State conflict (EC 4F)</b>			
HMNZS <i>Endeavour</i>	Substantially prepared	Substantially prepared	Partially prepared, due to delays in maintenance and classification survey work, coupled with personnel shortages, <i>Endeavour</i> was prepared to meet an extended response time for this employment context
HMNZS <i>Canterbury</i>	Partially prepared (due to Phase One remediation work)	Substantially prepared	Substantially prepared
Security Challenges to New Zealand's Interests in Global Peace and Security			
<b>Terrorist Threats (EC 5D)</b>			
HMNZS <i>Endeavour</i>	Substantially prepared	Substantially prepared	Partially prepared Due to delays in maintenance and classification survey work, coupled with personnel shortages, <i>Endeavour</i> was prepared to meet an extended response time for this employment context
HMNZS <i>Canterbury</i>	Partially prepared (due to Phase One remediation work)	Substantially prepared	Substantially prepared

### Costs for Output Expense 3 (GST Exclusive)

Actual 30 Jun 13 (\$ 000)	Category	Main Estimates (\$ 000)	Supplementary Estimates (\$ 000)	Actual 30 Jun 14 (\$ 000)
<b>Expenditure</b>				
38,609	Personnel	38,735	40,999	40,432
25,099	Operating	20,225	26,275	24,082
13,140	Depreciation	31,753	22,200	21,386
20,926	Capital Charge	19,719	23,219	23,221
<b>97,774</b>	<b>Total Expenses</b>	<b>110,432</b>	<b>112,693</b>	<b>109,121</b>
<b>Income</b>				
98,173	Revenue Crown	108,997	112,186	124,163
23	Revenue Department	650	-	-
692	Revenue Other	785	507	502
<b>98,888</b>	<b>Total Income</b>	<b>110,432</b>	<b>112,693</b>	<b>124,665</b>
<b>1,114</b>	<b>Gross Surplus (Deficit)</b>	<b>-</b>	<b>-</b>	<b>15,544</b>
(1,032)	Losses on Foreign Exchange	-	-	(1,545)
916	Gains on Foreign Exchange	-	-	421
<b>(116)</b>	<b>Net Foreign Exchange</b>	<b>-</b>	<b>-</b>	<b>(1,124)</b>
<b>998</b>	<b>Net Surplus (Deficit)</b>	<b>-</b>	<b>-</b>	<b>14,420</b>
<b>Cost by Output</b>				
41,065	Output 3.1 Replenishment Forces	50,516	42,838	41,466
56,709	Output 3.2 Amphibious Sealift Forces	59,916	69,855	67,655

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements include foreign exchange gains and losses. The total approved appropriation in 2013/14 for this output expense was \$112.693 million and the total expenditure was \$109.121 million. There was no unappropriated expenditure for this output expense as the outputs were realigned under section 26A of the Public Finance Act.

# OUTPUT EXPENSE 4:

## LITTORAL WARFARE SUPPORT FORCES

### SERVICE PERFORMANCE

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#### Description

The provision of forces to ensure access to and the use of harbours, inshore waters and associated coastal zones in New Zealand and wherever NZDF deployed maritime forces are required to operate. The units and specialist teams permanently assigned to the Littoral Warfare Support Forces (LWSF) include the Littoral Warfare Support Vessels, the Mine Countermeasures Team (MCMT), the Operational Diving Team (ODT) and the Maritime Survey Team (MST), prepared for employment under Employment Contexts 1 to 5.

This output includes HMNZS *Manawanui* and a range of smaller craft, which are permanently assigned to the provision of support to these operations. The delivery of this output expense is coordinated by the Littoral Warfare<sup>4</sup> Support Group (LWSG) with the component teams or parts thereof able to be either deployed individually or as a composite force. The LWSF is responsible for the execution of Rapid Environmental Assessments (REA) and conducting related advanced force tasks in support of sealift/amphibious operations. The LWSF is therefore a key enabler to Output Expense 3.2 Outputs.

#### Associated Outputs

##### Output 4.1 - Littoral Warfare Support Vessels

The provision of the Littoral Warfare Support Vessels, consisting of HMNZS *Manawanui*, SMB Adventure, two REA support boats and other small craft, prepared to support:

- specialist underwater search operations in particular route surveys and conditioning of selected New Zealand ports (EC1) and approaches;
- military diving operations including removal/neutralisation of underwater objects or explosive devices around New Zealand ports and associated waterways under EC 1; and
- specialist underwater search and diving operations enabling deployed military operations in particular support to amphibious sealift forces, under EC 2 to 5.

##### Output 4.2 - Diving Force

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.<sup>5</sup>

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.

##### Output 4.3 - Military Hydrography Force

The provision of the Maritime Survey Team (MST) available to conduct military hydrography in support of sealift and other naval operations. Detachments from the MST may be deployed independently, onboard RNZN vessels or utilise craft of opportunity for the conduct of military hydrography tasks. This output includes personnel embedded within the NZDF Geospatial Intelligence Organisation supporting the creation of military hydrographic products and hydrographic subject matter expertise.

Geospatial data is also provided to the MST by the MCMT using its Remote Environmental Measuring and Underwater System and by the ODT using its Diver Underwater Search System.

Note: The MST may, when it is mutually beneficial to do so, provide support to Land Information New Zealand in the gathering of data to support New Zealand's maritime charting needs and those of our Pacific Islands neighbours. The OPVs (Output Expense 5.1) are being modified to allow them to accommodate survey equipment previously used by HMNZS *Resolution*. It should be noted that the previous contractual relationship between the RNZN and LINZ ceased in June 2012 and HMNZS *Resolution* has been decommissioned.

<sup>4</sup> 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."

<sup>5</sup> Diving operations range from detecting, neutralising, removing, exploiting and disposing of mines, explosive ordnance, IEDs and underwater obstacles/obstructions in the maritime environment through to underwater engineering and underwater survey and clearance of beaches, harbours, ports and approaches.

#### Output 4.4 - Mine Countermeasure (MCM) Force

The provision of a MCM Team (MCMT) which, together with a supporting ODT Mine Clearance detachment, is prepared to conduct:

- Pre-Mining Event: Route surveys and conditioning of selected New Zealand ports (EC1) and approaches as well as specialist underwater search operations and support to amphibious sealift forces, under ECs 1 to 5.
- Post-Mining Event: Route surveys and removal/neutralisation of underwater explosive devices opening safe sea lines of communication to key New Zealand ports and waterways under EC 1 as well as ahead of amphibious forces operating within a mine threat area, under EC 2 to 5.
- Multi Agency Operations and Tasks: Conduct specialist underwater search and recovery tasks which are beyond the capabilities of other government agencies and commercial providers under EC 1.

#### 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* delivered 86% of planned mission availability days and 83% of planned days at sea. Although the ship is now 35 years old and increasingly challenging to maintain (as reflected in mission availability) intensive management of maintenance and programming ensured that *Manawanui* achieved a high tempo in New Zealand and overseas. The ship achieved the Directed Level of Capability (DLOC) for all Employment Contexts (ECs).

The Survey Motor Boat (SMB) Adventure was available for the period, whilst the Rapid Environmental Assessment (REA) boats Takapu and Tarapunga underwent an Introduction Into Service (IIS) programme.

The Operational Diving Team (ODT) delivered 105% of the annual mid-point target for diving hours on operations, and along with the Mine Counter Measures Team (MCMT) and Maritime Survey Team (MST) achieved the Directed Levels of Capability for all Employment Contexts (ECs).

The LWSF undertook tasks on behalf of other government agencies in New Zealand and abroad, ranging from disposal of Explosive Remnants of War (ERW) in the Solomon Islands to assisting the NZ Police with underwater searches. Of particular note for the reporting period were the efforts of the LWSF in supporting and participating in the Western Pacific Naval Symposium Mine Counter Measures and Diving Exercise 14 (WPNS MCM/DIVEX 14) held in the Hauraki Gulf. The exercise was the largest multi-national exercise held by the RNZN in several decades and involved 14 nations.

The plan to modify the Offshore Patrol Vessels (OPVs – Output Expense 5.1) to allow them to accommodate survey equipment previously used by HMNZS *Resolution* was progressed during the reporting period. The first installation occurred in HMNZS *Otago* and was demonstrated prior to transfer to SMB Adventure. It should, however, be noted that the survey capability is limited in OPVs so-equipped as the ships have not been designed to be specialist survey platforms.

#### Readiness Training Activities

The Littoral Warfare Support Force participated in the following major activities:

- Exercise Pacific Partnership 13 and Operation Pukaurua. HMNZS *Manawanui*, the ODT and the MST took part in this multi-lateral exercise and operation that consisted of humanitarian and civic assistance, civil military operations, disaster management and humanitarian assistance operations in Solomon Islands, including the support of diving teams from Australia, Canada and the United States. Operation Pukaurua involved detachments from the ODT and MST disposing of Explosive Remnants of War (ERW).
- Exercise Bushnell (various instances). HMNZS *Manawanui* and the MCMT conducted MCM-specific training in this series of exercises.
- Operation Niagara 01/13. This operation saw HMNZS *Manawanui* and the ODT conduct Q Route MCM conditioning of Auckland Harbour. Q Routes are safe shipping routes in the vicinity of mine fields. Surveys involve mapping the sea floor to create a baseline picture. Subsequent surveys can then be conducted should the laying of mines be suspected, and the two maps compared to identify suspicious objects that can be investigated and cleared away from the Q Route.
- Operation Orion 02/13. The MCMT undertook a Q Route survey of Tauranga Harbour.
- Operation Poseidon 05/13. In support of the NZ Police, an MCMT detachment equipped with a Remote Environmental Measuring Unit (REMUS) Autonomous Underwater Vehicle (AUV) deployed to assist with a body recovery tasking in the Marlborough Sounds.

- Operations Poseidon 01/14 and 02/14. These operations saw an MCMT detachment equipped with a REMUS AUV support the NZ Police in body recovery tasks in Katikati and the Hutt River mouth in Wellington.
- Operation Poseidon 04/14. The MCMT provided assistance to the NZ Police in a body recovery task in the Whanganui River using a towed side scan sonar.
- WPNS MCM/DIVEX 14. The ODT, MCMT, MST and HMNZS *Manawanui* participated in the NZ-hosted multi-national Western Pacific Naval Symposium Mine Counter Measures and Diving Exercise. The exercise focused on mine clearance operations in a Humanitarian and Disaster Relief (HADR) scenario and involved over 600 personnel from 14 nations.
- Operations Phoenix 01/14 and 02/14. HMNZS *Manawanui* and the ODT carried out explosive ordnance disposal operations involving the recovery of ex-World War II mines in the Hauraki Gulf. The mines were discovered during the WPNS MCM/DIVEX.
- Operation Orion 01/14. A Q Route survey of New Plymouth Harbour was undertaken by the MCMT.
- Exercise RIMPAC 14. The Rim of the Pacific (RIMPAC) exercise is a predominately maritime exercise hosted by the United States Navy Pacific Command. The largest exercise of its type in the world, it spans all maritime based warfare disciplines including amphibious operations. Detachments from the ODT, MCMT and MST deployed to Hawaii to participate in the exercise.
- HMNZS *Manawanui* was employed for Officer of the Watch (OOW) training activities on a number of occasions and simultaneously carried out EEZ patrols in support of NPF outputs (Output Expense 5).

#### Output Performance Measures and Standards

Performance Measures	2012/13		2013/14
	Actual	Budget Standard	Performance Achieved
Littoral Warfare Support Vessels	Available	Vessels available at the appropriate degree of notice	HMNZS <i>Manawanui</i> and Survey Motor Boat (SMB) Adventure were available at the appropriate degree of notice  The Rapid Environmental Assessment (REA) boats underwent an Introduction Into Service programme.
ODT available for military tasks.	Available	ODT Available at the appropriate degree of notice	The Operational Diving Team (ODT) was available for military tasks
MCMT available for military tasks.	Available	MCT Available at the appropriate degree of notice	The Mine Counter Measures Team (MCMT) was available for military tasks
MST available for military tasks	Available	MST Available at the appropriate degree of notice	The Maritime Survey Team (MST) was available for military tasks

	2012/13	2013/14	
Performance Measures	Actual	Budget Standard	Performance Achieved
Undertake Domestic 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 the supported department/ agency	Deliver to the satisfaction of supported department/ agency	<p>Delivered to the satisfaction of the supported department/agency including assisting Police searches in Marlborough, Wellington and Whanganui. In relation to a search in the Marlborough Sounds the New Zealand Police stated "...the added capacity and expertise that the Navy staff provided allowed us to conduct a far more thorough search"</p> <p>Elements of the LWSF supported NZ Customs, and undertook disposal of explosive remnants of war in the Solomon Islands</p> <p>HMNZS <i>Manawanui</i> conducted Exclusive Economic Zone (EEZ) patrols</p> <p>See also the section on Support to the Government, Agencies and Community</p>
Undertake Defence diplomacy tasks in accordance with NZDF and Government/MFAT requirements. This normally involves ship visits to foreign ports.	HMNZS <i>Manawanui</i> undertook defence diplomacy tasks in the Pacific	Deliver to the satisfaction of supported department/ agency	<p>Delivered to the satisfaction of supported department/agency.</p> <p>HMNZS <i>Manawanui</i> and elements of the LWSF undertook defence diplomacy tasks in the Pacific, operating in the Solomon Islands as part of 'Pacific Partnership' supporting diving teams from Australia, Canada and the United States</p> <p>Associated extended operations to dispose of Explosive Remnants of War (EWR) were also undertaken alongside forces from Australia, France, Kiribati, the Solomon Islands and the United States, involving the disposal of thousands of kilograms of TNT contained in several thousand unexploded munitions</p> <p><i>Manawanui</i> undertook port visits in Kiribati and Vanuatu</p> <p>The ODT, MCMT, MST and <i>Manawanui</i> participated in the NZ-hosted multi-national Western Pacific Naval Symposium Mine Counter Measures and Diving Exercise and all teams participated in the Rim of the Pacific (RIMPAC) exercise in Hawaii, demonstrating interoperability with more than 20 nations</p>
HMNZS <i>Manawanui</i> Mission Availability Days / Sea Days for the year (range is target mid-point plus or minus 5%).	HMNZS <i>Manawanui</i> was Mission Available for 268 days (101%) and spent 111 days (76%) at sea	304 / 143 - 157	<p>HMNZS <i>Manawanui</i> was mission available for 261* days (86%) and spent 118 days (83%) at sea</p> <p>*Due to an historical planning and reporting anomaly mission availability targets were inflated and unachievable</p>

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
ODT time (range is target mid-point plus or minus 5% in hours). (The diving hours refer to actual time in the water).	347	300 – 350	342 diving hours achieved (105%)
<b>Preparedness – Littoral Warfare Support Forces: Employment Context</b>			
Security Challenges and Defence Tasks in New Zealand and its environs			
<b>Terrorist and Asymmetric Threats (EC 1D)</b>			
Littoral Warfare Support Vessels	Available	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Diving Forces	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Military Hydrography	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
MCM Force	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Security Challenges to New Zealand's Interests in the South Pacific			
<b>Natural and manmade disasters (EC 2B)</b>			
Littoral Warfare Support Vessels	Available	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Diving Force	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Military Hydrography	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
MCM Force	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
<b>State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)</b>			
Littoral Warfare Support Vessels	Substantially prepared	Substantially prepared	Substantially prepared
Diving Force	Substantially prepared	Substantially prepared	Substantially prepared
Military Hydrography	Substantially prepared	Substantially prepared	Substantially prepared
MCM Force	Substantially prepared	Substantially prepared	Substantially prepared



	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
<b>Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)</b>			
Littoral Warfare Support Vessels	Substantially prepared	Substantially prepared	Substantially prepared
Diving Force	Substantially prepared	Substantially prepared	Substantially prepared
Military Hydrography	Substantially prepared	Substantially prepared	Substantially prepared
MCM Force	Substantially prepared	Substantially prepared	Substantially prepared
Security Challenges to New Zealand's Interests in the Asia-Pacific Region			
<b>Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation (EC 4A)</b>			
Littoral Warfare Support Vessels	Substantially prepared	Substantially prepared	Substantially prepared
Diving Forces	Substantially prepared	Substantially prepared	Substantially prepared
Military Hydrography	Substantially prepared	Substantially prepared	Substantially prepared
MCM Force	Substantially prepared	Substantially prepared	Substantially prepared
<b>Inter-State conflict (EC 4F)</b>			
Littoral Warfare Support Vessels	Substantially prepared	Substantially prepared	Substantially prepared
MCM Diving Force	Substantially prepared	Substantially prepared	Substantially prepared
Military Hydrography	Substantially prepared	Substantially prepared	Substantially prepared
MCM Force	Substantially prepared	Substantially prepared	Substantially prepared
Security Challenges to New Zealand's Interests in Global Peace and Security			
<b>Terrorist Threats (EC 5D)</b>			
Littoral Warfare Support Vessels	Substantially prepared	Substantially prepared	Substantially prepared
Diving Force	Substantially prepared	Substantially prepared	Substantially prepared
Military Hydrography	Substantially prepared	Substantially prepared	Substantially prepared
MCM Force	Substantially prepared	Substantially prepared	Substantially prepared

### Costs for Output Expense 4 (GST Exclusive)

Actual 30 Jun 13 (\$ 000)	Category	Main Estimates (\$ 000)	Supplementary Estimates (\$ 000)	Actual 30 Jun 14 (\$ 000)
<b>Expenditure</b>				
15,204	Personnel	13,755	14,061	14,054
8,614	Operating	11,053	8,705	5,952
2,490	Depreciation	2,356	2,989	2,803
6,130	Capital Charge	5,419	6,192	6,192
<b>32,438</b>	<b>Total Expenses</b>	<b>32,583</b>	<b>31,947</b>	<b>29,001</b>
<b>Income</b>				
32,714	Revenue Crown	31,370	31,638	31,257
3	Revenue Department	843	309	
371	Revenue Other	370	-	304
<b>33,088</b>	<b>Total Income</b>	<b>32,583</b>	<b>31,947</b>	<b>31,561</b>
<b>650</b>	<b>Gross Surplus (Deficit)</b>	<b>-</b>	<b>-</b>	<b>2,560</b>
(141)	Losses on Foreign Exchange	-	-	(211)
125	Gains on Foreign Exchange	-	-	58
<b>(16)</b>	<b>Net Foreign Exchange</b>	<b>-</b>	<b>-</b>	<b>(153)</b>
<b>634</b>	<b>Net Surplus (Deficit)</b>	<b>-</b>	<b>-</b>	<b>2,407</b>
<b>Cost by Output</b>				
Output 4.1 Littoral Warfare Support				
1,363	Vessels	3,145	4,193	4,254
14,483	Output 4.2 Diving Forces	13,691	11,673	11,070
7,181	Output 4.3 Military Hydrography	6,862	7,385	5,617
Output 4.4 Mine Countermeasures				
9,411	(MCM) Forces	8,885	8,696	8,060

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements include foreign exchange gains and losses. The total approved appropriation in 2013/14 for this output expense was \$31.947 million and the total expenditure was \$29.001 million. There was no unappropriated expenditure for this output expense as the outputs were realigned under section 26A of the Public Finance Act.

# OUTPUT EXPENSE 5:

## NAVAL PATROL FORCES

### SERVICE PERFORMANCE

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#### 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 collective Naval Patrol Force (NPF) of OPVs and IPVs satisfied more than 90% of customer tasking requests in support of Domestic Tasks and for the security and protection of New Zealand's economic border and EEZ, as managed via the National Maritime Co-ordination Centre (NMCC). Additional EEZ patrols were undertaken by HMNZ Ships *Canterbury* and *Manawanui*, exploiting the inherent versatility of naval vessels and their ability to undertake simultaneous activities and tasks. Although the budgeted standards were compiled for individual components of the force (OPV and IPV), the NMCC tasking requests were addressed from the collective naval capability.

The Navy's shortage of personnel, though improving during the period, continued to impact the NPF in particular. The OPVs (HMNZ Ships *Otago* and *Wellington*) were prioritised over the IPVs in crewing terms due to their capability advantages and value as training platforms, and due to the IPVs requiring superstructure repairs and other remedial work. As a result, the OPVs maintained a high operational tempo in New Zealand and overseas, delivering 96% of planned mission availability days and 103% of planned days at sea. The OPVs achieved the Directed Level of Capability (DLOC) for all required Employment Contexts (ECs).

The OPVs progressed towards full operational release as opportunities such as Southern Ocean and Sub-Antarctic patrols allowed for assessment in a variety of challenging conditions. Full capability release is expected to occur in 2016.

The IPVs achieved 38% of planned mission availability days and 48% of planned days at sea, delivered by two of the four vessels. The majority of days were provided by HMNZS *Hawea*.

## Readiness Training and Other Activities

Training activities for the NPF were primarily focused on the generation of capability to meet domestic tasks in support of the delivery of outcomes for other government agencies and community groups. A comprehensive range of Maritime Operational Evaluation Team (MOET) facilitated training and evaluation periods ensured that the available NPF vessels achieved DLOC and OLOC standards, as required.

The NPF conducted a wide variety of planned and response domestic tasks and other activities in New Zealand and overseas, including the following major activities:

- Exercise Pacific Partnership 13 and Operation Pukaurua. HMNZS *Wellington* took part in this multi-lateral exercise and operation that consisted of humanitarian and civic assistance, civil military operations, disaster management and humanitarian assistance operations in Solomon Islands. *Wellington* supported operations to dispose of Explosive Remnants of War (EWR) alongside forces from Australia, France, Kiribati, the Solomon Islands and the United States.
- Operation Zodiac 01/13. HMNZS *Wellington* supported the Ministry for Primary Industries (MPI) in this fisheries surveillance and boarding operation in the high seas pockets in the South Pacific. The operation centred on investigating the behaviours of Big Eye and Yellow Fin tuna fishing fleets.
- Operations Kauwae 03/13 and 04/13. These operations saw HMNZS *Wellington* support MPI fisheries monitoring and enforcement within New Zealand's EEZ.
- Exercise Southern Katipo 13. HMNZS *Wellington* participated in this major multi-national combined-joint and inter-agency exercise hosted by New Zealand in the South Island and involving 10 nations and 2,200 personnel. The exercise included non-opposed amphibious operations.
- Operation Castle 01/13. HMNZS *Otago* deployed to the Southern Ocean to conduct two patrols in support of the Ministry of Foreign Affairs and Trade and to assist in monitoring of the Convention of the Conservation of Antarctic Marine Living Resources (CCAMLR), including compliance of the Southern Ocean fishing fleet. The patrols were punctuated by an EEZ patrol in Fiordland over the Christmas period.
- Operation Havre 01/14. This resupply of Raoul Island by HMNZS *Otago* supported a number of Department of Conservation (DoC), Met Service and GNS science activities and projects.
- Operation Endurance 01/14. HMNZS *Wellington* resupplied New Zealand's Sub-Antarctic islands in support of DoC, the Met Service and GNS and simultaneously carried out EEZ patrols. The ship also hosted a Sir Peter Blake Trust 'Young Blake Expedition' consisting of 12 secondary school students and a crew of subject matter experts, scientists, educators, communicators and leaders.
- Operation Multus 01/14. This multi-agency operation involved HMNZS *Wellington* providing support to MPI and NZ Customs Service operations along the North Island's upper east coast.
- Operations Rapanga 04/13 to 08/13 and 01/14 to 04/14 (nine patrols). HMNZ Ships *Hawea* and *Taupo* (IPVs) provided support to the NZ Customs Service during these surveillance and enforcement operations and simultaneously conducted EEZ patrols.
- Operation Kauwae 01/14. The IPV HMNZS *Hawea* assisted MPI (Fisheries) during this monitoring and enforcement operation.

In addition to the above activities, vessels of the NPF assisted with Navy, Army and Air Force exercises and training tasks.

## Output Performance Measures and Standards

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
<p>The OPVs, HMNZ Ships <i>Otago</i> and <i>Wellington</i>, with embarked <i>Seasprite</i> when ordered, available for military tasks and domestic tasks once fully accepted into service with the Navy.</p> <p>Details on the <i>Seasprite</i> 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>	<p>Both vessels available within the constraints of the Interim Operating Capability Statement. Crewing constraints saw HMNZS <i>Wellington</i> unavailable for the majority of FY 2012/13</p>	<p>Both vessels available</p>	<p>Both vessels were available for military and domestic tasks, while continuing progress toward achieving full capability. Collective availability of the OPVs, IPVs, and HMNZ Ships <i>Manawanui</i> and <i>Canterbury</i> satisfied more than 90% of Multi-Agency Operations and Tasks</p>
<p>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 domestic and military tasks as required</p>	<p>Due to a combination of personnel and maintenance issues, two IPVs were unavailable for the period July 2012 – March 2013</p>	<p>Availability will be generated from a three-ship rotation due to personnel shortages</p>	<p>Availability was generated predominantly from two ships, with only one being available for most of the period due to personnel shortages and maintenance issues</p>
<p>Undertake Domestic 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. Agency allocations of sea days are coordinated by the National Maritime Coordination Centre (NMCC) and tasked by Headquarters Joint Forces New Zealand. The allocation of sea days throughout the year will be in support of planned and contingent operations.</p>	<p>Delivered to the satisfaction of the supported department/ agency</p>	<p>Deliver to the satisfaction of supported department/ agency</p>	<p>Delivered to the satisfaction of the supported department/agency</p> <p>Delivery included patrols and operations in support of MPI, MFAT, NZ Customs, and DoC, as well as community groups, in the Southern Ocean, NZ environs, NZ offshore islands and South Pacific</p> <p>The NMCC forwarded tasking requests for 293 sea days for the Naval Patrol Forces, of which 272 days (93%) were delivered. The marginal shortfall was due to a combination of tasks being completed in a shorter period than planned, or elements beyond the Navy's control, such as inclement weather</p> <p>See also the section on Support to the Government, Agencies and Community</p>

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
For the OPVs, undertake defence diplomacy tasks in accordance with NZDF and Government/MFAT requirements. This normally involves ship visits to foreign ports.	Delivered to the satisfaction of the supported department/agency. The OPVs provided a range of support to MFAT both in the Southern Oceans and in the Pacific	Deliver to the satisfaction of supported department/agency	Delivered to the satisfaction of supported department/agency  As part of the multi-national 'Pacific Partnership' operation, HMNZS <i>Wellington</i> supported operations in the Solomon Islands to dispose of Explosive Remnants of War alongside forces from Australia, France, Kiribati, Solomon Islands and the United States.  HMNZS <i>Otago</i> conducted two patrols in the Southern Ocean in support of MFAT and other agencies, including a patrol in Fiordland over the Christmas period
Offshore Patrol Force total mission availability / Sea Days (range is target plus or minus 5%).	OPF was Mission Available for 341 days (92%) and spent 182 days (92%) at sea	532 / 283 - 313	The Offshore Patrol Force was mission available for 513* days (96%) and spent 308 days (103%) at sea
Planned OPV sea days available to the National Maritime Coordination Centre (included in total days).	244 days	373	369 OPV sea days (99%) were made available to NMCC  The NMCC forwarded tasking requests for 293 sea days from the Naval Patrol Forces, of which 272 days (93%) were delivered
Planned South Pacific patrols (Composite Naval Patrol Forces delivery)	2	2	One South Pacific patrol was conducted, with a second scheduled just outside the reporting period (early FY 14/15)
Planned Southern Ocean patrols.	1	2	Two Southern Ocean patrols were conducted as part of Operation Castle
Planned offshore resupply operations in support of the Department of Conservation (principally Raoul Island and the Sub-Antarctic Islands). [May require support from HMNZS <i>Canterbury</i> ]. Note: number of patrols and resupply operations are included in planned sea days.	2	2	Two resupply operations were conducted
Inshore Patrol Vessel mission availability / sea days range is target plus or minus 5%)	IPF was Mission Available for 660 days (88%) and spent 270 days (56%) at sea	830 / 262 - 290	The Inshore Patrol Force was mission available for 319* days (38%) and spent 132 days (48%) at sea, resulting primarily from personnel shortages, along with the need to undertake superstructure repairs and other maintenance  *Due to an historical planning and reporting anomaly mission availability targets were inflated and unachievable

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
Planned Inshore Patrol Vessel sea days available to NMCC (included in total days).	466	441	230 IPV sea days (52%) were made available to NMCC  A further 58 days were made available from HMNZS <i>Manawanui</i> , HMNZS <i>Canterbury</i> and elements of the LWSF  The NMCC forwarded tasking requests for 293 sea days from the Naval Patrol Forces, of which 272 days (93%) were delivered
<b>Preparedness - Naval Patrol Forces:</b> Employment Context			
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>			
<b>Illegal exploitation of marine resources within the New Zealand EEZ, and other low-level threats to New Zealand territorial sovereignty (EC 1A)</b>			
Offshore Patrol Forces	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Inshore Patrol Forces	Available at the appropriate degree of notice. There was a reduction in the total number of IPV's simultaneously in operation.	Available at the appropriate degree of notice	Available at the appropriate degree of notice with some periods at extended notice in accordance with provisions of the Output Plan
<b>Terrorist and Asymmetric Threats (EC 1D)</b>			
Offshore Patrol Forces	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Inshore Patrol Forces	Available at the appropriate degree of notice. There was a reduction in the total number of IPV's simultaneously in operation	Available at the appropriate degree of notice	Available at the appropriate degree of notice with some periods at extended notice in accordance with provisions of the Output Plan
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>			
<b>Natural and manmade disasters (EC 2B)</b>			
Offshore Patrol Forces	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
<b>State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)</b>			
Offshore Patrol Forces	Substantially prepared	Substantially prepared	Substantially prepared
<b>Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)</b>			
Offshore Patrol Forces	Substantially prepared	Substantially prepared	Substantially prepared

#### Costs for Output Expense 5 (GST Exclusive)

Actual 30 Jun 13 (\$ 000)	Category	Main Estimates (\$ 000)	Supplementary Estimates (\$ 000)	Actual 30 Jun 14 (\$ 000)
	<b>Expenditure</b>			
47,169	Personnel	47,077	48,342	47,050
21,998	Operating	34,032	24,584	23,950
20,419	Depreciation	18,758	18,820	19,120
34,046	Capital Charge	31,304	25,765	25,766
<b>123,632</b>	<b>Total Expenses</b>	<b>131,171</b>	<b>117,511</b>	<b>115,886</b>
	<b>Income</b>			
124,678	Revenue Crown	130,062	116,759	115,255
21	Revenue Department	596	-	-
455	Revenue Other	513	252	242
<b>125,154</b>	<b>Total Income</b>	<b>131,171</b>	<b>117,011</b>	<b>115,497</b>
<b>1,522</b>	<b>Gross Surplus (Deficit)</b>	<b>-</b>	<b>(500)</b>	<b>(389)</b>
(946)	Losses on Foreign Exchange	-	-	(1,415)
839	Gains on Foreign Exchange	-	-	385
<b>(107)</b>	<b>Net Foreign Exchange</b>	<b>-</b>	<b>-</b>	<b>(1,030)</b>
<b>1,415</b>	<b>Net Surplus (Deficit)</b>	<b>-</b>	<b>(500)</b>	<b>(1,419)</b>
	<b>Cost by Output</b>			
63,741	Output 5.1 Offshore Patrol Forces	70,856	59,597	60,701
59,891	Output 5.2 Inshore Patrol Forces	60,315	57,914	55,185

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements include foreign exchange gains and losses. The total approved appropriation 2013/14 for this output expense was \$117.511 million and the total expenditure was \$115.886 million. There was no unappropriated expenditure for this output expense as the outputs were realigned under section 26A of the Public Finance Act.



## OUTPUT EXPENSE 6:

### **RESERVED (PREVIOUSLY MILITARY HYDROGRAPHY, AND HYDROGRAPHIC DATA COLLECTION AND PROCESSING FOR LINZ)**

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This output was closed at the end of FY 2011/12 due to the cessation of the Land Information New Zealand contract for hydrographic data collection processing. The military hydrography component of this output was then transferred to Littoral Warfare Support Forces (Output Expense 4), commencing FY 2012/13.

# OUTPUT EXPENSE 7:

## LAND COMBAT FORCES

### SERVICE PERFORMANCE

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#### 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, provided support to civil authorities in New Zealand and in the Pacific.
- Development of the Enhanced Infantry Capability (EIC) capability progressed, with company group training being conducted throughout the year, culminating with Exercise Alam Halfa in May 2014.
- Land Combat Forces remained prepared for a wide range of operational contingencies. Land Combat Force elements of the NZ Army continued to carry the main responsibility for sustaining current Land 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 an infantry company throughout the year.
- Despite some personnel shortages impacting the ability to provide additional personnel rotations, 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 the Five Power Defence Arrangements (FPDA) and American, British, Canadian, and Australian (ABCA) 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. However, the effect of attrition on intelligence operators, medical staff and some combat service support ranks and trades has seen an increase in the risk of Army's ability to provide additional rotations for a deployed force.

## Readiness Training Activities

Land Combat Force elements participated in these major readiness training activities in the reporting period:

- Exercise Tempest Express was held in New Zealand in July 2013 and was a joint NZ and USPACOM hosted activity. It provided a venue for a number of countries to exchange ideas and lessons learned when undertaking capital disaster planning and associated disaster support activities in the Southwest Pacific.
- Exercise Aqua Terra 14 was held in Brisbane Australia in May 2014. This was a five nation command post exercise to familiarise and practice staff with planning, intelligence, information, effects based operations, planning and processes within a Combined Joint Task Force Headquarters (CJTfHQ).
- Exercise Cambrian Patrol 13, was held in Wales in October 2013. The event is the premier patrolling event of the British Army to develop and enhance operational capability at the section level. The New Zealand Army sent a section from Queen Alexandra's Mounted Rifles. The section did well achieving a Silver Medal and narrowly missed out on the Gold Medal.
- Exercise Southern Katipo was a HQJFNZ exercise held in November 2013 in New Zealand's lower South Island. The exercise saw the deployment of a coalition Joint Task Force to practice combined arms skills in an EC 2C/2E, mid-intensity insurgency, civil war scenario. The exercise involved forces from New Zealand, Australia, Canada, France, Malaysia, Papua New Guinea, Singapore, Tonga, United Kingdom and the United States.
- Exercise Alam Halfa was a joint and combined task group field training exercise based on a Combined Arms Task Group (CATG) drawn from 1 (NZ) Brigade, and involving US Marine Corps, US Army, British and Canadian Army personnel, in the North Island in May 2014. This exercise included; live firing of NZLAV, infantry support weapons and artillery/mortars.
- Exercise Suman Warrior was held in Townsville in Australia in October 2013. This Exercise was a command post exercise that enhanced interoperability amongst the FPDA partner nations.
- Exercise Lion Walk was held in New Zealand in October – November 2013. The exercise provided an opportunity for a Singapore Armed Forces (SAF) sub-unit to train in a different environment, whilst enhancing the understanding and interoperability between the SAF and the NZ Army.
- Exercise Pacific Spirit was conducted in New Zealand in August 2013. The exercise was a command post exercise that provided a forum for the sharing of knowledge and lessons learned in the conduct of regional HADR activities.
- The Canadian International Sniper Concentration was held in Canada in September 2013. Attendance at the concentration allowed New Zealand snipers to develop and maintain the skills required of the sniper capability by participating in an international event allowing the exchange of ideas and lessons learnt.
- Exercise Maple Lion was conducted in Canada in October 2013. The exercise allowed ABCA Army personnel to enhance interoperability through becoming familiar with the British and Canadian battle procedures.
- Australian Army Skill at Arms Meeting 13 (AASAM 13) was held in Puckapunyal, Australia over the period 27 April to 21 May 2014. This is an annual international small arms shooting competition conducted by the Australian Army. AASAM provides the forum where the NZ Army can develop core skills at an international level, and to gauge the standards of small arms shooting applicable to NZ Army operational roles. This year the NZ Army team came 6th in a field of 17 teams.
- Exercise Hamel was held in Townsville, Australia in May 2014. Exercise Hamel focused on Intelligence Surveillance and Reconnaissance (ISR) integration and information fusion into a Brigade environment in a medium to high intensity contemporary war-fighting scenario.

## Output Performance Measures and Standards

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
Army, drawing on Headquarters Deployable Joint Task Force (Land) (HQ DJTF(L)), HQ 1 (NZ) Bde, 1 RNZIR, 2/1 RNZIR, QAMR and force elements from 1 (NZ) Signals Regt, 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"> <li>One sustainable Light Task Group (LTG) and joint enablers for tasks under ECs 1 to 5 (inclusive). (See Note 1 for definition of a LTG).</li> </ul>	Available	Available for concurrent deployments	Available for concurrent deployments within personnel implications for additional rotations
and <ul style="list-style-type: none"> <li>One sustainable Combined Arms Task Group (CATG) with joint enablers for tasks under ECs 2 to 5 (inclusive). (See Note 1 for definition of a CATG).</li> </ul>	Available, but could not be deployed concurrently with a LTG	Available for concurrent deployments	Available for concurrent deployments within personnel implications for additional rotations
Army will also provide: <ul style="list-style-type: none"> <li>an appropriate headquarters for simulation and Command Post Exercise-based combined-arms training.</li> </ul>	Available	Available	Available
<ul style="list-style-type: none"> <li>an appropriate headquarters (including intelligence and communications support) for command and control of a deployed force</li> </ul>	Available	Available	Available
Undertake Domestic 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 the supported department/ agency	Deliver to the satisfaction of supported department/ agency	Delivered to the satisfaction of supported department/agency See also the section on Support to the Government, Agencies and Community

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
<b>Preparedness - Land Combat Support Forces: Employment Context</b>			
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>			
<b>Terrorist and Asymmetric Threats (EC 1D)</b>			
Command, Control and Intelligence	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Manoeuvre Elements (Light infantry and motorised): • Up to a LTG (for Cordon duties)	Available at the appropriate degree of notice	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>			
<b>Natural and manmade disasters (EC 2B)</b>			
Command, Control and Intelligence	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Manoeuvre Elements (Light infantry and motorised): • Up to a LTG	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
<b>State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)</b>			
Command, Control and Intelligence	Partially Prepared, due to personnel availability	Substantially Prepared	Partially Prepared, due to personnel availability
Manoeuvre Elements (Light infantry and motorised):			
• Up to a LTG, and	Substantially Prepared	Substantially Prepared	Substantially Prepared
• Up to a CATG	Substantially Prepared	Substantially Prepared	Substantially Prepared
<b>Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)</b>			
Command, Control and Intelligence	Partially Prepared, due to personnel availability	Substantially Prepared	Partially Prepared, due to personnel availability
Manoeuvre Elements (Light infantry and motorised):			
• Up to a LTG, and	Substantially Prepared	Substantially Prepared	Substantially Prepared
• Up to a CATG	Substantially Prepared	Substantially Prepared	Substantially Prepared

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>			
<b>Inter-State conflict (EC 4F)</b>			
Command, Control and Intelligence	Partially Prepared	Partially Prepared	Partially Prepared
Manoeuvre Elements (Light infantry and motorised):			
• Up to a CATG	Partially Prepared	Partially Prepared	Partially Prepared
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>			
<b>Terrorist Threats (EC 5D)</b>			
Command, Control and Intelligence	Partially Prepared, due to personnel availability	Substantially Prepared	Partially Prepared, due to personnel availability
Manoeuvre Elements (Light infantry and motorised):			
• Up to a CATG.	Substantially Prepared	Substantially Prepared	Substantially Prepared

Notes:

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

- A Light Task Group (LTG) is designed to have a deployed strength of up to 260 personnel to conduct primarily humanitarian and disaster relief and stability and support tasks. It can include combat, combat service support (CSS) and limited combat support (CS) elements. If manoeuvre based, it may be light infantry, motorised or composite. The LTG is supported by Information Operations (IO) and enhanced communications, intelligence and Geospatial Information Systems (GIS) capabilities.
- The LTG will be available for operations across Employment Contexts 1 to 5 (inclusive), however, it is designed primarily for the EC 1 and 2 environments. This TG is based around a single sub-unit sized element.
- A Combined Arms Task Group (CATG) allows for a scalable 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).
- The combination of the above Task Groups (LTG and CATG) provides an option to deploy an 800-man CATG. The 800-man CATG is scalable, adaptable and is optimised for an EC 2 environment. Task organised groups can be tailored to conduct a variety of missions inclusive of humanitarian assistance/disaster relief and support operations, combat or special operations. It can include combat, CS and CSS elements. If manoeuvre based, it may be light infantry, motorised or composite. The CATG is possibly supported by special operations and is supported by information operations and enhanced communications, intelligence and geospatial information systems capabilities.

2. The provision of a sustainable LTG and a sustainable CATG is in addition to current NZDF- supported United Nations and Multinational Force and Observers peace keeping missions.

### Costs for Output Expense 7 (GST Exclusive)

Actual 30 Jun 13 (\$ 000)	Category	Main Estimates (\$ 000)	Supplementary Estimates (\$ 000)	Actual 30 Jun 14 (\$ 000)
<b>Expenditure</b>				
149,304	Personnel	146,455	153,493	152,726
91,160	Operating	107,649	99,126	97,923
40,955	Depreciation	39,279	42,272	38,504
54,127	Capital Charge	54,741	53,019	53,023
<b>335,546</b>	<b>Total Expenses</b>	<b>348,124</b>	<b>347,910</b>	<b>342,176</b>
<b>Income</b>				
332,699	Revenue Crown	346,096	349,231	346,859
50	Revenue Department	1,158	-	-
790	Revenue Other	870	479	578
<b>333,539</b>	<b>Total Income</b>	<b>348,124</b>	<b>349,710</b>	<b>347,437</b>
<b>(2,007)</b>	<b>Gross Surplus (Deficit)</b>	<b>-</b>	<b>1,800</b>	<b>5,261</b>
(2,273)	Losses on Foreign Exchange	-	-	(3,385)
1999	Gains on Foreign Exchange	-	-	918
<b>(274)</b>	<b>Net Foreign Exchange</b>	<b>-</b>	<b>-</b>	<b>(2,467)</b>
<b>(2,281)</b>	<b>Net Surplus (Deficit)</b>	<b>-</b>	<b>1,800</b>	<b>2,794</b>
<b>Cost by Output</b>				
31,537	Output 7.1 Command, Control and Intelligence	32,193	34,132	32,777
304,009	Output 7.2 Manoeuvre Elements (Infantry and Reconnaissance)	315,931	313,778	309,399

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements include foreign exchange gains and losses. The total approved appropriation in 2013/14 for this output expense was \$347.910 million and the total expenditure was \$342.176 million. There was no unappropriated expenditure for this output expense as the outputs were realigned under section 26A of the Public Finance Act.

# OUTPUT EXPENSE 8:

## LAND COMBAT SUPPORT FORCES

### SERVICE PERFORMANCE

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#### 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 personnel to sustain OE 16 operations, Land Combat Support Force elements had the ability to provide communications and engineering to our Pacific Island neighbours in support of 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. 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, including the upgrade of metrological equipment for the Artillery. Munitions, stores and equipment were available for OLOC generation.



## Readiness Training Activities

- Exercise Southern Katipo was a HQJFNZ exercise held in November 2013 in New Zealand's lower South Island. The exercise saw the deployment of a coalition Joint Task Force operating within a Joint Interagency Multinational (JIM) environment to practice combined arms skills in an EC 2C/2E, mid-intensity insurgency, civil war scenario. The exercise involved forces from New Zealand, Australia, Canada, France, Malaysia, Papua New Guinea, Singapore, Tonga, United Kingdom and the United States; and other Government agencies from New Zealand.
- Exercises Pacific Partnership and Tropic Twilight were HADR exercises conducted in the South West Pacific in July and August 2013. They were supported by Engineer and Medical elements who exercised with US, French and Australian forces. This exercise enables the NZDF to generate a capacity to provide military aid to civilian authorities as part of a regionalised coalition.
- Exercise Suman Warrior was held in Townsville in Australia in October 2013. This Exercise is a command post exercise that enhanced interoperability amongst the FPDA partner nations.
- Exercise Equateur was held in New Caledonia in October 2013. This exercise is a French Army in New Caledonia (FANC) sponsored joint and combined field training exercise conducted biennially as an enabling activity for Exercise Croix Du Sud, which is held the following year.
- Exercise Alam Halfa was a joint and combined task force group field training exercise based on a Combined Arms Task Group (CATG) drawn from 1 (NZ) Brigade, and involving US Marine Corps, US Army, British and Canadian Army personnel, in the North Island in May 2014. This exercise included: live firing of NZLAV, infantry support weapons and artillery/mortars.
- Exercise Aqua Terra 14 was held in Brisbane Australia in May 14. This was a five nation command post exercise to familiarise and practice staff with planning, intelligence, information, effects based operations, planning and processes within a CJTFHQ.
- Exercise Thunder Warrior was held in Waiouru in October 2013 and provided support to artillery elements of the Singapore Armed Forces (SAF). The exercise enhanced the interoperability between the NZ Army and the SAF and further strengthened the close relationship that exists.
- Exercise Hamel was held in Townsville, Australia in May 2014. Exercise Hamel focused on ISR integration and information fusion into a Brigade environment in a medium to high intensity contemporary war-fighting scenario.

## Output Performance Measures and Standards

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
Army, drawing on 1 (NZ) Brigade, Regular Force artillery, engineer, communications, and military police units [16 Field Regiment, 2 Engineer Regiment, 1 (NZ) Signals Regiment - including an Electronic Warfare element, and 1 (NZ) Military Police Company], and with supplementation from the Territorial Force, as required, will provide the initial and rotation land combat support force elements to support, generally, as applicable:			
• Up to a LTG for tasks under ECs 1 to 5 (inclusive).	Available	Available	Available
and	Available	Available	Available
• Up to a CATG for tasks under ECs 2 to 5 (inclusive).			

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
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 Domestic 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 the supported department/ agency	Deliver to the satisfaction of supported department/ agency	Delivered to the satisfaction of supported department/ agency  Combat support force elements, particularly engineers, supported the NZ Antarctic Programme in the summer season  See also the section on Support to the Government, Agencies and Community
<b>Preparedness - Land Combat Support Forces: Employment Context</b>			
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>			
<b>Terrorist and Asymmetric Threats (EC 1D)</b>			
Field Artillery (personnel only - in support of LTG Cordon duties)	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Engineers in support of a LTG	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Communications in support of a LTG	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Military Police in support of a LTG	Available at the appropriate degree of notice	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>			
<b>Natural and manmade disasters (EC 2B)</b>			
Field Artillery (personnel only) in support of a LTG	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Engineers in support of a LTG	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Communications in support of a LTG	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
Military Police in support of a LTG	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
<b>State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)</b>			
Field Artillery (personnel only) in support of a LTG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Field Artillery (personnel only) in support of a CATG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Engineers in support of a LTG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Engineers in support of a CATG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Communications in support of a LTG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Communications in support of a CATG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Military Police in support of a LTG	Fully Prepared	Substantially Prepared	Substantially Prepared
Military Police in support of a CATG	Fully Prepared	Substantially Prepared	Substantially Prepared
<b>Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)</b>			
Field Artillery (personnel only) in support of a LTG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Field Artillery in support of a CATG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Engineers in support of a LTG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Engineers in support of a CATG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Communications in support of a LTG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Communications in support of a CATG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Military Police in support of a LTG	Fully Prepared	Substantially Prepared	Substantially Prepared
Military Police in support of a CATG	Fully Prepared	Substantially Prepared	Substantially Prepared
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>			
<b>Inter-State conflict (EC 4F)</b>			
Field Artillery in support of a CATG	Partially Prepared	Partially Prepared	Partially Prepared
Engineers in support of a CATG	Partially Prepared	Partially Prepared	Partially Prepared
Communications in support of a CATG	Partially Prepared	Partially Prepared	Partially Prepared
Military Police in support of a CATG	Fully Prepared	Partially Prepared	Substantially Prepared
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>			
<b>Terrorist Threats (EC 5D)</b>			
Field Artillery in support of a CATG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Engineers in support of a CATG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Communications in support of a CATG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Military Police in support of a CATG	Fully Prepared	Substantially Prepared	Substantially Prepared

### Costs for Output Expense 8 (GST Exclusive)

Actual 30 Jun 13 (\$ 000)	Category	Main Estimates (\$ 000)	Supplementary Estimates (\$ 000)	Actual 30 Jun 14 (\$ 000)
<b>Expenditure</b>				
103,618	Personnel	100,670	104,418	103,319
55,352	Operating	49,681	61,180	59,721
22,330	Depreciation	24,012	25,674	21,403
30,071	Capital Charge	30,487	29,580	29,590
<b>211,371</b>	<b>Total Expenses</b>	<b>204,850</b>	<b>220,852</b>	<b>214,033</b>
<b>Income</b>				
210,513	Revenue Crown	203,477	220,532	218,498
34	Revenue Department	784	-	-
529	Revenue Other	589	320	375
<b>211,076</b>	<b>Total Income</b>	<b>204,850</b>	<b>220,852</b>	<b>218,873</b>
<b>(295)</b>	<b>Gross Surplus (Deficit)</b>	<b>-</b>	<b>-</b>	<b>4,840</b>
(1,539)	Losses on Foreign Exchange	-	-	(2,286)
1,354	Gains on Foreign Exchange	-	-	622
<b>(185)</b>	<b>Net Foreign Exchange</b>	<b>-</b>	<b>-</b>	<b>(1,664)</b>
<b>(480)</b>	<b>Net Surplus (Deficit)</b>	<b>-</b>	<b>-</b>	<b>3,176</b>
<b>Cost by Output</b>				
63,132	Output 8.1 Artillery	63,144	64,604	60,009
86,045	Output 8.2 Engineers	79,473	82,874	82,014
49,115	Output 8.3 Communications	46,449	52,846	60,009
13,079	Output 8.4 Military Police	15,784	20,528	12,001

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements include foreign exchange gains and losses. The total approved appropriation in 2013/14 for this output expense was \$220.852 million and the total expenditure was \$214.033 million. There was no unappropriated expenditure for this output expense as the outputs were realigned under section 26A of the Public Finance Act.

# OUTPUT EXPENSE 9:

## LAND COMBAT SERVICE SUPPORT FORCES

### SERVICE PERFORMANCE

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#### 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

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

Combat service support elements could have been provided to support the independent deployments of a concurrent LTG and CATG. Providing additional rotations in support would only have been possible if resources had been redeployed from Army's training establishment. This would have significantly risked Army's training pipeline to the point of failure.

Equipment met the required standards for support to current operations. Munitions, stores and equipment were available for OLOC generation. In addition, significant progress was made to ameliorate the Role Two Enhanced (R2E) medical capability that was declared non-operational in financial year FY 2012/13. While the capability remains non-operational most equipment issues have been addressed, however, personnel issues remain unresolved. It is anticipated that this capability

will become operational in May 2015. The effect of personnel attrition on combat Supply, Maintenance Support and Movements ranks and trades, and shortages in specialist Medical appointments, has seen an increase in the risk of Army's ability to provide additional rotations to a deployed force.

### Readiness Training Activities

Combat Service Support Force elements took part in:

- Exercise Southern Katipo was a HQJFNZ exercise held in November 2013 in New Zealand's lower South Island. The exercise saw the deployment of a coalition Joint Task Force to practice combined arms skills in an EC 2C/2E, mid-intensity insurgency, civil war scenario. The exercise involved forces from New Zealand, Australia, Canada, France, Malaysia, Papua New Guinea, Singapore, Tonga, United Kingdom and the United States.
- Exercise Aqua Terra 14 was held in Brisbane Australia in May 2014. This was a five nation Command Post Exercise to familiarise and practice staff with panning, intelligence, information, effects based operations, planning and processes within a CJTFHQ.
- Exercise Alam Halfa was a joint and combined task force group field training exercise based on a Combined Arms Task Group (CATG) drawn from 1 (NZ) Brigade, and involving US Marine Corps, US Army, British and Canadian Army personnel, in the North Island in May 2014. This exercise included: live firing of NZLAV, infantry support weapons and artillery/mortars.
- Operation Antarctic was supported over the Summer Season by movement elements providing Ship Offload Teams.
- Exercise Suman Warrior was held in Townsville in Australia in October 2013. This Exercise is a command post exercise that enhanced interoperability amongst the FPDA nations.
- Movements elements provided support to the re-entry of the Pike River Mine in October 2013. This consisted of a team to assist with the movement of debris from the mine vicinity.
- Medical elements participated in Exercise Pacific Partnership, which was held in Indonesia and Timor- Leste over May and June 2014. This exercise is a multilateral US, Partner Nation and Host Nation exercise that practices disaster management and humanitarian assistance operations.

### Output Performance Measures and Standards

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
Army, drawing on 2 CSSB, 3 CSSB, 2 Health Support Battalion and Logistic Command, as part of, respectively, 1 (NZ) Bde and the NZDF, with supplementation from the Territorial Force, as required, will provide the initial and rotation combat service support force elements to support, generally, as applicable:			
• Up to a LTG for tasks under ECs 1 to 5 (inclusive)	Available	Available	Available
and	Available	Available	Available
• Up to a CATG for tasks under ECs 2 to 5 (inclusive)			
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

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
Undertake Domestic 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 the supported department/ agency	Deliver to the satisfaction of supported department/ agency	Delivered to the satisfaction of supported department/ agency  Combat support force elements, particularly engineers, supported the NZ Antarctic Programme in the summer season  See also the section on Support to the Government, Agencies and Community
<b>Preparedness - Land Combat Support Forces: Employment Context</b>			
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>			
<b>Terrorist and Asymmetric Threats (EC 1D)</b>			
Transport Elements in support of a LTG	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Medical Elements in support of a LTG	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Supply Elements in support of a LTG	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Maintenance Support Elements in support of a LTG	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Movements Elements in support of a LTG	Available at the appropriate degree of notice	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>			
<b>Natural and manmade disasters (EC 2B)</b>			
Transport Elements in support of a LTG	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Medical Elements in support of a LTG	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Supply Elements in support of a LTG	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Maintenance Support Elements in support of a LTG	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Movements Elements in support of a LTG	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
<b>State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)</b>			
Transport Elements in support of a LTG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Transport Elements in support of a CATG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Medical Elements in support of a LTG	Substantially Prepared	Substantially Prepared	Partially Prepared, due to availability of personnel
Medical Elements in support of a CATG	Substantially Prepared	Substantially Prepared	Partially Prepared, due to availability of personnel
Supply Elements in support of a LTG	Partially Prepared, due to availability of personnel	Substantially Prepared	Substantially Prepared
Supply Elements in support of a CATG	Partially Prepared, due to availability of personnel	Substantially Prepared	Substantially Prepared
Maintenance Support Elements in support of a LTG	Partially Prepared, due to availability of personnel	Substantially Prepared	Substantially Prepared
Maintenance Support Elements in support of a CATG	Partially Prepared, due to availability of personnel	Substantially Prepared	Substantially Prepared
Movements Elements in support of a LTG	Partially Prepared, due to availability of personnel	Substantially Prepared	Partially Prepared, due to availability of personnel
Movements Elements in support of a CATG	Partially Prepared, due to availability of personnel	Substantially Prepared	Partially Prepared, due to availability of personnel
<b>Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)</b>			
Transport Elements in support of a LTG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Transport Elements in support of a CATG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Medical Elements in support of a LTG	Substantially Prepared	Substantially Prepared	Partially Prepared, due to availability of personnel
Medical Elements in support of a CATG	Substantially Prepared	Substantially Prepared	Partially Prepared, due to availability of personnel
Supply Elements in support of a LTG	Partially Prepared, due to availability of personnel	Substantially Prepared	Substantially Prepared
Supply Elements in support of a CATG	Partially Prepared, due to availability of personnel	Substantially Prepared	Substantially Prepared
Maintenance Support Elements in support of a LTG	Partially Prepared, due to availability of personnel	Substantially Prepared	Substantially Prepared



	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
Maintenance Support Elements in support of a CATG	Partially Prepared, due to availability of personnel	Substantially Prepared	Substantially Prepared
Movements Elements in support of a LTG	Partially Prepared, due to availability of personnel	Substantially Prepared	Partially Prepared, due to availability of personnel
Movements Elements in support of a CATG	Partially Prepared, due to availability of personnel	Substantially Prepared	Partially Prepared, due to availability of personnel
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>			
<b>Inter-State conflict (EC 4F)</b>			
Transport Elements in support of a CATG	Partially Prepared	Partially Prepared	Partially Prepared
Medical Elements in support of a CATG	Partially Prepared	Partially Prepared	Partially Prepared
Supply Elements in support of a CATG	Partially Prepared	Partially Prepared	Partially Prepared
Maintenance Support Elements in support of a CATG	Partially Prepared	Partially Prepared	Partially Prepared
Movements Elements in support of a CATG	Partially Prepared	Partially Prepared	Partially Prepared
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>			
<b>Terrorist Threats (EC 5D)</b>			
Transport Elements in support of a CATG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Medical Elements in support of a CATG	Substantially Prepared	Substantially Prepared	Partially Prepared, due to availability of personnel
Supply Elements in support of a CATG	Partially Prepared, due to availability of personnel	Substantially Prepared	Substantially Prepared
Maintenance Support Elements in support of a CATG	Substantially Prepared	Substantially Prepared	Substantially Prepared
Movements Elements in support of a CATG	Partially Prepared, due to availability of personnel	Substantially Prepared	Partially Prepared due to availability of personnel

### Costs for Output Expense 9 (GST Exclusive)

Actual 30 Jun 13 (\$ 000)	Category	Main Estimates (\$ 000)	Supplementary Estimates (\$ 000)	Actual 30 Jun 14 (\$ 000)
<b>Expenditure</b>				
79,277	Personnel	79,942	82,727	81,720
44,884	Operating	47,885	49,429	46,743
18,075	Depreciation	17,358	18,537	16,906
24,503	Capital Charge	24,835	24,304	24,306
<b>166,739</b>	<b>Total Expenses</b>	<b>170,020</b>	<b>174,997</b>	<b>169,675</b>
<b>Income</b>				
165,189	Revenue Crown	168,923	174,735	172,805
27	Revenue Department	627	-	-
430	Revenue Other	470	262	309
<b>165,646</b>	<b>Total Income</b>	<b>170,020</b>	<b>174,997</b>	<b>173,114</b>
<b>(1,093)</b>	<b>Gross Surplus (Deficit)</b>	<b>-</b>	<b>-</b>	<b>3,439</b>
(1,231)	Losses on Foreign Exchange	-	-	(1,826)
1,082	Gains on Foreign Exchange	-	-	497
<b>(149)</b>	<b>Net Foreign Exchange</b>	<b>-</b>	<b>-</b>	<b>(1,329)</b>
<b>(1,242)</b>	<b>Net Surplus (Deficit)</b>	<b>-</b>	<b>-</b>	<b>2,110</b>
<b>Cost by Output</b>				
30,638	Output 9.1 Transport	34,148	33,689	32,183
41,071	Output 9.2 Medical	41,994	43,336	41,673
46,401	Output 9.3 Supply	41,524	44,706	44,740
35,126	Output 9.4 Maintenance Support	37,523	38,203	36,445
13,503	Output 9.5 Movements	14,831	15,063	14,634

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements include foreign exchange gains and losses. The total approved appropriation in 2013/14 for this output expense was \$174.997 million and the total expenditure was \$169.675 million. There was no unappropriated expenditure for this output expense as the outputs were realigned under section 26A of the Public Finance Act.

# OUTPUT EXPENSE 10:

## SPECIAL OPERATIONS FORCES

### SERVICE PERFORMANCE

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#### Description

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

This output expense provides Special Operations Forces prepared for:

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

#### Associated Outputs

##### Output 10.1 - Special Forces

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

##### Output 10.2 - Counter-Terrorist Forces

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

##### Output 10.3 - Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal<sup>6</sup>

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.

#### 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 ECs 1 to 5.

The Counter-Terrorist (CT) 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 Explosive Ordnance Disposal / Improvised Explosive Device Disposal (EOD / IEDD) threats and a specialised response team was available to respond to Chemical Biological Radiological Explosive (CBRE) threats.

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.

<sup>6</sup> 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.

### Readiness Training Activities

1 NZ Special Air Service (1 NZSAS) Regiment maintained OLOC through its ability to raise and train new Special Forces (SF) and Special Operating Force (SOF) personnel, including SOF enablers posted to the Regiment. This was achieved through formal individual training, advanced training and currency/compliance training conducted domestically or offshore. Collective training activities in New Zealand were primarily Counter Terrorism (CT) based, however, the Regiment did contribute to 1 (NZ) Brigade activities in the second quarter. The Regiment's overseas training, engagements and exercises focused primarily on enablers preparing them to support SF on operations. The training year culminated for the Regiment with a training exercise in Papua New Guinea.

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.

SOF elements participated in the following major readiness training activities in the reporting period:

- Participated in Exercise Oden Goat (OG14) in Norway in January 2014. OG14 exercised specific special operations mountain skills enhancing interoperability with Norwegian Special forces.
- Exercise Hard Hit was held in November 2013. The activity practiced SF and their enablers in special force operations.
- Exercise Kiwi Black was held in Australia in August 2013. The exercise enhanced interoperability and operator skills between 1 NZSAS Regt and the AS SASR.
- Provided medics to St Johns Ambulance and other ambulance services in order to maintain this capability throughout the year.
- 1 NZSAS Regiment maintained OLOC through continuation and currency training both offshore and domestically through basic courses for reinforcement personnel and specialised advanced courses.

### Output Performance Measures and Standards

	2012/13		2013/14	
Performance Measures	Actual	Budget Standard	Performance Achieved	
Army, drawing on 1st NZ Special Air Service Regiment (1 NZ SAS Regt), will provide:				
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	Available	Available	Available	
<ul style="list-style-type: none"> <li>• A Counter-Terrorist Group to assist the NZ Police in Counter-Terrorist operations, including Maritime CT, under Employment Contexts 1D and 2D.</li> </ul>	Available	Available	Available	
<ul style="list-style-type: none"> <li>• 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 CBRE Response Team to undertake emergency national IEDD/CBRE tasks in support of the NZ Police.</li> </ul>	Available	Available	Available	

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
<b>Deployment Impacts:</b>			
<ul style="list-style-type: none"> <li>If a high proportion of the Special Forces 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 Counter-Terrorist capability.</li> </ul>			
<ul style="list-style-type: none"> <li>The number of personnel qualified and available to deliver CBRE is currently limited. The deployment of any personnel from this output to Output Expense Operationally Deployed Forces would have a major impact on training and the ability of the NZDF to deliver CBRE.</li> </ul>			
<b>Preparedness - Special Operations Forces: Employment Context</b>			
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>			
<b>Terrorist and Asymmetric Threats (EC 1D)</b>			
Special Forces	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
Counter-Terrorist Forces	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
CBRE / IEDD	Available at the appropriate degree of notice	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>			
<b>State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)</b>			
Special Forces	Fully Prepared	Fully Prepared	Fully Prepared
<b>Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)</b>			
Special Forces	Fully Prepared	Fully Prepared	Fully Prepared
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>			
<b>Interstate Conflict (EC 4F)</b>			
Special Forces	Fully Prepared	Fully Prepared	Fully Prepared
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>			
<b>Terrorist Threats (EC 5D)</b>			
Special Forces	Fully Prepared	Fully Prepared	Fully Prepared

### Costs for Output Expense 10 (GST Exclusive)

Actual 30 Jun 13 (\$ 000)	Category	Main Estimates (\$ 000)	Supplementary Estimates (\$ 000)	Actual 30 Jun 14 (\$ 000)
<b>Expenditure</b>				
42,750	Personnel	43,912	45,432	45,029
23,429	Operating	27,536	27,565	26,411
6,440	Depreciation	7,940	8,142	6,546
7,613	Capital Charge	7,851	8,536	8,538
<b>80,232</b>	<b>Total Expenses</b>	<b>87,239</b>	<b>89,675</b>	<b>86,524</b>
<b>Income</b>				
79,281	Revenue Crown	86,456	89,492	88,927
19	Revenue Department	447	-	-
301	Revenue Other	336	183	199
<b>79,601</b>	<b>Total Income</b>	<b>87,239</b>	<b>89,675</b>	<b>89,126</b>
<b>(631)</b>	<b>Gross Surplus (Deficit)</b>	<b>-</b>	<b>-</b>	<b>2,602</b>
(877)	Losses on Foreign Exchange	-	-	(1,304)
772	Gains on Foreign Exchange	-	-	355
<b>(105)</b>	<b>Net Foreign Exchange</b>	<b>-</b>	<b>-</b>	<b>(949)</b>
<b>(736)</b>	<b>Net Surplus (Deficit)</b>	<b>-</b>	<b>-</b>	<b>1,653</b>
<b>Cost by Output</b>				
32,408	Output 10.1 Special Forces	35,271	35,915	34,179
32,381	Output 10.2 Counter-Terrorist Forces	34,349	35,875	35,496
15,443	Output 10.3 Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal	17,619	17,885	16,849

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements include foreign exchange gains and losses. The total approved appropriation in 2013/14 for this output expense was \$89.675 million and the total expenditure was \$86.524 million. There was no unappropriated expenditure for this output expense as the outputs were realigned under section 26A of the Public Finance Act.

# OUTPUT EXPENSE 11:

## NAVAL HELICOPTER FORCES

### SERVICE PERFORMANCE

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#### 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(NZ) Seasprites are supported by the RNZAF and operated by the RNZN. The Seasprites have primarily been employed as integrated air assets from the ANZAC Frigate HMNZS *Te Mana*, and, when ordered, onboard HMNZS *Canterbury*. The aircraft provides a range of capabilities from logistic support to combat operations.

During the reporting period, a single Flight provided the continual supply of an embarked aviation capability to HMNZS *Te Mana* during her seven month OE16 anti-piracy mission. On a number of occasions, a second Flight was deployed either domestically within New Zealand or on HMNZS *Canterbury*. The current inability to meet all expected outputs and readiness measures is driven by the combination of a limited number of trained crews, lack of spares and equipment obsolescence. NHF outputs will be reduced throughout the next period as resources also contribute to the Maritime Helicopter Replacement Project.

#### Multi-Agency Support

##### No 6 Squadron:

Exercise Ambuscade - Multi Agency Operations & Tasking (MAO&T) South Island

Exercise Overload - MAO&T Northland

Tasking in support of MPI off Napier

Wings over Tauranga - airshow

Wings over Wanaka - airshow

HMNZS *Te Mana*:

Operation Tiki - OE 16 Counter-piracy Mission in the Somali Basin and Gulf of Aden

RAN International Fleet Review - Australia

HMNZS *Canterbury*:

Operation Hopeke - Stephens Islands

Readiness Training Activities

No 6 Squadron:

Exercise Bluebird - South Island

Western Pacific Naval Symposium Mine Counter Measures Diving Exercise- Auckland

##### HMNZS *Te Mana*:

Exercise Triton Centenary - Australia

**HMNZS Canterbury:**

Exercise Pacific Partnership - Solomon Is

**Training Support:**

Aviation training to facilitate Safety And Readiness Checks aboard HMNZ Ships *Rotoiti*, *Haweia*, *Te Mana*, *Canterbury*, *Manawanui*, *Endeavour*, *Otago* and *Wellington*.

**Output Performance Measures and Standards**

	2012/13		2013/14
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>2 helicopters were available for military tasks</p>	<p>2 helicopters</p>	<p>Two helicopters were available for military tasks. There were no periods when three helicopters were available for embarkation, due to serviceability</p>
<p>Undertake Domestic 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>	<p>Delivered to the satisfaction of the supported department/ agency</p>	<p>Deliver to the satisfaction of supported department/ agency</p>	<p>Delivered to the satisfaction of the supported agency.</p> <p>OP Hopeke: The use of the Seasprite allowed the Department of Conservation to transfer various payloads to Stephens Island in a quick and efficient manner. Typically, the aircraft can transfer items in a third of the time that it takes a boat to transfer items ashore</p> <p>MPI taskings: Fishery officers embark for all dedicated fisheries patrols. The aircraft provides a stable and highly suitable platform from which MPI officers can carry out surveillance of New Zealand’s Exclusive Economic Zone. The aircraft’s size, range and flexibility, which includes an ability to land in remote areas to effect face to face searches continues to add value to the monitoring and surveillance effort</p> <p>See also the section on Support to the Government, Agencies and Community</p>



	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
In conjunction with the Naval Combat Forces, 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.	Delivered when embarked on HMNZ Ships <i>Te Kaha</i> and <i>Te Mana</i> .	Deliver to the satisfaction of supported department/agency	The Naval Helicopter Force contributed to Defence Diplomacy tasks during embarkation on HMNZ Ships <i>Te Mana</i> and <i>Canterbury</i>  Engagement included the 18 member-nation ASEAN-related exercise in Australia, representation at the Royal Australian Navy's 100th anniversary fleet review and contribution to the Combined Maritime Forces (CMF) task force and NATO operation in the Horn of Africa, which incorporated Defence Diplomacy visits in the region. Refer also to Output Expense 2 Naval Combat Force
Total Seasprite Air Flying Hours (target range in hours)	The NHF flew 1,136 hours. This represented 95% achieved against the mid-point of 1,200 hours	1,140 – 1,260	The NHF flew 1,037 hours  This is 86% of the budgeted hours. The budgeted hours were not fully flown due to weather and serviceability
<b>Preparedness - Naval Support Forces: Employment Context</b>			
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>			
<b>Illegal exploitation of marine resources within the New Zealand EEZ, and other low-level threats to New Zealand territorial sovereignty (EC 1A)</b>	Available at the appropriate degree of notice. There were short periods where notice requirements were not met due to personnel and equipment shortfalls	Available at the appropriate degree of notice	Available at the appropriate degree of notice. There were short periods where notice requirements were not met due to equipment shortfalls
<b>Terrorist and Asymmetric Threats (EC 1D)</b>	Available at the appropriate degree of notice There were short periods where notice requirements were not met due to personnel and equipment shortfalls.	Available at the appropriate degree of notice	Available at the appropriate degree of notice. There were two periods of up to eight days where notice requirements were not met due to equipment shortfalls
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>			
<b>Natural and manmade disasters (EC 2B)</b>	Available at the appropriate degree of notice. There were short periods where notice requirements were not met due to personnel and equipment shortfalls	Available at the appropriate degree of notice	Available at the appropriate degree of notice. There were two periods of up to eight days where notice requirements were not met due to equipment shortfalls

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
<b>State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)</b>	Substantially prepared	Substantially prepared	Substantially prepared
<b>Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)</b>	Substantially prepared	Substantially prepared	Substantially prepared
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>			
<b>Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation (EC 4A)</b>	Partially prepared	Partially prepared	Substantially prepared The apparent over performance is due to bringing the force element from partially prepared to fully prepared, for Operation Tiki. This gives an overall assessment of substantially prepared for the year
<b>Inter-State conflict (EC 4F)</b>	Partially prepared	Partially prepared	Substantially prepared The apparent over performance is due to bringing the force element from partially prepared to fully prepared, for Operation Tiki. This gives an overall assessment of substantially prepared for the year
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>			
<b>Terrorist Threats (EC 5D)</b>	Partially prepared	Partially prepared	Substantially prepared The apparent over performance is due to bringing the force element from partially prepared to fully prepared, for Operation Tiki. This gives an overall assessment of substantially prepared for the year.

### Costs for Output Expense 11 (GST Exclusive)

<b>Actual 30 Jun 13 (\$ 000)</b>	<b>Category</b>	<b>Main Estimates (\$ 000)</b>	<b>Supplementary Estimates (\$ 000)</b>	<b>Actual 30 Jun 14 (\$ 000)</b>
	<b>Expenditure</b>			
25,675	Personnel	30,367	26,554	26,596
21,852	Operating	26,886	26,562	26,380
17,525	Depreciation	12,105	15,004	14,782
21,520	Capital Charge	21,636	16,940	16,967
<b>86,572</b>	<b>Total Expenses</b>	<b>90,994</b>	<b>85,060</b>	<b>84,725</b>
	<b>Income</b>			
85,695	Revenue Crown	90,341	83,178	83,493
11	Revenue Department	262	-	-
438	Revenue Other	391	382	385
<b>86,144</b>	<b>Total Income</b>	<b>90,994</b>	<b>83,560</b>	<b>83,878</b>
<b>(428)</b>	<b>Gross Surplus (Deficit)</b>	<b>-</b>	<b>(1,500)</b>	<b>(847)</b>
(509)	Losses on Foreign Exchange	-	-	(762)
451	Gains on Foreign Exchange	-	-	207
<b>(58)</b>	<b>Net Foreign Exchange</b>	<b>-</b>	<b>-</b>	<b>(555)</b>
<b>(486)</b>	<b>Net Surplus (Deficit)</b>	<b>-</b>	<b>(1,500)</b>	<b>(1,402)</b>
	<b>Cost by Output</b>			
86,572	Naval Helicopter Forces	90,994	85,060	84,725

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements include foreign exchange gains and losses. The total approved appropriation in 2013/14 for this output expense was \$85.060 million and the total expenditure was \$84.725 million. There was no unappropriated expenditure for this output expense as the outputs were realigned under section 26A of the Public Finance Act.

# OUTPUT EXPENSE 12:

## AIRBORNE SURVEILLANCE AND RESPONSE FORCES

### SERVICE PERFORMANCE

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#### 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 (SAR) 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, except for short periods when the maritime SAR requirement could not be met. Alternative arrangements were made for those occasions.

The introduction into service of the Orion Mission Systems Project made significant progress during the period with the acceptance of the sixth and final Orion into the P-3K2 fleet. The release of surveillance capability allows the upgraded Orion to deliver Multi-Agency Operations and Tasks (MAO&T) in addition to the SAR and Humanitarian Assistance and Disaster Relief (HADR) roles. Operational Testing and Evaluation continues with the warfare related roles of the ASRF with release of this capability expected in 2014/15.

Integration of the whole ASRF capability (ASRF, 230 Squadron, 209 Squadron, and HQ Joint Forces NZ) was demonstrated successfully during Operation Iron Sea patrols in the South China Sea. The ASRF participated in the search for the missing airliner MH370 in the Southern Indian Ocean. The new capability was able to sustain five weeks of continuous operations with the upgraded aircraft seamlessly integrating into the Australian led coalition operation.

#### Summary of Performance

- Operation Tapestry – New Zealand Exclusive Economic Zone
- Operation Iron Sea – Malaysia
- Operation Mawsoni – Southern Ocean
- Operation Northern Patrol (NORPAT) – South West Pacific patrols
- MH 370 search – South East Asia and Australia

#### Readiness Training Activities

- Exercise Triton Centenary - Australia
- Exercise Republic of Korea – Kiwi (ROKKIWI) – Republic of Korea
- Exercise Joint Warrior – United Kingdom

## Output Performance Measures and Standards

Performance Measures	2012/13		2013/14
	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 2013/14 for tasking will be constrained by having two or three aircraft in upgrade, aircrew transition training, testing and evaluation and continuing capability development of the new systems. The upgrade is expected to be completed 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 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>One aircraft (a legacy P-3K) for the first half of the year. There were no aircraft available for routine military tasking in the second half due to the upgraded P-3K2 not having yet received certification</p>	<p>2 Aircraft</p>	<p>Two Aircraft were available, within limitations of the Interim Supplementary Type Certificates issued during the reporting period as capabilities were approved</p>
<p>Number of additional Orion aircraft available for maritime Search and Rescue and other emergency tasks, as required.</p>	<p>One Aircraft (either a legacy P-3K or upgraded P-3K2) for all but 19 days. For 15 days, a Hercules aircraft was made available and for four 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</p>	<p>1 Aircraft</p>	<p>One Aircraft was available for all but 12 days, when a Hercules was made available</p>
<p>Undertake Domestic 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>	<p>Delivered to the satisfaction of the supported department/ agency</p>	<p>Deliver to the satisfaction of supported department/ agency</p>	<p>Delivered to the satisfaction of supported department/agency</p> <p>See also the section on Support to the Government, Agencies and Community</p>
<p>Total Orion Flying Hours (range is target plus or minus 5%).</p> <p>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 2013/14.</p>	<p>The ASRF flew 1,333 hours. This represents 75% of the mid point of 1,780 hours.</p> <p>The variation was due to delays in certification of the upgraded aircraft</p>	<p>2,185 – 2,415</p>	<p>The ASRF flew 1,767 hours</p> <p>This is 77% of the budgeted hours</p> <p>Variations were due in part to tasking not being received from other agencies and in part from project delays</p>

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
Planned flying hours available to the National Maritime Coordination Centre (NMCC) (included in total flying hours).	176 hours were flown in support of NMCC. This reflects demand and certification of P-3K2	660	A total of 542 hours were flown in support of NMCC Tasking was less than expected
Planned flying hours in support of MFAT for the purpose of South Pacific disaster relief. (Included in available hours for NMCC).	21	15	Three hours were flown in support of MFAT for South Pacific disaster relief Tasking was less than expected
Planned flying hours in support of search and rescue (not included in available hours for NMCC, but included in total flying hours).	214	85	A total of 402 hours were flown in support of search and rescue This includes the search for Malaysian Airlines flight MH 370
Number of Mawsoni (Southern Ocean and CCAMLR) patrols. (Included in NMCC hours)	3	2	Two Mawsoni patrols were conducted
Number of Tapestry (NZ EEZ) patrols. (Included in NMCC hours)	28	37	Twenty Tapestry (NZ EEZ) patrols were conducted The full number of patrols expected were not requested
Number of NORPAT (South Pacific EEZ) patrols. (Included in NMCC hours)	The P-3K2 was not certified for these patrols, however, one patrol was conducted under Operational Testing and Evaluation	8	Nine NORPAT patrols were conducted
<b>Preparedness – Airborne Surveillance and Response Forces: Employment Context</b>			
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>			
<b>Illegal exploitation of marine resources within the New Zealand EEZ, and other low-level threats to New Zealand territorial sovereignty (EC 1A)</b>	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice
<b>Terrorist and Asymmetric Threats (EC 1D)</b>	Available at the appropriate degree of notice for the first half of the year. The P-3K2 was not certified for these operations in the second half of the year	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>			
<b>Natural and manmade disasters (EC 2B)</b>	Available at the appropriate degree of notice	Available at the appropriate degree of notice	Available at the appropriate degree of notice

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
<b>State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)</b>	Partially prepared for the first half of the year.  Not prepared for the second half due to upgrade.  P-3K2 not yet certified for these operations.	Substantially prepared	Fully Prepared from Certification at 11 March 2014
<b>Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)</b>	Partially prepared for the first half of the year.  Not prepared for the second half due to upgrade.  P-3K2 not yet certified for these operations.	Substantially prepared	Fully Prepared from Certification at 11 March 2014
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>			
<b>Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation (EC 4A)</b>	Partially prepared for the first half of the year.  Not prepared for the second half due to upgrade.  P-3K2 not yet certified for these operations.	Substantially prepared	Not available for assessment  The P-3K2 is not yet certified for these operations
<b>Inter-State conflict (EC 4F)</b>	Partially prepared for the first half of the year.  Not prepared for the second half due to upgrade.  P-3K2 not yet certified for these operations.	Substantially prepared	Not available for assessment  The P-3K2 is not yet certified for these operations
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>			
<b>Terrorist Threats (EC 5D)</b>	Partially prepared for the first half of the year.  Not prepared for the second half due to upgrade.  P-3K2 not yet certified for these operations.	Partially prepared	Substantially Prepared from Certification at 11 March 2014

Note: Supplemental Type Certification issued 11 March 2014 allowed some capability for EC5D. However the P-3K2 Orion was not available for full employment in ECs 4A and 4F due to the staged capability development over FY 2013/14, and the subsequent achievement of full Supplemental Type Certification. If there had been any priority tasks of national significance, capability development activity for the P-3K2 could have been postponed to undertake them.

### Costs for Output Expense 12 (GST Exclusive)

Actual 30 Jun 13 (\$ 000)	Category	Main Estimates (\$ 000)	Supplementary Estimates (\$ 000)	Actual 30 Jun 14 (\$ 000)
<b>Expenditure</b>				
60,670	Personnel	59,122	62,209	62,203
52,051	Operating	70,615	59,427	56,630
32,392	Depreciation	40,596	37,801	37,780
32,054	Capital Charge	32,273	44,637	44,667
<b>177,167</b>	<b>Total Expenses</b>	<b>202,606</b>	<b>204,074</b>	<b>201,280</b>
<b>Income</b>				
180,639	Revenue Crown	201,279	202,901	201,418
20	Revenue Department	459	-	-
872	Revenue Other	868	773	768
<b>181,531</b>	<b>Total Income</b>	<b>202,606</b>	<b>203,674</b>	<b>202,186</b>
<b>4,364</b>	<b>Gross Surplus (Deficit)</b>	<b>-</b>	<b>(400)</b>	<b>906</b>
(893)	Losses on Foreign Exchange	-	-	(1,337)
792	Gains on Foreign Exchange	-	-	364
<b>(101)</b>	<b>Net Foreign Exchange</b>	<b>-</b>	<b>-</b>	<b>(973)</b>
<b>4,263</b>	<b>Net Surplus (Deficit)</b>	<b>-</b>	<b>(400)</b>	<b>(67)</b>
<b>Cost by Output</b>				
177,167	Airborne Surveillance and Response Forces	202,606	204,074	201,280

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements include foreign exchange gains and losses. The total approved appropriation in 2013/14 for this output expense was \$204.074 million and the total expenditure was \$201.280 million. There was no unappropriated expenditure for this output expense as the outputs were realigned under section 26A of the Public Finance Act.



# OUTPUT EXPENSE 13:

## FIXED WING TRANSPORT FORCES

### SERVICE PERFORMANCE

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#### 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

##### Output 13.1 - B757-200 Transport Force

The B757 Transport Force achieved performance targets.

The B757 was used extensively throughout the FY13/14 period. Significant tasks completed during the period included support to the Royal Tour, Operation Antarctica and the commemorative events of Korea, Monte Cassino and D-Day.

##### Output 13.2 - C-130 Transport Force

The C-130 Transport Force achieved performance targets.

The availability of the C-130 Hercules was still limited due to the C-130 Life Extension Programme (LEP) which continues to progress. Three upgraded aircraft were available through the period, with the final two aircraft remaining under upgrade in Woodbourne. Outstanding introduction into service (IIS) activities were largely completed during the period, which will allow for certification to be completed early in FY14/15.

During the period, the C-130 completed the significant tasks of support to the Royal Tour, Operation Antarctica, deployment to the Philippines on Operation Typhoon Haiyan and support to the Solomon Islands following the April 2014 flooding.

### Output 13.1 - B757-200 Transport Force

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

- Support to Operation Antarctica.
- Support to the Korean War, Monte Cassino and D-Day commemorative events.
- Numerous VIP missions including for Their Royal Highnesses, The Duke and Duchess of Cambridge, the Governor General to the Pacific Islands, Prime Minister and/or Ministers to Australia, Solomon Islands, East Asia Summit, CHOGM, Pacific Islands (various) and Micronesia.
- Support to Exercises Pacific Partnership 13 (Pacific), Pukaurua (Pacific), ANZAC Exchange (Aust), Suman Warrior (Aust), Triton Centenary (Aust), Southern Katipo 13 (NZ), FANC (Noumea), RIMPAC (Hawaii), Joint Warrior (UK), Longlook exchange programme (UK/Aus) and the *Te Mana* changeover (India and Seychelles).
- Flights in support of the Australian Defence Force, United Kingdom Defence Force and Tongan Defence Force.

### Output 13.2 - C-130 Transport Force

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

- Support to Operations Poseidon (NZ), Antarctica, Typhoon Haiyan (Philippines) and Farad (Sinai). HADR support was also provided to the Solomon Islands Flood Relief.
- VIP support to Their Royal Highnesses, The Duke and Duchess of Cambridge, and MFA to the Pacific Islands.
- Support to Exercises ROKIWI (South Korea), Pacific Partnership 13 (Pacific) and 14 (Asia), Tunex Astra (Pacific), Bersama Lima (Asia), Joint Warrior (UK), Tropic Twilight (Pacific), Wiseowl (NZ), RIMPAC (Hawaii) and Hamel (Aust).
- Support to the Tongan Defence Force.
- Tauranga Airshow and Wanaka Airshows.

## READINESS TRAINING ACTIVITIES

### Output 13.2 - C-130 Transport Force

Conducted Exercises Tactical Exercise (TACEX), Green Flag (Joint Readiness Training Centre, Little Rock, Arkansas), Southern Katipo 13/Kiwi Flag 13, and Advanced Airlift Tactics Training Course.

### Output Performance Measures and Standards

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
Number of B757-200 available for strategic military transport tasks – (from a total fleet of two aircraft.)	Two aircraft were available for strategic military tasks	2 Aircraft	Two Aircraft
Number of C-130 aircraft available for deployed military tasks (from a total fleet of five aircraft).	Two aircraft were available for deployed military tasks within the limitations of the life extension programme	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	A Hercules was available, as required, at the designated DON for 352 days of the period  Alternative arrangements were made for coverage where a Hercules was unavailable

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
The number of C-130 Hercules aircraft available during 2013/14 will be affected by the on-going life extension programme to upgrade the fleet. Aircraft availability for tasking will be constrained by ongoing aircrew transition training for the new platform and test and evaluation activities. The reduced fleet size will continue to 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.			
Undertake Domestic 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 the supported department/ agency	Deliver to the satisfaction of supported department/agency	Delivered to the satisfaction of the agency supported  See also the section on Support to the Government, Agencies and Community
<b>Total Air Flying Hours:</b>			
Boeing 757 (target range in hours plus or minus 5%)	The Boeing element flew 1,400 hours. This represents 100% of the mid point of planned hours	1,235 – 1,365	The Boeing element flew 1,367 hours  This was 105% of budgeted hours. This is largely due to increased requirements to support other agencies.
Hercules C-130 (target range in hours plus or minus 5%)	The Hercules element flew 1,303 hours. This represents 79% of the mid point of 1,650 hours	1,710 – 1,890	The Hercules element flew 1,409 hours  This was 78% of budgeted hours.  Variance was due to cancelled or reduced exercises and delays in project production of aircraft that were not confirmed until after the forecasts were submitted.
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.			
Planned flying hours to support search and rescue, Domestic Tasks and government (all included in total hours). These consist of the following:	321	372	531  MFAT tasking and VIP support to DPMC contributed to the variance

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
Flying hours in support of search and rescue – Hercules C-130	0	16	0
Planned flying hours in support of MFAT for the purpose of South Pacific disaster relief Hercules C-130	11	50	97
Planned flying hours in support of Antarctica New Zealand - C-130 Hercules and Boeing 757	Included in total hours	150	Boeing 51 Hercules 84
Planned flying hours in support of Department of the Prime Minister and Cabinet (VIP flying) – Boeing 757.	310 (includes support to Royal Tour)	156	Boeing 271 Hercules 28
<b>Preparedness - Fixed Wing Transport Forces: Employment Context</b>			
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>			
<b>Terrorist and Asymmetric Threats (EC 1D)</b>			
B757 Transport Force	Available at the appropriate degree of notice. There were short periods where DON requirements were not met due to personnel and equipment shortfalls	Available at the appropriate degree of notice	Available at the appropriate degree of notice
C-130 Transport Force	Available at the appropriate degree of notice. There were short periods where DON requirements were not met due to personnel and equipment shortfalls.	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>			
<b>Natural and manmade disasters (EC 2B)</b>			
B757 Transport Force	Available at the appropriate degree of notice. There were short periods where DON requirements were not met due to personnel and equipment shortfalls	Available at the appropriate degree of notice	Available at the appropriate degree of notice

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
C-130 Transport Force	Available at the appropriate degree of notice. There were short periods where DON requirements were not met due to personnel and equipment shortfalls	Available at the appropriate degree of notice	Available at the appropriate degree of notice
<b>State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)</b>			
B757 Transport Force	Substantially prepared to support current operations. Substantially prepared for additional operations	Fully prepared to support current operations. Substantially prepared for additional operations	Fully prepared to support current operations. Substantially prepared for additional operations
C-130 Transport Force	Substantially prepared to support current operations. Substantially prepared for additional operations	Fully prepared to support current operations. Substantially prepared for additional operations	Fully prepared to support current operations. Substantially prepared for additional operations
<b>Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)</b>			
B757 Transport Force	Substantially prepared to support current operations. Substantially prepared for additional operations	Fully prepared to support current operations. Substantially prepared for additional operations	Fully prepared to support current operations. Substantially prepared for additional operations
C-130 Transport Force	Substantially prepared to support current operations. Partially prepared for additional operations due to delays in operational certification of the upgraded Hercules aircraft	Fully prepared to support current operations. Substantially prepared for additional operations	Fully prepared to support current operations. Substantially prepared for additional operations

	2012/13	2013/14	
Performance Measures	Actual	Budget Standard	Performance Achieved
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>			
<b>Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation (EC 4A)</b>			
B757 Transport Force	Substantially prepared	Substantially prepared	Substantially prepared
C-130 Transport Force	Partially prepared, due to delays in operational certification of the upgraded Hercules aircraft	Substantially prepared	Partially prepared, due to delays in delivery of the upgraded Hercules aircraft
<b>Inter-State conflict (EC 4F)</b>			
B757 Transport Force	Substantially prepared	Substantially prepared	Substantially prepared
C-130 Transport Force	Partially prepared, due to delays in operational certification of the upgraded Hercules aircraft	Substantially prepared	Partially prepared, due to delays in delivery of the upgraded Hercules aircraft
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>			
<b>Terrorist Threats (EC 5D)</b>			
B757 Transport Force	Substantially prepared	Substantially prepared	Substantially prepared
C-130 Transport Force	Substantially prepared	Substantially prepared	Substantially prepared

### Costs for Output Expense 13 (GST Exclusive)

Actual 30 Jun 13 (\$ 000)	Category	Main Estimates (\$ 000)	Supplementary Estimates (\$ 000)	Actual 30 Jun 14 (\$ 000)
	<b>Expenditure</b>			
80,182	Personnel	78,381	83,109	82,466
78,441	Operating	90,163	89,741	88,287
47,399	Depreciation	49,147	43,139	43,275
45,798	Capital Charge	46,197	48,836	48,854
<b>251,820</b>	<b>Total Expenses</b>	<b>263,888</b>	<b>264,825</b>	<b>262,882</b>
	<b>Income</b>			
250,483	Revenue Crown	261,967	262,391	265,334
34	Revenue Department	778	-	-
1,214	Revenue Other	1,143	1,034	1,393
<b>251,731</b>	<b>Total Income</b>	<b>263,888</b>	<b>263,425</b>	<b>266,727</b>
<b>(89)</b>	<b>Gross Surplus (Deficit)</b>	<b>-</b>	<b>(1,400)</b>	<b>3,845</b>
(1,515)	Losses on Foreign Exchange	-	-	(2,267)
1,343	Gains on Foreign Exchange	-	-	617
<b>(172)</b>	<b>Net Foreign Exchange</b>	<b>-</b>	<b>-</b>	<b>(1,650)</b>
<b>(261)</b>	<b>Net Surplus (Deficit)</b>	<b>-</b>	<b>(1,400)</b>	<b>2,195</b>
	<b>Cost by Output</b>			
115,902	Output 13.1 B757 Transport Force	109,608	100,949	100,822
135,918	Output 13.2 C-130H Transport Force	154,280	163,876	162,060

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements include foreign exchange gains and losses. The total approved appropriation in 2013/14 for this output expense was \$264.825 million and the total expenditure was \$262.882 million. There was no unappropriated expenditure for this output expense as the outputs were realigned under section 26A of the Public Finance Act.

# OUTPUT EXPENSE 14:

## ROTARY WING TRANSPORT FORCES

### SERVICE PERFORMANCE

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#### 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. In addition, the Helicopter Transition Unit, while conducting capability development, will be able on occasion to provide limited utility operations using the NH-90 and A109 helicopters.

#### 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 (Iroquois) 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

Introduction into service (IIS) of the NH90 medium and A109 light utility helicopter continues, however, the expected completion date has extended beyond the forecasted completion of mid 2014 due to a number of factors. The two main reasons are delays by the Original Equipment Manufacturer (OEM) and the departure of flying instructors from the service. Despite this, the following significant milestones have been achieved:

First deployment trial of the NH90 and A109 aircraft (battlefield airmobile exercise support) was held in July 2013.

NH90's NZ3305, NZ3306 and NZ3307 arrived at Ohakea in the Final Configuration (seven of eight aircraft received). The first four aircraft were inducted into the Interim Configuration to Final Configuration upgrade in October 2013. They are due back in service by July 2014.

#### OUTPUT 14.1 – NH90 MEDIUM UTILITY HELICOPTER FORCE

An Interim Type Certificate issued at the end of March for the NH90 which released the following roles and tasks: basic Air Mobile, Air Logistic Support, Ferry, Maintenance Check Flying and Display Flying.

#### OUTPUT 14.2 – A109 LIGHT UTILITY HELICOPTER FORCE

The first Helicopter Basic Course on the A109 commenced in March 2014 with five Pilots and five Helicopter Crewmen.

#### OUTPUT 14.3 – UH-1H UTILITY HELICOPTER FORCE

No. 3 Squadron continued to meet the directed outputs required of the RWTF. Crew numbers remained relatively constant throughout with a total of four available, whilst the aircraft numbers steadily reduced to eight at the end of the period as the Iroquois progresses towards its planned withdrawal date in December 2015.

No. 3 Squadron conducted a number of exercises during the year, provided SAR support to Operation Wisteria (support to the Royal visit) and conducted Operation Lucy (NZ Police cannabis recovery operation).



### **Summary of Performance**

The RWTF remains substantially prepared for EC 1D and EC 2 and not prepared for ECs 4 and 5.

Additional activities of significance conducted include:

#### **OUTPUT 14.1 – NH90 MEDIUM UTILITY HELICOPTER FORCE**

Operation Pike River (heavy lift operation for NH90, February 2014).

#### **OUTPUT 14.3 – UH-1H UTILITY HELICOPTER FORCE**

Operation Lucy (NZ Police cannabis recovery operation, March-April 2014).

Operation Wisteria (SAR support for Royal visit, April 2014).

Eight Search and Rescue Operations and four Search and Rescue Exercises (SAREX) for NZ regions over the course of the reporting period.

Numerous Multi Agency Operations & Tasks (MAO&T) for MPI (Fisheries, Forestry, Conservation, Agriculture) and VIPs over the course of the reporting period.

### **Readiness Training Activities**

#### **OUTPUT 14.1 – NH90 MEDIUM UTILITY HELICOPTER FORCE, AND**

#### **OUTPUT 14.2 – A109 LIGHT UTILITY HELICOPTER FORCE**

Exercise Blackbird (mountain flying, August 2013) for A109.

Exercise Southern Katipo 2013 (combined arms exercise, November 2013) for NH90 and A109.

#### **OUTPUT 14.3 – UH-1H UTILITY HELICOPTER FORCE**

Exercise Blackbird (mountain flying, August 2013).

Exercise Pekapeka (maritime counter terrorism, September 2013).

Exercise Southern Katipo (combined arms exercise, November 2013).

Exercise Steel Talon (battlefield airmobile, May 2014).

Exercise Alam Halfa (combined arms exercise, May 2014).

Exercise Pekapeka (urban counter terrorism, June 2014).

Additional activities of significance conducted include:

Ex Great Escape and Ex Saracen (NZSAS training exercise, September - October 2013).

Ex Backbencher (NZSAS training exercise, June 2014).

## Output Performance Measures and Standards

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
Number of NH-90 helicopters available for limited domestic transport tasks.  The introduction into service of the NH-90 helicopter fleet will incrementally release capability as each capability development phase is completed.	New indicator	1 Helicopter	One Helicopter
Number of A-109 helicopters available for limited domestic transport tasks from a total fleet of five.	One A109 helicopter was available for limited light utility tasks	1 Helicopter	One Helicopter
Number of UH-1H Iroquois helicopters available for military tasks from an available fleet of 10 helicopters.	Two UH-1H Iroquois helicopters were available for military tasks. The reduced availability was to release enough resources to meet the requirements of the introduction into service of the NH-90 and A-109 helicopters	2 Helicopters	Two UH-1H Iroquois helicopters were available for military tasks. On occasion three aircraft were available for selected activities e.g., Ex Southern Katipo.  The Squadron operated throughout the period with four crews due to the transition plan.
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.	Two additional UH-1H Iroquois helicopters were available for rapid response tasks in New Zealand	2 Helicopters	A total of three UH-1H Iroquois helicopters were available for rapid response tasks in New Zealand with a fourth subject to crew availability
Undertake Domestic 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 the supported agency	Deliver to the satisfaction of supported department/ agency	Delivered to the satisfaction of the supported agency  See also the section on Support to the Government, Agencies and Community
Total NH-90 flying hours for Operational Testing and Evaluation (OT&E) and limited domestic transport tasks (target range in hours plus or minus 5%)	Total NH-90 hours flown were 583. This represents 71% of the mid point of 818 hours. The further delay in delivery of all the aircraft was a major cause of this shortfall	917 – 1,013	667  This is 69% of the budgeted hours. The continuing effects of the loss of instructors and a lightning strike early in the financial year reduced the availability of crews and aircraft to complete Introduction Into Service flying hours.

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
Total A-109 flying hours for OT&E and limited domestic transport tasks (target range in hours plus or minus 5%)	Total A-109 hours flown were 587. This represents 65% of the mid point of 909 hours. This shortfall was due to a lack of instructor pilots	741 - 819	749  This is within the range of the budgeted hours. The difficulty in reaching reforecast hours was largely due to delays in the supply of spare parts for routine servicing.
Total Iroquois Air Flying Hours (target range in hours plus or minus 5%)	Iroquois hours flown were 1,560. This represents 61% of the mid point of the budget standard of 2,570 hours. The reduced hours were to release enough resources to meet the requirements of the introduction into service of the NH-90 and A-109 helicopters. The final hours flown (1,560) represents 97% of the revised Helicopter Transition Plan hours of 1,625.	1,021 – 1,129	1,317  The hours flown were 122% of the budgeted figure.  The increase included allowances for the updated Helicopter Transition Plan, an unplanned helicopter crewman course and two pilots reconverting to the Iroquois
Planned Iroquois flying hours to support Domestic Tasks (all hours included in total flying hours). These hours consist of the following:	332 hours were flown in support of Domestic Tasks	240	291  The variance was due to increased tasking requests
Planned flying hours in support of NZ Police (excluding search and rescue)	268 hours were flown in support of NZ Police.	170	218
Planned flying hours in support of search and rescue	23 hours were flown in support of search and rescue	40	49
Planned flying hours in support of NZ Fire Service and National Rural Fire Authority	Nil hours were required	20	0  Nil hours were required
Planned flying hours in support of Department of the Prime Minister and Cabinet (VIP flying)	32 hours were flown in support of Department of the Prime Minister and Cabinet (VIP flying)	10	24
<b>Preparedness - Rotary Wing Helicopter Forces (Iroquois only): Employment Context</b>			
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>			
<b>Terrorist and Asymmetric Threats (EC 1D)</b>	Available at the appropriate degree of notice. There were short periods where DON requirements were not met due to personnel and equipment shortfalls	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>			
<b>Natural and manmade disasters (EC 2B)</b>	Available at the appropriate degree of notice. There were short periods where DON requirements were not met due to personnel and equipment shortfalls	Available at the appropriate degree of notice	Available at the appropriate degree of notice

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
<b>State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)</b>	Substantially prepared	Substantially prepared	Substantially prepared
<b>Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)</b>	Substantially prepared	Substantially prepared	Substantially prepared
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>			
<b>Inter-State conflict (EC 4F)</b>	Not prepared (See Note 2 below)	Not prepared (See Note 2 below)	Not prepared (See Note 2 below)
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>			
<b>Terrorist Threats (EC 5D)</b>	Not prepared (See Note 2 below)	Not prepared (See Note 2 below)	Not prepared (See Note 2 below)

Notes:

1. The NH90 and A109 helicopters were available for limited domestic transport tasks within EC1, but not ECs 1A and 1D, which are assessed for preparedness. If sufficient priority exists, the NH90 and/or A109 could be called upon to halt capability development activity and undertake tasks of national significance where the operational, strategic or political effect of their employment outweighs the risks associated with utilising an immature military system for operations. To employ the new helicopters in this way, the Chief of Defence Force (on advice from the Chief of Air Force) would have to be satisfied that the risks to safe and effective mission completion were acceptable and manageable in light of the importance of the activity.
2. 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 NH90 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 30 Jun 13 (\$ 000)	Category	Main Estimates (\$ 000)	Supplementary Estimates (\$ 000)	Actual 30 Jun 14 (\$ 000)
	<b>Expenditure</b>			
61,861	Personnel	67,956	63,496	62,744
38,247	Operating	49,532	43,615	41,492
38,488	Depreciation	49,879	43,486	42,813
78,206	Capital Charge	78,532	78,926	78,857
<b>216,802</b>	<b>Total Expenses</b>	<b>245,899</b>	<b>229,523</b>	<b>225,906</b>
	<b>Income</b>			
219,138	Revenue Crown	244,398	228,252	231,554
22	Revenue Department	499	-	-
1,339	Revenue Other	1,002	1,271	1,268
<b>220,499</b>	<b>Total Income</b>	<b>245,899</b>	<b>229,523</b>	<b>232,822</b>
<b>3,697</b>	<b>Gross Surplus (Deficit)</b>	-	-	<b>6,916</b>
(971)	Losses on Foreign Exchange	-	-	(1,454)
861	Gains on Foreign Exchange	-	-	396
<b>(110)</b>	<b>Net Foreign Exchange</b>	-	-	<b>(1,058)</b>
<b>3,587</b>	<b>Net Surplus (Deficit)</b>	-	-	<b>5,858</b>
	<b>Cost by Output</b>			
216,802	Rotary Wing Transport Forces	245,899	229,523	225,906

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements include foreign exchange gains and losses. The total approved appropriation in 2013/14 for this output expense was \$229.523 million and the total expenditure was \$225.906 million. There was no unappropriated expenditure for this output expense as the outputs were realigned under section 26A of the Public Finance Act.

# OUTPUT EXPENSE/MCOA 15:

## (A MULTI-CLASS OUTPUT APPROPRIATION)

### MISCELLANEOUS SUPPORT ACTIVITIES

### SERVICE PERFORMANCE

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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.

#### Summary of Output Classes

##### Mutual Aid Programme

The NZDF Mutual Assistance Programme (MAP) delivered 98 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 number falls in the mid-range of the budgeted standard for the financial year. A detailed summary appears at the conclusion of this section on Output 15.

Of the total activities completed, 83 were undertaken with South Pacific MAP partners and Timor-Leste, with the remainder being conducted with South East Asian MAP partners. Approximately 95 per cent of the MAP operating and personnel expenditure of \$4.8m was spent on South Pacific and Timor-Leste MAP activities. MAP intended to increase the number of activities in the reporting period following an increase in budget, however, due to late notice (September) of the increase the programme was unable to significantly increase output. It will enable increased output in the next FY.

During this reporting period, 38 new students commenced training with the NZDF. The comparative success rate of the MAP students attending training was very high. Only two trainees were removed from training during the reporting period. This year it has been found that MAP partner countries nominating students usually met the required English language standards. Notwithstanding this, English remains a barrier to some MAP partner countries being able to nominate students for courses on which they are offered positions.

### New Zealand Cadet Forces

The highlight of the reporting year was the marking of the 150th anniversary of Cadet Forces in New Zealand. On 11 December 2013, more than a thousand cadets from around the globe paraded in the central North Island to mark the occasion.

Fourteen courses for officers and 30 courses for cadets were successfully conducted and 89 NZQA National Certificates were awarded.

### Support to Youth Development

The work of the New Zealand Defence Force's Youth Development Unit (YDU) has become one of the NZDF's success stories in recent years. Since 2010, over 7,500 young people have passed through one of its programmes, and now the benefits it delivers have been recognised overseas - late last year the Cook Islands Police and High Commission asked the unit to run a programme there.

### Service Military Museums

Service Museums were provided at Devonport (Navy), Waiouru (Army) and Wigram (Air Force).

The Navy Museum demonstrated its close integration with the wider Navy functional areas in Auckland, proving to be a critical venue for heritage training and for launching Navy programmes. The Museum delivered on its role in nurturing a positive culture in the Navy's personnel, especially trainees, by deepening core values through an understanding of the exploits of sailors past and historical operations in New Zealand and overseas.

The National Army Museum retained its Qualmark accreditation with its Environment Qualmark being maintained at silver. The Museum also received the Most Innovative Business from the Ruapehu Tourism Awards in December 2013.

The Air Force Museum continued to support the economic recovery of Christchurch by providing a temporary conference and convention facility in the new building, which was used by 91,011 corporate and community event visitors. On 14 April 2014, the Museum hosted a lunch for the Duke and Duchess of Cambridge during their royal tour. The couple also unveiled a plaque dedicated to peacekeepers in the new Memorial Courtyard.

### Output Performance Measures and Standards

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
<b>Generally for this MCOA:</b>			
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"> <li>The degree of satisfaction expressed by the authorities requesting assistance - in accordance with their annual programmes.</li> </ul>	Satisfied	Satisfy	See below under each output
<ul style="list-style-type: none"> <li>Regular evaluation of significant issues, the capacity to react to requests for assistance and the provision of adequate support from the limited resources available.</li> </ul>	Deliver	Satisfy	See below under each output

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
<b>Support to Mutual Assistance Programme (MAP):</b>			
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.	98	80 -110	The programme delivered expected number of activities. It was unable to expand, given the late notification of additional funds. Increased activity is expected in the next FY
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.	Delivered	Deliver	The programme was delivered in accordance with agreed outcomes developed during annual talks.  Partner countries have expressed gratitude for the programme.
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	Monitor and Analyse	Exceeding expectations. During annual talks all partner countries expressed high regard for the programme. Training and partnership activities met partner countries requirements. Post activity reports were completed and lessons identified for future improvement
<b>Support to New Zealand Cadet Forces (NZCF):</b>			
General: 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).	21 (2,092)	21 (2,092)	14 (2,576) including Exercise Cadet 150 (celebrating 150 years of cadet activity in New Zealand) with 190 Officers (1,470 training days)
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).	31 (8,876)	32 (8,950)	30 (14,338) including Exercise Cadet 150 with 1,007 Cadets (7,049 training days)



	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
All courses conducted will meet the requirements of the NZ Qualifications Authority (NZQA) framework, where appropriate.	Met	Meet	Eighty nine NZQA National Certificates were awarded to officers. Six cadets have now qualified for their NZQA National Certificate in NZCF recognising five years of achievement and cadets continue to achieve credits with a total of 2,719 now awarded
Meet the training, course and exercise objectives of the NZ Cadet Forces	Met	Meet	An additional activity (Ex Cadet 150) was conducted with high numbers attending. Eight officer courses were cancelled due to lack of nominations and two cadet courses were cancelled, one due to RNZAF aircraft being grounded and one due to lack of nominations
Positive feedback/reports from Area Coordinators, Cadet Unit Commanders and the public and overall evaluation by the Commandant NZCF.	Positive Feedback	Positive Feedback	Positive feedback from National Support organisations, local rotary and council groups and excellent feedback from Exercise Cadet 150 via national and local media releases and comments from His Excellency the Governor General, Government Ministers, civic leaders and International participants. NZCF was also nominated in the top 10 for the Community of the Year category for 2014 New Zealander of the Year awards and one officer was recognised with a QSM for his efforts with NZCF
<b>Support to Youth Development:</b>			
Note: NZDF are 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).	18	18 Courses will be conducted	Fifteen fully conducted within the calendar year 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.	1,500 places made available	1,500 positions will be made available	1,500 places are made available to LSV trainees over a calendar year. Over the last FY the following numbers are relevant Fully conducted within FY13/14 Started 1372 Finished: 1110 Courses starting Jun 14 Covering FY 14/15: 295 Finish FY14/15: Not est Estimated numbers due courses FY 14/15 Start FY 14/15: 1500 Finish FY14/15: Courses yet to run

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
Number of Service Academies in high schools supported per year in support of the Ministry of Education.	26	24 Service Academies will be supported	2013 MOE – NZDF MOU outlines support for 26 Service Academies  2013 NZDF supported one YMCA sponsored Service Academy, rollover from TEC funded Service Academies.
Number of youth passing through the Service Academies per year.	Up to 380	Places for up to 540 will be made available	Each Service Academy had an average of 20 students with statistics on exact numbers at each Academy being held by the Ministry of Education or school. In support of these Academies, the YDU ran the following five different types of courses during FY 13/14: Induction (4 courses), Basic Leadership (5 courses), Advanced Leadership (3 courses), Bush Craft (5 courses) and Adventure Race Event (5 courses)  Across these courses in 2013 there were a potential 520 places made available on the Induction courses (mandatory for further courses) and 410 students completed these Induction courses, allowing them to do further events that calendar year. As 2013 continues of these 410 students on average, each student will attend three of the five remaining 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.	Four	Four camps will be supported	Four Camps (Military-style Activity Camps 13/14/15/16) were supported with MAC 16 finishing Jul 14.
Number of youth passing through the Military-style Activity Camps per year.	40 places offered and 30 youths passed	Up to 40 youths	40 places offered over FY 13/14 31 started over FY 24 passed over FY
Total number of NZDF staff (military and civilian) involved in direct support of all Youth Development Schemes over the year.	110	129	129 positions  Operating on average at 85% manning over FY 13/14 with an average staff total of 110  As at 1 July 2014 total: 106 22 civilian staff and 84 military staff
<b>Support to Service Military Museums:</b>			
Maintain current Service Museums at Devonport (Navy), Waiouru (Army), and Wigram (Air Force).	Maintained	Maintain	Service Museums were maintained at Devonport (Navy), Waiouru (Army) and Wigram (Air Force)

	2012/13	2013/14	
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, her Armed Forces and visitors to our nation, to sector best practice. ("Collection Management" includes 'preservation').	Provided	Provide	<p><b>Navy</b></p> <p>An adequate level of support has been provided to 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. This has been partly resolved by the Museum Trust Board hiring casual staff to cover for shortages and to implement important initiatives.</p> <p><b>Army</b></p> <p>The National Army Museum (NAM) remains staffed with NZDF military and civilian personnel, Trust Board employees and volunteers. The Museum was 100% staffed for the majority of FY 2013/14.</p> <p><b>Air Force</b></p> <p>Funding and staff levels remain as per the previous year. Despite the slow recovery of the tourism sector in Christchurch budgets are being managed and all services have been maintained. The Museum's new building was finally completed, following the receivership of the main contractor Mainzeal, in early 2013. A Board funded Memorial Courtyard was officially opened by the Chief of Air Force on 11 November 2013 and the Atrium floor was repaired and refurbished by NZDF.</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.	Provided	Provide	All Service museum services were provided in accordance with respective Museum Board of Trustees Trust Deed and Memorandum of Understanding.

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
Each museum is subject to an annual review against Service Museum benchmarks and periodic reviews against the New Zealand Museum Standards Scheme.	Reviewed	Review	<p><b>Navy</b></p> <p>The Navy Museum monitors 24 Key Performance Indicators against annual targets and national and international benchmarks. The Museum has performed well against the targets set and benchmark measurements.</p> <p><b>Army</b></p> <p>The NAM retained its Qualmark accreditation with its Environment Qualmark being maintained at silver.</p> <p>The NAM also received the Most Innovative Business from the Ruapehu Tourism Awards in December 2013.</p> <p><b>Air Force</b></p> <p>The Air Force Museum retained Qualmark accreditation with a 100% pass and an Enviro Gold Award for responsible tourism.</p> <p>The Museum was also awarded a TripAdvisor Certificate of Excellence.</p> <p>The Museum's new building was awarded Excellence and won best in category for tourism and leisure at the 2014 Property Council Awards.</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.	All three museums met the expectations of their respective commands and boards	Yes	See page 133

## **Navy**

Visitors to the Museum, which include casual visitors, visitor groups, school groups and service groups, for the period 1 July 2013 to 30 June 2014 totalled 90,282.

The museum proved popular with all age groups and during the reporting period the Museum delivered an extensive range of educational programmes to school groups and naval personnel as well as other public support programmes including holiday programmes, research, collection enquiries, outreach and publications.

During the period, the Museum delivered two major exhibitions. The first was an art exhibition created by children from local schools and the second was the major "Hands to Bathe" exhibition which explored the story of the Navy's involvement with environmental issues and in particular the Kermadecs.

In addition, the Museum delivered a regular series of programmes including the very popular Anzac Day programme, which saw in excess of 850 visitors participating in the day.

During the period the Museum responded to 743 research enquiries.

The 2013/14 FY also saw a significant increase in individuals receiving formal education programmes. The continuously improved website proved to be popular with 25 % increased visitation over the last financial year.

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 95% with 22% repeat visitors. The results compared very favourably against benchmarks.

In terms of visitor satisfaction the Museum received a certificate of Excellence from Trip Advisor based on visitor feedback to the website.

A Certificate of Excellence is considered a significant achievement.

## **Army**

Overall visitor numbers of 43,967 represented an increase of 4,912 (12.57%) from the previous year. An additional 61,924 people visited the Museum Café and Shop without entering the Museum Exhibition Area.

Exhibitions at the National Army Museum included:

'Harnessed: New Zealand's War Horses', the major exhibition for the year telling the story of the horse in battle from a New Zealand perspective from 1840 to 1945; 'Peas and Onions for Tea', 'Stag Spooner: Wild Man from the Bush', 'A is for ANZAC: Two Army's, A Shared History', and Vietnam: An Artists Impression.

Surveys administered on behalf of the Museum by Museums Aotearoa established that 98% of visitors were 'satisfied' to 'extremely satisfied' with their experience at the National Army Museum.

## **Air Force**

General visitor numbers for the year were 106,251, which was up 6% on target and 5.6% on the previous year. Education numbers were 6,218 up 22.7% on 2012/13.

Visitor survey results for general visitors show a satisfaction level of 97% and education groups 99%.

The Museum continued to support the economic recovery of Christchurch by providing a temporary conference and convention facility in the new building which was used by 91,011 corporate and community event visitors.

On 14 April 2014, the Museum hosted a lunch for the Duke and Duchess of Cambridge during their royal tour. The couple also unveiled a plaque dedicated to peacekeepers in the new Memorial Courtyard.

The Cultural Collections Recovery Centre has assisted 32 organisations, 29 of which are still in residence. At least 500 hours of staff time have been spent in support of Recovery Centre activities.

The Museum initiated a WW100 project on behalf of a number of Canterbury heritage organisations to commemorate the wider impact of WWI on the Canterbury region.

Summary of MAP Activities by Country for 2013/14

	South Pacific						South-East Asia								Other	Total
	Cook Is	PNG	Samoa	Tonga	Vanuatu	Sub-Total	Brunei	Indonesia	Malaysia	Philippines	Thailand	Timor-Leste	Vietnam	Sub-total		
NZDF Defence College <sup>1</sup>	1			2		3						3		3		6
Command and Staff College (all courses)		3				3			2	1	1		1	5		8
Training (RNZN – both sea and shore based)		2				2						1		1		3
Training in NZ (NZ Army)	1	8	3	5	2	19			2					2		21
Training in NZ (RNZAF)						0								0		0
Attachments in NZ		1		1		2						5		0		2
NZDF Technical Advisers (TA)	2	1		1	2 <sup>3</sup>	6						5		5		11
Mutual Assistance Training Teams visiting <sup>2</sup>	3	5		3	1	12						1	2	3		15
Sponsored Activities <sup>2</sup>	1	2		3	1	7			1			6		7	1	15
Resource Provision <sup>2</sup>				7		7								0		7
MAP Talks	1	1	1	1	1	5		1			1	1	1	4	1	10
<b>TOTAL</b>	<b>9</b>	<b>23</b>	<b>4</b>	<b>23</b>	<b>7</b>	<b>66</b>	<b>0</b>	<b>1</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>17</b>	<b>4</b>	<b>30</b>	<b>2</b>	<b>98</b>

Notes:

1. Incorporates tri-service training schools, but the Command and Staff College is identified separately.
2. Denotes number of NZDF teams, activities or occurrences, not people.
3. Reduced to one with effect 30 April 2014.

### Cost for Output Expense 15 (GST Exclusive)

Actual 30 Jun 13 (\$ 000)	Category	Main Estimates (\$ 000)	Supplementary Estimates (\$ 000)	Actual 30 Jun 14 (\$ 000)
	<b>Expenditure</b>			
15,499	Personnel	16,434	16,974	17,050
8,127	Operating	6,234	9,534	8,131
379	Depreciation	868	1,235	1,131
756	Capital Charge	757	1,850	1,850
<b>24,761</b>	<b>Total Expenses</b>	<b>24,293</b>	<b>29,593</b>	<b>28,162</b>
	<b>Income</b>			
16,722	Revenue Crown	14,994	19,728	19,084
9,228	Revenue Department	9,299	9,352	9,011
-	Revenue Other	-	-	-
<b>25,950</b>	<b>Total Income</b>	<b>24,293</b>	<b>29,080</b>	<b>28,095</b>
<b>1,189</b>	<b>Gross Surplus (Deficit)</b>	<b>-</b>	<b>(513)</b>	<b>(67)</b>
-	Losses on Foreign Exchange	-	-	-
-	Gains on Foreign Exchange	-	-	-
<b>-</b>	<b>Net Foreign Exchange</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>1,189</b>	<b>Net Surplus (Deficit)</b>	<b>-</b>	<b>(513)</b>	<b>(67)</b>
	<b>Cost by Output</b>			
3,831	Output 15.1 MCOA for Mutual Assistance Programme	5,087	5,283	4,821
3,234	Output 15.2 MCOA for NZ Cadet Forces Support	2,887	3,908	3,540
6,136	Output 15.3 MCOA for Service Museums	5,421	8,094	7,999
11,560	Output 15.4 MCOA for Support to Youth Development	10,898	12,308	11,802

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements include foreign exchange gains and losses. The total approved appropriation in 2013/14 for this output expense was \$29.593 million and the total expenditure was \$28.162 million. There was no unappropriated expenditure for this output expense as the outputs were realigned under section 26A of the Public Finance Act.

# OUTPUT EXPENSE 16:

## OPERATIONALLY DEPLOYED FORCES

### SERVICE PERFORMANCE

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#### 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, New Zealand Customs Service, the Department of Conservation, NZ Police, and the Ministry for Primary Industries.

#### Operations

NZ Forces in Afghanistan saw a reorganisation of the personnel numbers following the New Zealand Government's approval of a new mandate. As a result of the new mandate, New Zealand concluded a ten year commitment to the United Nations Assistance Mission in Afghanistan (UNAMA) when the last officer withdrew in March. Withdrawal of OP KAIKARO, OP KEA and the Afghanistan based National Support Element continues. This will leave a NZ contribution to the Afghanistan National Army Officer Academy (ANAOA) consisting of three real life support and five instructor staff.

OP FARAD (Sinai) personnel were reduced on the retirement of Multinational Force and Observers Force Commander, Major General Warren Whiting in March 2014, a position he had held for three years. The FARAD mission establishment remains at 28.

The TIKI series of operations in support of global counter piracy efforts included the deployment of HMNZS *Te Mana* and a logistics support element from mid-November through to February 2014. The deployment conducted operations off the coast of Somalia (as part of CTF151) as well as operations around the Horn of Africa (as part of NATO CTF508). Five naval personnel were assigned as augmentees to the Danish lead contingent in command of CTF151 in Bahrain and three naval personnel were deployed on HMAS *Melbourne* contributing to piracy patrols in the Gulf of Aden.

OP SUDDEN (Sudan) saw factional fighting between the government and anti-government forces following an attempted coup in South Sudan in December 2013, which continues to cause significant unrest in the country. The outcome saw the significant displacement of population of the country and general unrest which continues at the time of reporting. This situation is being carefully monitored by the international community, UN and Military contributing countries including New Zealand.

In other OE16 missions, there were no significant events. At the time of writing, lesson collection activities conducted for Operations FARAD, SCORIA (Israel, Lebanon), TIKI and TROY (UAE) were being analysed and will be incorporated into future planning.



## Output Performance Measures and Standards

	2012/13		2013/14
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"> <li>Individuals and the Force Element, as applicable, to meet the Operational Level of Capability (OLOC) requirements for the applicable operational mission prior to deployment.</li> </ul>	Met	Meet	Pre-deployment training is undertaken by all personnel deploying to ensure OLOC requirements are met. No more than five requirement waivers were required at any time with all associated risks considered and managed
<ul style="list-style-type: none"> <li>Mission tasks, however generated (assigned or implied), are met to the satisfaction of the force commander.</li> </ul>	Met	Meet	All mission tasks met the required standard set by COMJFNZ
<ul style="list-style-type: none"> <li>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.</li> </ul>	Satisfied	Satisfy	Letter of appreciation from Commander Combined Task Force 508 on deployment of HMNZS <i>Te Mana</i> on counter-piracy operations in the Somali Basin and Gulf of Aden. Specific individual recognition was also made of NZ contributions as part of OP TROY and OP HAVEN
<ul style="list-style-type: none"> <li>Timely replacement of individuals, force elements or units when requested, as specified, and as approved by the NZ Government.</li> </ul>	Met	Meet	Individuals and force elements were replaced in a timely manner to meet the requirements when requested, as specified, and as approved by Government using robust operational planning processes. Urgent replacements, when required, are mostly met by personnel who have previously deployed to the same mission reducing the pre-deployment OLOC training commitment
<ul style="list-style-type: none"> <li>Maintain the ability to sustain the contributions to deployments in accordance with the government's requirements.</li> </ul>	Maintained	Meet	Commitments are being met, but challenges remain in some areas, especially middle management level appointments and logistic trade appointments

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
<ul style="list-style-type: none"> <li>Financial and logistic controls and accountabilities meet the standards required for reliable reporting.</li> </ul>	Met	Meet	Financial and logistics controls and accountabilities met the standard required for reliable reporting. At the time of writing, NZ heavy equipment from Afghanistan, Timor-Leste and from Regional Assistance Mission to Solomon Islands (RAMSI) still remains subject to final accounting action
<b>Operational Commitments:</b>			
Maintain the Government-approved deployments/operational commitments (number of personnel deployed), as at 1 April 2013, as shown below.			
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.			
<ul style="list-style-type: none"> <li>UNTSO (Middle East) [OP SCORIA]</li> </ul>	8	8	8
<ul style="list-style-type: none"> <li>MFO (Sinai) [OP FARAD]</li> </ul>	28	28	28
<ul style="list-style-type: none"> <li>UNAMI (Iraq) [OP HAVEN, Task Group IRON]</li> </ul>	1	1	1. Mission completed October 2013
<ul style="list-style-type: none"> <li>Intelligence Support Group (Afghanistan) (new measure)</li> </ul>	Replacement indicator	12	13. Mission completed 30 June 2014
<ul style="list-style-type: none"> <li>OP ARIKI (Afghanistan) [Task Group KEA]</li> </ul>	18	11	14. Including commitment to ANAOA
<ul style="list-style-type: none"> <li>OP ARIKI (Tampa, Florida, USA) [Task Group SPEAK]</li> </ul>	2	2	2. Reverted back to USCENCOM rather than OP ARIKI
<ul style="list-style-type: none"> <li>OP ARIKI (Afghanistan) [Task Group AFFIRM]</li> </ul>	1	1	1. Mission completed March 2014
<ul style="list-style-type: none"> <li>OP ARIKI (United Arab Emirates) [Task Group TROY]</li> </ul>	5	8	5
<ul style="list-style-type: none"> <li>UNMISS [OP SUDDEN] (South Sudan)</li> </ul>	3	3	3
<ul style="list-style-type: none"> <li>UNPOS [MILAD] (Kenya/Somalia)</li> </ul>	1	1	1

	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
<ul style="list-style-type: none"> <li>OP TIKI IV (Gulf of Aden)</li> </ul>	5	As at the time of writing, Cabinet has yet to approve any NZDF deployments to the Gulf of Aden	<p>3. TIKI V (HMAS <i>Melbourne</i>) completed March 2014</p> <p>186. TIKI VI (HMNZS <i>Te Mana</i> and logistics support element plus CTF151 Augmentees) completed February 2014</p> <p>One Staff Officer to CMF HQ, Bahrain remains</p>
<ul style="list-style-type: none"> <li>OP RATA II (Solomon Islands)</li> </ul>	Main body returned to New Zealand in November 2012. A National Support Element of eight personnel will return to New Zealand in August 2013	8 (until Aug 2013)	8. Mission completed August 2013
<ul style="list-style-type: none"> <li>UNCMAC (Republic of Korea) [OP MONITOR]</li> </ul>	3	3	3
<ul style="list-style-type: none"> <li>USCENTCOM Staff Officer</li> </ul>	(Included in OP ARIKI above)	(Included in OP ARIKI above)	2. Transferred from OP ARIKI
<b>Total NZDF personnel deployed:</b>	78 personnel deployed as at 30 June 2013	86 personnel planned for deployment in 2014	277 operational positions contributed to during 2014

### Costs for Output Expense 16 (GST Exclusive)

<b>Actual 30 Jun 13 (\$ 000)</b>	<b>Category</b>	<b>Main Estimates (\$ 000)</b>	<b>Supplementary Estimates (\$ 000)</b>	<b>Actual 30 Jun 14 (\$ 000)</b>
	<b>Expenditure</b>			
14,380	Personnel	5,233	5,230	4,250
26,891	Operating	21,043	20,090	8,705
39	Depreciation	300	883	53
1,032	Capital Charge	1,082	967	967
<b>42,342</b>	<b>Total Expenses</b>	<b>27,658</b>	<b>27,170</b>	<b>13,975</b>
	<b>Income</b>			
65,053	Revenue Crown	27,073	26,861	26,861
-	Revenue Department	-	-	-
296	Revenue Other	585	309	310
<b>65,349</b>	<b>Total Income</b>	<b>27,658</b>	<b>27,170</b>	<b>27,171</b>
<b>23,007</b>	<b>Gross Surplus (Deficit)</b>	<b>-</b>	<b>-</b>	<b>13,196</b>
-	Losses on Foreign Exchange	-	-	-
7,969	Gains on Foreign Exchange	-	-	-
<b>7,969</b>	<b>Net Foreign Exchange</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>30,976</b>	<b>Net Surplus (Deficit)</b>	<b>-</b>	<b>-</b>	<b>13,196</b>
	<b>Cost by Output</b>			
42,342	Operational Deployed Forces	27,658	27,170	13,975

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements include foreign exchange gains and losses. The total approved appropriation in 2013/14 for this output expense was \$27.170 million and the total expenditure was \$13.975 million. There was no unappropriated expenditure for this output expense as the outputs were realigned under section 26A of the Public Finance Act.

# 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 Service 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 Memorandum of Understandings with departments.

### 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' Degree of Notice (DON) for emergency tasks, including Search and Rescue (SAR) and Medical Assistance/Evacuation.	One frigate (HMNZ Ship <i>Te Mana</i> ) or alternative vessel (HMNZS, <i>Canterbury</i> , <i>Otago</i> or <i>Wellington</i> ) were available at eight hours' DON
	One Inshore Patrol Vessel (IPV) at eight hours' DON for emergency tasks, including SAR.	HMNZ Ships <i>Rotoiti</i> or <i>Hawea</i> were 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.	A Diving Team capability was available within the designated DON throughout the period for tasking
	One 25-person Civil Defence Response Group.	One 25 person Civil Defence Response Group (CDRG) was available throughout the period at Devonport Naval Base
	On-shore personnel for fire fighting, as available.	No dedicated fire fighting team was available, however, the 25-person Civil Defence Response Group (CDRG) was available for fire fighting throughout the period at Devonport Naval Base

<b>Service</b>	<b>Performance</b>	<b>Achieved – Elements Available</b> [with Degree of Notice (DON) where applicable]
<b>Army</b>	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
	Personnel On Call for Civil Defence: <ul style="list-style-type: none"> <li>• HQ elements in the North Island and South Island to support a Civil Defence HQ.</li> <li>• Four 25-person Civil Defence Response Groups.</li> <li>• Two 100-person National Reserve Groups.</li> <li>• One 500-person Reserve</li> </ul>	HQ elements were on call and available for tasking through HQ JFNZ  Designated personnel (both RF and TF) making up Civil Defence  Response Groups were available in Waiouru, Linton, Trentham, Burnham and regional locations (TF)  Designated personnel and equipment were available from 1 Bde (Linton and Burnham)
	EOD Teams in North Island and South Island at 12 hours' DON.	EOD teams were available throughout the 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
<b>Air Force</b>	One Iroquois helicopter at two hours' DON for emergency tasks, including SAR, Fire Fighting and Casualty Evacuation.	One Iroquois helicopter was available at the required DON throughout the whole period. However, the lack of crews at 3 Squadron did mean that post a SAR call out, depending on the time of day and length of SAR, there could be a requirement for crew duty reset resulting in a minimal period of decreased readiness
	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 was one day, when an Orion or Hercules was not available due to unscheduled maintenance. Alternative arrangements were made to provide coverage. On eight days 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 352 days of the period. Alternative arrangements were made for coverage where a Hercules was unavailable
	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.

## SUPPORT TO GOVERNMENT DEPARTMENTS, AGENCIES AND THE COMMUNITY

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:

<b>NZDF Support Provided to Government Departments and Agencies<sup>7</sup></b>	
<b>NZDF Support to:</b>	<b>Support Provided</b>
<b>NZ Police (excluding Search and Rescue)</b>	<p>RNZN, NZ Army and RNZAF units provided a variety of military support to the NZ Police for training, facilities and operations, which involved 146 personnel for a total of 530 personnel days travelling 1,610 km. Other activities operations, searches and recoveries occurred in the following areas</p> <p>RNZAF 3 Squadron UH-1H aircraft contributed 218 flying hours and carried 74 passengers in support of Police operations and on SAR Exercises through-out the country</p> <p>HMNZS <i>Wellington</i> contributed three sea days supporting the recovery of the FV <i>Eire</i> on the West Coast of the North Island</p> <p>Mine Counter Measures Team provided 16 personnel and 1,374 man hours assisting in the recovery of missing persons in Queen Charlotte Sound, Katikati and the Hutt and Whanganui rivers</p>
<b>Land, Sea and Air SAR (in support of NZ Police, Rescue Coordination Centre New Zealand (RCCNZ), NadiRCC, SuvaMCC, or other requesting agency)</b>	RNZAF 3 Squadron and 5 Squadron UH-1H and P-3K2 aircraft contributed 49 and 131 hours respectively of SAR support in the NZ Search and Rescue Region
<b>Ministry of Civil Defence and Emergency Management</b>	Under the banner of Operation Awhina (support to the civil community) NZ Army provided personnel and equipment in support of the Whanganui District Council with flood strengthening and sandbagging of the Whanganui River and to the Councils of Buller and West Coast District with support to the clean up following storm damage sustained by ex-Tropical Cyclone Ita
<b>Department of Conservation (DOC)</b>	<p>HMNZ Ships <i>Canterbury</i>, <i>Otago</i> and <i>Wellington</i> conducted 38 maritime patrol sea days, including transit time to/from directed patrol areas, in support of DOC activities as part of Operations Endurance (Sub-Antarctic Islands), Havre (Raoul Island) and Hopeke (Stephens Island)</p> <p>RNZAF 3 and 6 Squadron aircraft contributed 22 flying hours in the resupply of the Stephens Island, (6 Sqn aircraft embarked <i>Canterbury</i>), and transporting of DOC supplies to Karewa Island Tauranga, Hutt inspections in the Mt Cook region and transfer of live Kiwis from Moehau (Coromandel) to Motutapu Island (Hauraki Gulf)</p>
<b>Department of Corrections</b>	Support for contraband interception was provided by NZDF Military Police totalling 121 man hours
<b>Environmental Risk Management Authority</b>	Nil
<b>NZ Fire Service and National Rural Fire Authority</b>	NZ Army and RNZAF personnel attended 302 callouts covering motor vehicle accidents, rural, domestic and structural fires, supply of fire fighting water, training, hazardous substances, collapsed buildings and alarm activations totalling 1,221 personnel and 8,300 km driven

<sup>7</sup> HMNZS Ships and RNZAF aircraft routinely support more than one agency concurrently.

NZDF Support to:	Support Provided
<b>Ministry for Primary Industries</b>	<p>HMNZ Ships <i>Otago</i>, <i>Wellington</i>, <i>Hawea</i> and <i>Manawanui</i> conducted a total of 129 sea days of patrols off the NZ coast, including transit time to/from directed patrol areas.</p> <p>RNZAF 5, 6 and Helicopter Transition Unit (HTU) Squadrons aircraft contributed 174 flying hours on Operations Tapestry, Mawsoni patrols and surveillance flights and the recovery of 35,000kg of equipment as part of Op PIKE RIVER.</p> <p>NZ Army provided facility support to MPI training courses</p>
<b>Ministry of Foreign Affairs and Trade (MFAT)</b>	<p>HMNZ Ships <i>Te Mana</i>, <i>Canterbury</i>, <i>Otago</i>, <i>Wellington</i> and <i>Manawanui</i> conducted good will/diplomacy visits to foreign ports totalling 92 days during the reporting period.</p> <p>HMNZ Ships <i>Wellington</i> and <i>Otago</i> provided 37 sea days in support of Operations Castle (Southern Ocean) and Zodiac (South Pacific)</p> <p>Disaster Relief (South Pacific): RNZAF C-130 aircraft provided 27 flying hours and carried 29,000 kg of freight for Disaster Relief to Samoa after Cyclone ITA</p> <p>Humanitarian Assistance and Disaster Relief (HADR) Support to Philippines (Operation Typhoon Haiyan) C-130 contributed 32.7 flying hours (excluding transit times) and carried 338,701kg of relief internally in the Philippines (see Case Study)</p> <p>RNZAF 5 Squadron flew over 285 hours in support of the search for Malaysian Airlines flight MH370</p> <p>RNZAF 40 Squadron B757 and C-130 aircraft transported a total of 243 passengers and 19,000 kg of freight totalling 87 flying hours in support of MFAT activities</p> <p>NZDF personnel provide Ceremonial support for Credential Ceremonies, Government House, Wellington</p>
<b>Support to Antarctica New Zealand [for the NZ Antarctic Programme (NZAP)]</b>	<p>RNZAF 40 Squadron B757 provided 51 hours and C-130 73 hours in support of Antarctica New Zealand with a total of 411 passengers and 122,621kg of freight carried</p>
<b>Government House</b>	<p>RNZAF 40 Squadron B757 aircraft contributed 24 flying hours in support of the Governor-General's Pacific Tour carrying 50 passengers</p> <p>NZDF units and personnel provided support to the Royal Tour of New Zealand by Their Royal Highnesses the Duke and Duchess of Cambridge</p>
<b>Ministry of Health</b>	<p>Nil</p>



NZDF Support to:	Support Provided
<b>Department of Internal Affairs</b>	<p>NZDF personnel provided ceremonial and logistical support (guards, wreath layers, bands, door openers, transport, crowd control, saluting batteries etc.) for foreign royalty, dignitaries and state occasions</p> <p>This included Ceremonial support, including Guards of honour, for the following State Visits by:</p> <ul style="list-style-type: none"> <li>• Their Royal Highnesses the Duke and Duchess of Cambridge,</li> <li>• His Excellency Zoran Milanović, Prime Minister of the Republic of Croatia.</li> <li>• Prime Minister of Papua New Guinea Mr Peter O'Neil,</li> <li>• Prime Minister Solomon Islands Gordon Lilo,</li> <li>• Minister of Defence, Australia Senator David Johnston</li> <li>• 16th Field and RNZN gunners provided Gun Salutes for visiting Royalty, Heads of State and commemoration of National holidays</li> </ul> <p>Other support was accorded to Waitangi Day, ANZAC Day celebrations, 60th Anniversary of the Korean War, 47th Anniversary of the Vietnam Commemoration, Post War Malaya/Malaysian Operations Wreath Laying Ceremony, 150th Anniversary Gate Pa, 150th Anniversary of the Battle of Orakau, 150th Anniversary Battle of Te Ranga, Overseas Commemorations and Commonwealth Day ceremonies including 99th Anniversary of Gallipoli Landings, 70th Anniversary Normandy Landings and 70th Battle of Monte Cassino</p>
<b>Maritime New Zealand (MNZ)</b>	HMNZS <i>Otago</i> conducted a nine day patrol in the Fiordland Sounds area
<b>New Zealand Customs Service</b>	<p>HMNZ Ships <i>Wellington</i>, <i>Hawea</i>, <i>Taupo</i> and <i>Manawanui</i> conducted 55 sea days of patrols, including transit time to/from directed patrol areas</p> <p>RNZAF 5 Squadron P-3K aircraft contributed 18 flying hours of standard patrols and surveillance</p>
<b>Department of the Prime Minister and Cabinet (DPMC)</b>	<p>RNZAF 6, 40, 42 Squadrons and Helicopter Transition Unit (HTU) aircraft contributed 161 flying hours carrying 503 passengers in support of DPMC activities locally and overseas, including trips to Canberra, APEC/ East Asian Summit, CHOGM, 44th Pacific Form, Pacific Island tour and Honiara</p> <p>NZ Army provided catering support to Pacific Forum 13 meeting</p>
<b>General Medical Assistance/Support</b>	Nil
<b>General Community Support</b>	<p>The NZDF continued to provide a wide range of support throughout the year to communities and organisations across New Zealand. Activities included ceremonial, cultural, band performances, logistics support, Base visits, provision of personnel, transport and facilities, funeral support for ex-service personnel and training contributing approximately 2,600 personnel days in support of these activities</p> <p>The New Zealand Army Band took out the top prize for their performances at the Royal Edinburgh Military Tattoo in Scotland</p> <p>RNZAF Squadrons provided 87 flying hours in support of community organisations, which included flypasts, Air shows and familiarisation flights</p>

### **Multi-Agency Acknowledgements**

The Permanent Secretary Minister of Fisheries and Forests in Fiji paid tribute in relation to patrol work undertaken by the offshore patrol vessel HMNZS *Wellington*.

The Second Secretary Administration and Consul, New Zealand High Commission Tarawa, thanked the Defence Force for the provision of assistance during Exercise Pacific Partnership.

The Commander Royal Brunei Armed Forces thanked the Chief of Defence Force New Zealand for the NZDF's strong support during the ASEAN Defence Minister's Meeting-Plus HADR exercise.

The New Zealand Ambassador to the Philippines paid tribute to the assistance provided by the NZDF after Typhoon Haiyan in the Philippines.

Messages of appreciation were also received for the support provided by NZDF cargo handling personnel to Antarctic New Zealand, and the dedication and professionalism displayed by crews of RNZAF aircraft, including support for the Royal Visit and the New Zealand Prime Minister's mission to Samoa, Tonga and Niue.

The Ministry for Primary Industries provided positive feedback on the work carried out by HMNZS *Wellington* and crew in supporting boarding operations.

### **Costs for the Delivery of Support to MAO&T**

The NZDF costs its outputs on the basis of maintaining training activities needed to maintain DLOC for operational employment, and pre-planned support to other government departments and agencies under MAO&T. As a consequence of the DLOC training activities, the NZDF also has the capacity to deliver a range of services to respond to emergencies and other tasks. No direct attribution of cost has been made for these services. All costs for these activities are budgeted within Output Expenses 2 to 14. (This will change from 2014/15 with a revised output structure.)

# VETERANS' AFFAIRS NEW ZEALAND

## INFORMATION AND MANAGEMENT

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

Veterans' Affairs New Zealand does this by:

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

## ACCOUNTABILITY ARRANGEMENTS

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

The Minister of Veterans' Affairs is the responsible Minister for the former Vote Veterans' Affairs – Defence Force appropriations established within Vote Defence Force from 1 July 2013.

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.

# 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 2013/14 are reported below.

The management and administration of the commemorations programme which includes:

- The co-ordination of the annual participation in the Anzac Day Commemorations at Gallipoli.
- Planning for the centennial commemoration of the Anzac Gallipoli Landings in Turkey in April 2015.
- Planning for attendance by veterans at key Second World War 70th Anniversary Commemorations in partnership with NZDF.
- 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 October 2017.
- The on-going provision of veterans' Certificates of Appreciation.

The management of the 2014 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 factors that will need to be taken into consideration for the 2015 commemoration.

Planning for the 100th Anniversary of the Gallipoli Landings in 2015 is now well advanced and Veterans' Affairs New Zealand continues to maintain a strong tri-lateral relationship with counterparts in Australia and Turkey. Officials are working with MFAT and the NZ Embassy in Ankara and the Turkish authorities are in receipt of New Zealand's request to hold a service in August 2015 at Chunuk Bair to commemorate the 100th Anniversary of the Battle of Chunuk Bair. Post the reporting period, Turkish authorities have agreed to a second August 2015 commemoration at Chunuk Bair.

During the 2013/14 financial year VANZ, in partnership with the NZDF, assisted 30 veterans to travel to Republic of Korea (ROK) for the 60th Anniversary of the Korean

Armistice in July 2013. A further 39 veterans plus one RSA representative travelled to the 70th anniversary of the Battle of Monte Cassino, Italy in May 2014, which represented all those who served in the Italian Campaign. Nine veterans plus one RSA representative travelled to the 70th anniversary of D-Day, France June 2014 to commemorate all those who served in Europe during the Second World War. VANZ also assisted veterans to attend national commemorations in Wellington for the Korean, Monte Cassino, and D-Day commemorations.

The period 2014 to 2018 marks the centenary of the First World War. The Ministry for Culture and Heritage has oversight of the Interdepartmental Steering Committee established to co-ordinate New Zealand based projects and events. NZDF is part of this steering committee with Veterans' Affairs New Zealand providing advice to CDF as required. 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 31 grants. Of these, 19 grants have been made to assist veterans to attend overseas commemorations, nine have been made to assist with reunions and three were made to fund other activities and 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.

Following on from the survey of installers of ex-service memorials and funeral directors from June 2013 VANZ is considering a further survey of RSAs and local Councils during the 2014/15 financial year.

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

## OUTCOME TWO

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

The specific initiatives addressed within this Veterans' Affairs New Zealand outcome for 2013/14 are reported below.

- Evaluating the effectiveness of the Case Management in the Community (CMIC) initiative. The evaluation will focus on ensuring CMIC 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 supports 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. During this year, 581 veterans attended group meetings and 446 veterans had face to face meetings with case managers.

An evaluation of the effectiveness of VANZ services to veterans including CMIC, was completed via a veteran survey run over the twelve months ending December 2013, where 92% of the veterans who responded that they had attended CMIC had found it to be useful.

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. Targeted training is being planned around veteran rehabilitation in line with changes through the upcoming enactment of the Veterans' Support Act.

VANZ will undertake a full review of all printed material to ensure all application forms and information sheets fully reflect changes through the upcoming enactment of the Veterans' Support Act. Consultation with key stakeholders will occur to ensure ease of use and understanding of the redesigned forms.

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. Recently, VANZ held a workshop in association with The Warrant Officer of the Defence

Force and single Service representatives to explore the relationship between VANZ and the younger demographic of serving personnel.

A veteran's survey, initially established in late 2012 that ran to 2013 was subsequently run again for the twelve months to December 2013 seeking veterans' views on the adequacy and effectiveness of VANZ services including communication mechanisms. Of the 776 completed survey forms, a total of 99% of respondents rated their overall satisfaction with VANZ as either excellent (56%) or good (43%). Survey results were reported to the Minister of Veterans' Affairs in June 2014.

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:

- 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 veteran needs 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 other areas of 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 2013/14 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.

## **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 2013/14 are reported below.

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

The drafting of the Veterans' Support Bill was completed. The Bill was introduced to Parliament on 14 October 2013 in the name of Veterans' Affairs Minister Michael Woodhouse. The First Reading occurred on 22 October 2013 and was referred to the Social Services Committee. The Social Services Committee reported on the Bill on 25 March 2014. Post the reporting period, the Bill passed through the Committee of the Whole stage and had a Third Reading on 30 July 2014. Royal Assent was completed 7 August 2014 with commencement 7 December 2014.

Post the reporting period, the Cabinet policy paper on Regulations for the Veterans' Support Act was agreed by Cabinet on 18 August 2014.

#### **Establish an ongoing mechanism for collecting key information**

This includes:

- 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.

A new VANZ IT system is intended to support the VANZ case management model, provide the mechanism to calculate and create complex pension and allowance payments and provide enhanced data analysis and reporting functionality. The current computer system inherited from the Ministry of Social Development does not meet these business requirements.

A process is underway to procure a new IT system for VANZ.

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 New Zealand Defence Force 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 seek to have a question on war service 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 broader 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 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. Two officials from VANZ attended the 2014 Senior Officials Forum held in West Point, New York in April 2014.

New Zealand is involved in ongoing dialogue with other countries to improve knowledge of the impact of various deployments and keep up with trends in service delivery for veterans.

# 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 Advice
	Administration Services
	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 Advice
	Administration Services
	Services and Payments to Veterans
The veterans' perspective is considered as part of government decision-making on issues that impact on their lives.	Policy Advice
	Administration Services
	Services and Payments to Veterans

## DEPARTMENTAL OUTPUT EXPENSE: POLICY ADVICE AND OTHER SERVICES FOR VETERANS MCOA

### Administration Services

This output class is limited to the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities, the coordination of commemorations, the provision of administration services to relevant boards and committees and the administration of contracts for service for maintenance and development work carried out in Service Cemeteries.

### Policy Advice

This output class is limited to the provision of policy advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to Veterans' Affairs.

### Services and Payments to Veterans

This output class is limited to the assessment, review and payment of entitlements and benefits (War Disablement Pensions and related concessions, and allowances and Surviving Spouse Pensions), the assessment and review of entitlement for burial in Service Cemeteries, the installation of ex-service memorials for eligible veterans, and the provision of case management for veterans and their families.

### 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

## Output Performance Measures and Standards

	2012/13		2013/14	
Performance Measures	Actual	Budget Standard	Performance Achieved	
<b>Administration Services</b>				
<i>Provide Ministerial Servicing and Support:</i>				
Replies to requests within 20 days of receipt of requests, if not otherwise agreed	105 ministerials; 16 Parliamentary Questions; 10 Official Information requests 95% were completed within 20 days of receipt of requests	95%	80 ministerials 27 Parliamentary Questions 8 Official Information requests 86% were completed within 20 days of receipt of requests A number of responses required detailed background research that led to the increase in late responses	
Responses accepted without substantive amendment	88% were accepted without significant amendment. This non-achievement of the budget standard arose due to a one-off circumstance where nine ministerial requests related to the resolution of one complex policy situation could not be finalised within the 20 day standard.	95%	97% were accepted without significant amendment	
<i>Provide Administration for War Pensions Appeal Board and War Pensions Advisory Board:</i>				
Arrangements and actions meet Boards' requirements	Met	Meet	Met	
Actions defined by Boards will be completed within 20 working days after decisions are made, unless otherwise specified	100% of actions defined by Boards were completed within 20 working days after decisions were made	95%	100% of actions defined by Boards were completed within 20 working days after decisions were made	
<i>Management of Rehabilitation Loan Scheme:</i>				
Make payments within timeframes specified	100% of schedules were completed within seven days after the end of the month.	100%	100%	
<i>Administration of maintenance agreements and contracts for service relating to the maintenance and development of Services Cemeteries:</i>				
Contracts to be current, legally correct and clearly specify maintenance and development requirements	Met	Meet	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 of the contract	There were no breaches of contract	Meet	There were no breaches of contract	
Services Cemeteries will have maintenance agreements specifying the maintenance standards in place	100% of Services Cemeteries have maintenance agreements in place.	100%	100% of Services Cemeteries have maintenance agreements in place	



	2012/13		2013/14
Performance Measures	Actual	Budget Standard	Performance Achieved
<i>Quality Audits of Services Cemeteries:</i>			
Specifications outlined in contracts for service have been met	100% of the specifications outlined in contracts for service were met.	100%	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	Meet	Met
<b>Policy Advice</b>			
<i>Provide policy advice to the Minister to support decision making by the Minister on government policy matters relating to Veterans' Affairs:</i>			
Replies to requests within 20 days of receipt of requests, if not otherwise specified	63 briefings, 4 Cabinet Papers and 3 Statutory Reports were provided.  100% were completed within 20 days of receipt of requests.	95%	54 briefing papers 7 Cabinet Papers 1 Statutory Report  94% of briefings were completed within 20 days of receipt of requests  A small number of briefings required additional research leading to a slight under achievement
The first drafts of all policy products presented to the Minister will be accepted on their presentation	100% were accepted without significant amendment.	95%	98% were accepted without significant amendment.
Policy papers will meet defined characteristics of quality advice (purpose, logic, accuracy, options consultation, practicality and presentation)	Met	Meet	Met
<b>Services and Payments to Veterans</b>			
<i>Assess and Review Entitlements to War Disablement Pension:</i>			
Assessments and Reviews will be conducted against extant policy	Met	Meet	Met
War Disablement Pension Claims will be determined by the Claims Panel within two months of receipt where all the required documentation has been provided	99%	85%	98%
Reviews and re-openings will be completed within three months of receipt by the National Review Officer	99%	95%	98%

	2012/13		2013/14	
Performance Measures	Actual	Budget Standard	Performance Achieved	
Reviews and re-openings will be completed within three months of receipt by the Secretary for War Pensions	97.5%	95%	100%	
<i>Provide Ex-Service Memorial Plaques and Headstones for Eligible Veterans:</i>				
Ex-Service memorials will be factually correct, meet technical specifications as contracted and be correctly installed	100%	99.5%	100%	
Decisions on eligibility for ex-service memorials will be made within legislative parameters	Met	Meet	Met	
Where correct documentation has been supplied with the application, an ex-service memorial will be manufactured and installed within four months of receipt of the order	84%	75%	93%	
<b>Provide Case Management:</b>				
New referrals to case management will be assigned a case manager within five working days	98%	95%	100%	
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%	100%	
The intervention packages that are put in place by case management will meet the identified need of the veteran	85%	Meet	100%	
<b>Deal with Enquiries:</b>				
Calls will be resolved on first contact	96%	80%	94%	
Calls will be resolved within five working days	100%	100%	100%	
The resolution provided by the enquiry line will meet the identified need of the caller	Met	95%	100%	

**Costs for Output Expense: Policy Advice and Other Services for Veterans MCOA (GST Exclusive)**

<b>Actual 30 Jun 13 (\$ 000)</b>	<b>Category</b>	<b>Main Estimates (\$ 000)</b>	<b>Supplementary Estimates (\$ 000)</b>	<b>Actual 30 Jun 14 (\$ 000)</b>
	<b>Expenditure</b>			
4,547	Personnel	5,091	5,091	4,753
3,196	Operating	5,987	6,267	4,334
-	Depreciation	-	-	-
59	Capital Charge	59	59	59
<b>7,802</b>	<b>Total Expenses</b>	<b>11,137</b>	<b>11,417</b>	<b>9,146</b>
	<b>Income</b>			
8,627	Revenue Crown	10,660	10,940	10,940
-	Revenue Department	-	-	-
334	Revenue Other	477	477	312
<b>8,961</b>	<b>Total Income</b>	<b>11,137</b>	<b>11,417</b>	<b>11,252</b>
<b>1,159</b>	<b>Gross Surplus (Deficit)</b>	<b>-</b>	<b>-</b>	<b>2,106</b>
-	Losses on Foreign Exchange	-	-	-
-	Gains on Foreign Exchange	-	-	-
<b>-</b>	<b>Net Foreign Exchange</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>1,159</b>	<b>Net Surplus (Deficit)</b>	<b>-</b>	<b>-</b>	<b>2,106</b>
	<b>Cost by Output</b>			
148	MCOA for Policy Advice	220	220	217
1,909	MCOA for Administration Services	4,625	4,905	3,161
5,745	MCOA for Services & Payments to Veterans	6,292	6,292	5,768

# NON-DEPARTMENTAL OUTPUT EXPENSES

## 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

# DEVELOPMENT AND MAINTENANCE OF SERVICES CEMETERIES

## Description

The purchase of the development and maintenance of Services Cemeteries.

## Output Performance Measures and Standards

Performance Measures	2012/13		2013/14
	Actual	Budget Standard	Performance Achieved
<b>Develop and Maintain Service Cemeteries</b>			
Works carried out under contract will comply with agreed contract standards.	100%	90%	100%
Services Cemeteries will be maintained to specified standards.	100%	100%	100%
Works in Services Cemeteries will be managed in accordance with an agreed annual programme.	Met	Meet	Met
Service Cemeteries will be maintained to the satisfaction of Local Authorities, the RSA and veterans' representative organisations.	Met	Meet	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 30 Jun 13 (\$ 000)	Category	Main Estimates (\$ 000)	Supplementary Estimates (\$ 000)	Actual 30 Jun 14 (\$ 000)
	<b>Expenditure</b>			
591	Expenses	746	746	615
52	Non Department GST	-	-	96
<b>643</b>		<b>746</b>	<b>746</b>	<b>711</b>

# 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

Performance Measures	2012/13		2013/14
	Actual	Budget Standard	Performance Achieved
The services provided will be to the satisfaction of the veteran and/or the veteran's family.	Met	Meet	Met
Works carried out under contract will comply with agreed contract standards.	100%	95%	100%

## 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 30 Jun 13 (\$ 000)	Category	Main Estimates (\$ 000)	Supplementary Estimates (\$ 000)	Actual 30 Jun 14 (\$ 000)
	<b>Expenditure</b>			
1,010	Expenses	1,027	1,177	964
41	Non Department GST	-	-	75
<b>1,051</b>		<b>1,027</b>	<b>1,177</b>	<b>1,039</b>

# NON-DEPARTMENTAL 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.	Interest Concessions Land and Buildings Medical Treatment Special Annuities 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. (Interest Concessions Land and Buildings was transferred into War Disablement Pensions from 1 July 2013.)

### Costs for Interest Concessions Land and Buildings (GST Inclusive)

Actual 30 Jun 13 (\$ 000)	Category	Main Estimates (\$ 000)	Supplementary Estimates (\$ 000)	Actual 30 Jun 14 (\$ 000)
	<b>Expenditure</b>			
3	Expenses	-	-	-
-	Non Department GST	-	-	-
<b>3</b>		<b>-</b>	<b>-</b>	<b>-</b>

## 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 30 Jun 13 (\$ 000)	Category	Main Estimates (\$ 000)	Supplementary Estimates (\$ 000)	Actual 30 Jun 14 (\$ 000)
	<b>Expenditure</b>			
17,367	Expenses	19,367	18,014	15,981
13	Non Department GST	-	-	39
<b>17,380</b>		<b>19,367</b>	<b>18,014</b>	<b>16,020</b>

# 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)

<b>Actual 30 Jun 13 (\$ 000)</b>	<b>Category</b>	<b>Main Estimates (\$ 000)</b>	<b>Supplementary Estimates (\$ 000)</b>	<b>Actual 30 Jun 14 (\$ 000)</b>
	<b>Expenditure</b>			
33	Expenses	44	44	41
-	Non Department GST	-	-	-
<b>33</b>		<b>44</b>	<b>44</b>	<b>41</b>

(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)

<b>Actual 30 Jun 13 (\$ 000)</b>	<b>Category</b>	<b>Main Estimates (\$ 000)</b>	<b>Supplementary Estimates (\$ 000)</b>	<b>Actual 30 Jun 14 (\$ 000)</b>
	<b>Expenditure</b>			
123,107	Expenses	122,398	122,362	119,467
141	Non Department GST	-	-	296
<b>123,248</b>		<b>122,398</b>	<b>122,362</b>	<b>119,763</b>



# 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 Inclusive)

Actual 30 Jun 13 (\$ 000)	Category	Main Estimates (\$ 000)	Supplementary Estimates (\$ 000)	Actual 30 Jun 14 (\$ 000)
	<b>Expenditure</b>			
242	Expenses	250	250	250
-	Non Department GST	-	-	-
<b>242</b>		<b>250</b>	<b>250</b>	<b>250</b>

# EX-GRATIA PAYMENTS AND COMPREHENSIVE MEDICAL ASSESSMENTS FOR VIETNAM VETERANS

## Description

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

## Output Performance Measures and Standards

Performance Measures	2012/13		2013/14	
	Actual	Budget Standard	Performance Achieved	
The provision of annual medical checks for Vietnam veterans	466 medical checks were provided	Up to 2000	801 medical checks were provided	
Number of ex-gratia payments likely to be made to Vietnam veterans and/or members of their family with accepted conditions.	Five ex-gratia payments were made	Up to 6	Nine 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)**

<b>Actual 30 Jun 13 (\$ 000)</b>	<b>Category</b>	<b>Main Estimates (\$ 000)</b>	<b>Supplementary Estimates (\$ 000)</b>	<b>Actual 30 Jun 14 (\$ 000)</b>
	<b>Expenditure</b>			
228	Expenses	1,300	994	420
4	Non Department GST	-	-	8
<b>232</b>		<b>1,300</b>	<b>994</b>	<b>428</b>

## FORGIVENESS OF INTEREST ON VETERAN TRUSTS' LOANS

**Description**

This appropriation is limited to the forgiveness of Interest on Crown loans to the Montecillo and Rannerdale Trusts.

**Costs for Forgiveness of Interest on Veteran Trusts' Loans (GST Inclusive)**

<b>Actual 30 Jun 13 (\$ 000)</b>	<b>Category</b>	<b>Main Estimates (\$ 000)</b>	<b>Supplementary Estimates (\$ 000)</b>	<b>Actual 30 Jun 14 (\$ 000)</b>
	<b>Expenditure</b>			
-	Expenses	-	2,039	2,039
-	Non Department GST	-	-	-
<b>-</b>		<b>-</b>	<b>2,039</b>	<b>2,039</b>

# PART THREE - 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 2014.

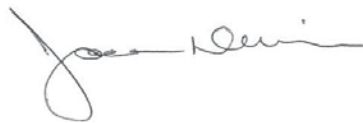
In my opinion, the forecast financial statements fairly reflect the forecast financial position and operations of the New Zealand Defence Force for the financial year to which they relate (Section 45c (e) of the PFA as amended).

Signed by:



T.J. KEATING  
Lieutenant General  
Chief of Defence Force  
30 September 2014

Countersigned by:



J.M. DEVINE  
Chief Financial Officer  
30 September 2014

## **Independent Auditor's Report**

### **To the readers of the New Zealand Defence Force's financial statements, non-financial performance information and schedules of non-departmental activities for the year ended 30 June 2014**

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 167 to 203, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2014, the statement of comprehensive income, statement of changes in equity, statement of departmental expenses against appropriations, statement of capital expenditure, statement of unappropriated departmental 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 statement of service performance on pages 44 to 146 and 151 to 162, and the report about outcomes on pages 33 to 42 and 148 to 150; and
- the schedules of non-departmental activities of the Defence Force on pages 204 to 209 that comprise the schedule of non-departmental assets and schedule of non-departmental liabilities as at 30 June 2014, the schedule of non-departmental revenue, schedule of non-departmental expenditure, statement 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 167 to 203:
  - » comply with generally accepted accounting practice in New Zealand; and
  - » fairly reflect the Defence Force's:
    - ∞ financial position as at 30 June 2014;
    - ∞ 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 2014; and
    - ∞ unappropriated expenses and capital expenditure for the year ended 30 June 2014.
- the non-financial performance information of the Defence Force on pages 33 to 42, 44 to 146 and 148 to 162:
  - » 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 2014, 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 204 to 209 fairly reflect, in accordance with the Treasury Instructions:
  - » the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2014 managed by the Defence Force on behalf of the Crown; and
  - » the revenues, expenses, expenditure and capital expenditure against appropriations and unappropriated expenditure and capital expenditure for the year ended on that date managed by the Defence Force on behalf of the Crown.

Our audit was completed on 30 September 2014. 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, in our judgement, are likely to influence readers' 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 Department'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. Also we did not evaluate the security and controls over the electronic publication 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, that fairly reflect those activities managed by the Defence Force on behalf of the Crown.

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

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 External Reporting Board.

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.

A handwritten signature in black ink, appearing to be 'S B Lucy', written in a cursive style.

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

# NZDF FINANCIAL STATEMENTS

## Statement of Comprehensive Income for the year ended 30 June 14

30 June 13		Note	30 June 14	30 June 14	30 June 14
Actual			Actual	Main Estimates	Supplementary Estimates
(\$000)			(\$000)	(\$000)	(\$000)
<b>Income</b>					
2,220,008	Crown	2	2,278,948	2,291,705	2,278,953
9,577	Departmental revenue	3	9,011	17,850	9,665
10,165	Other revenue		8,566	11,215	8,239
20,493	Gains	4	5,753	-	2,823
15	Interest	15	21	10	15
<b>2,260,258</b>	<b>Total Income</b>		<b>2,302,299</b>	<b>2,320,780</b>	<b>2,299,695</b>
<b>Expenditure</b>					
844,503	Personnel costs	5	852,061	801,967	861,879
584,169	Operating costs	6	600,447	671,521	628,205
607	Finance costs	7	455	-	357
335,209	Depreciation and amortisation	8	354,037	402,680	372,609
453,228	Capital charge	9	447,004	444,602	446,981
<b>2,217,716</b>	<b>Total Output Expenditure</b>		<b>2,254,004</b>	<b>2,320,770</b>	<b>2,310,031</b>
14	Other operating expenses	10	-	-	-
<b>2,217,730</b>	<b>Total Expenditure</b>		<b>2,254,004</b>	<b>2,320,770</b>	<b>2,310,031</b>
<b>42,528</b>	<b>Net Surplus/(Deficit)</b>		<b>48,295</b>	<b>10</b>	<b>(10,336)</b>
<b>Other Comprehensive Income</b>					
196,484	Gain/(loss) on revaluation	11	(286,525)	-	(293,433)
<b>239,012</b>	<b>Total Comprehensive Income</b>		<b>(238,230)</b>	<b>10</b>	<b>(303,769)</b>

Explanations of major variances against budget are provided in note 28

**Statement of Movements in Taxpayers' Funds for the year ended 30 June 14**

30 June 13 Actual (\$000)		Note	30 June 14 Actual (\$000)	30 June 14 Main Estimates (\$000)	30 June 14 Supplementary Estimates (\$000)
<b>Balance at 1 July</b>					
3,772,574	General funds		3,719,708	3,621,790	3,719,708
1,893,006	Revaluation reserve		2,017,502	1,923,918	2,017,502
<b>5,665,580</b>			<b>5,737,210</b>	<b>5,545,708</b>	<b>5,737,210</b>
42,528	Net surplus for the year		48,295	10	(10,336)
196,484	Total revaluation gains/ (losses)		(286,525)	-	(293,433)
-	Total impairment losses		-	-	-
<b>239,012</b>	<b>Total Comprehensive Income for the Year</b>		<b>(238,230)</b>	<b>10</b>	<b>(303,769)</b>
(39,252)	Repayment of surplus	17	(54,134)	(10)	(15)
11,800	Capital contribution		1,629	14,188	15,817
(139,930)	Capital withdrawal		-	-	-
<b>5,737,210</b>	<b>Balance as at 30 June</b>		<b>5,446,475</b>	<b>5,559,896</b>	<b>5,449,243</b>
3,719,708	General funds	11	3,739,502	3,635,978	3,725,174
2,017,502	Revaluation reserve	11	1,706,973	1,923,918	1,724,069

Explanations of major variances against budget are provided in note 28



Statement of Financial Position as at 30 June 14

30 June 13 Actual	Note	30 June 14 Actual	30 June 14 Main Estimates	30 June 14 Supplementary Estimates
(\$000)		(\$000)	(\$000)	(\$000)
<b>Assets</b>				
<b>Current Assets</b>				
94,425		72,076	18,504	75,279
526,924	12	636,556	304,058	557,770
42,295		40,267	37,000	42,295
83,524	13	75,680	85,981	81,056
373	22	2,151	-	812
<b>747,541</b>		<b>826,730</b>	<b>445,543</b>	<b>757,212</b>
<b>Non - Current Assets</b>				
5,150,783	14	4,872,033	5,127,336	4,881,916
7,559	15	30,806	31,380	15,629
228,130	13	232,749	220,438	230,698
1,072	22	225	-	-
<b>5,387,544</b>		<b>5,135,813</b>	<b>5,379,154</b>	<b>5,128,243</b>
<b>6,135,085</b>		<b>5,962,543</b>	<b>5,824,697</b>	<b>5,885,455</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
261,392	16	372,768	193,246	356,856
39,252	17	54,134	10	15
23,722	18	16,860	3,718	3,672
52,406	19	47,699	52,387	52,406
2,170	20	1,551	1,729	1,107
1,148	22	6,518	1,309	5,097
<b>380,090</b>		<b>499,530</b>	<b>252,399</b>	<b>419,153</b>
Non – Current Liabilities				
13,257	19	12,161	10,914	13,257
4,350	20	2,799	1,488	3,802
178	22	1,578	-	-
<b>17,785</b>		<b>16,538</b>	<b>12,402</b>	<b>17,059</b>
<b>397,875</b>		<b>516,068</b>	<b>264,801</b>	<b>436,212</b>
<b>5,737,210</b>		<b>5,446,475</b>	<b>5,559,896</b>	<b>5,449,243</b>
<b>Taxpayers' Funds</b>				
3,719,708	11	3,739,502	3,635,978	3,725,174
2,017,502	11	1,706,973	1,923,918	1,724,069
<b>5,737,210</b>		<b>5,446,475</b>	<b>5,559,896</b>	<b>5,449,243</b>
<b>6,135,085</b>		<b>5,962,543</b>	<b>5,824,697</b>	<b>5,885,455</b>

Explanations of major variances against budget are provided in note 28

Statement of Cash Flows for the year ended 30 June 14

30 June 13 Actual	Note	30 June 14 Actual	30 June 14 Main Estimates	30 June 14 Supplementary Estimates
(\$000)		(\$000)	(\$000)	(\$000)
<b>Cash Flow – Operating Activities</b>				
2,105,646		2,174,652	2,419,859	2,246,152
23,460		20,330	28,271	18,118
(855,503)		(854,695)	(794,513)	(854,584)
(609,619)		(570,925)	(698,660)	(633,761)
(453,228)		(447,004)	(444,602)	(446,981)
(6,143)		(20,394)	3,985	10,454
<b>204,613</b>	27	<b>301,964</b>	<b>514,340</b>	<b>339,398</b>
<b>Net Cash Flow from Operating Activities</b>				
<b>Cash Flows – Investing Activities</b>				
17,825		30,888	-	31,615
15		21	10	15
(153,405)		(290,975)	(540,834)	(353,671)
(3,995)		(26,073)	(13,517)	(12,517)
<b>(139,560)</b>		<b>(286,139)</b>	<b>(554,341)</b>	<b>(334,558)</b>
<b>Net Cash Flow from Investing Activities</b>				
<b>Cash Flows from Financing Activities</b>				
11,800		1,078	14,188	15,266
(37,930)		-	-	-
(23,607)		(39,252)	(10)	(39,252)
<b>(49,737)</b>		<b>(38,174)</b>	<b>14,178</b>	<b>(23,986)</b>
<b>Net Cash Flow from Financing Activities</b>				
15,316		(22,349)	(25,823)	(19,146)
79,109		94,425	44,327	94,425
<b>94,425</b>		<b>72,076</b>	<b>18,504</b>	<b>75,279</b>
<b>Cash and Cash Equivalents at the End of the Year</b>				

Explanations of major variances against budget are provided in note 28

The accompanying notes form part of these financial statements

## Statement of Commitments as at 30 June 14

30 June 13		30 June 14
Actual		Actual
(\$000)		(\$000)
<b>Capital Commitments</b>		
621,792	Property, plant and equipment	733,558
<b>621,792</b>		<b>733,558</b>
310,759	Not later than one year	441,813
311,033	Later than one year and not later than five years	291,745
<b>621,792</b>	<b>Total Capital Commitments</b>	<b>733,558</b>
<b>Non - Cancellable Operating Lease Commitments</b>		
21,340	Not later than one year	24,369
57,920	Later than one year and not later than five years	62,996
71,508	Later than five years	65,524
<b>150,768</b>	<b>Total Non - Cancellable Operating Lease Commitments</b>	<b>152,889</b>
<b>772,560</b>	<b>Total Commitments</b>	<b>886,447</b>

### Capital Commitments

A significant proportion of capital commitments are with the Ministry of Defence who manage the procurement of major military assets on behalf of the NZDF. The value of the capital commitments with the Ministry of Defence this year is \$672.024 million (2013: \$530.512 million). Under the Defence Act 1990 the Ministry of Defence manages for the NZDF, the acquisition process of Specialist Military Equipment costing in excess of \$7.0 million.

### 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 2 months to 22 years.

## Statement of Contingent Liabilities as at 30 June 14

30 June 13		30 June 14
Actual		Actual
(\$000)		(\$000)
866	Potential claims from legal proceedings and disputes	1,698
1,972	Restructuring cost	1,829
<b>2,838</b>	<b>Total quantifiable contingent liabilities</b>	<b>3,527</b>

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.

## Statement of Contingent Assets as at 30 June 14

30 June 13		30 June 14
Actual		Actual
(\$000)		(\$000)
600	Potential gains from legal proceedings and disputes	100
<b>600</b>	<b>Total quantifiable contingent assets</b>	<b>100</b>

The potential gains from legal proceedings and disputes represent the amounts claimed by NZDF in relation to the performance of services by the defendants. The defendants are currently disputing these claims.

Statement of Departmental Expenses against Appropriations for the year ended 30 June 2014

	30 June 13	30 June 14	30 June 14	30 June 14	30 June 14	30 June 14	30 June 14	30 June 14	30 June 14
	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)	
<b>Vote: Defence Force Output Appropriations</b>									
1,705 1.1	MCOA for Policy Advice and Related Outputs - Policy Advice	1,746	2,049	-	2,049	1,885	-	1,885	
1,902 1.2	MCOA for Policy Advice and Related Outputs - Ministerial Services	1,658	1,305	-	1,305	863	-	863	
12,537 1.3	MCOA for Policy Advice and Related Outputs - Strategic Military Intelligence	11,115	11,570	300	11,870	9,365	-	9,365	
334,646 2	Naval Combat Forces	325,357	336,886	(2,500)	334,386	328,254	3,353	331,607	
98,806 3	Naval Support Forces	110,432	112,693	-	112,693	109,121	1,545	110,666	
32,579 4	Littoral Warfare Support Forces	32,583	31,947	-	31,947	29,001	211	29,212	
124,578 5	Naval Patrol Forces	131,171	117,011	500	117,511	115,886	1,415	117,301	
- 6	Reserved	-	-	-	-	-	-	-	
337,819 7	Land Combat Forces	348,124	349,710	(1,800)	347,910	342,176	3,385	345,561	
212,910 8	Land Combat Support Forces	204,850	220,852	-	220,852	214,033	2,286	216,319	
167,970 9	Land Combat Service Support Forces	170,020	174,997	-	174,997	169,675	1,826	171,501	
81,109 10	Special Operations Forces	87,239	89,675	-	89,675	86,524	1,304	87,828	
87,081 11	Naval Helicopter Forces	90,994	83,560	1,500	85,060	84,725	762	85,487	
178,060 12	Airborne Surveillance and Response Forces	202,606	203,674	400	204,074	201,280	1,337	202,617	
253,335 13	Fixed Wing Transport Forces	263,888	263,425	1,400	264,825	262,882	2,267	265,149	
217,773 14	Rotary Wing Transport Forces	245,899	229,523	-	229,523	225,906	1,454	227,360	
3,831 15.1	MCOA for Mutual Assistance Programme	5,087	5,283	-	5,283	4,821	-	4,821	

The accompanying notes form part of these financial statements

Statement of Departmental Expenses against Appropriations for the year ended 30 June 2014 (Continued)

	30 June 13	30 June 14	30 June 14	30 June 14	30 June 14	30 June 14	30 June 14	30 June 14
Actual Expenditure Including Remeasurements		Main Estimates	Supplementary Estimates	Section 26A Changes	Appropriation	Total	Actual Expenditure Excluding Remeasurements	Actual Expenditure Including Remeasurements
(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
3,234	15.2	MCOA for New Zealand Cadet Forces	2,887	3,808	100	3,908	3,540	3,540
6,136	15.3	MCOA for Military Museums	5,421	7,994	100	8,094	7,999	7,999
11,560	15.4	MCOA for Youth Development	10,898	12,308	-	12,308	11,802	11,802
42,341	16	Operationally Deployed Forces	27,658	27,170	-	27,170	13,975	13,975
<b>2,209,912</b>		<b>Total Vote: Defence Force Output Appropriations</b>	<b>2,279,633</b>	<b>2,285,440</b>	<b>-</b>	<b>2,285,440</b>	<b>2,223,713</b>	<b>2,244,858</b>
		<b>Other Expense Appropriations</b>						
14		Asset Write Off	-	-	-	-	-	-
14		<b>Total Vote: Defence Force Other Expense Appropriations</b>	-	-	-	-	-	-
<b>2,209,926</b>		<b>Total Vote: Defence Force</b>	<b>2,279,633</b>	<b>2,285,440</b>	<b>-</b>	<b>2,285,440</b>	<b>2,223,713</b>	<b>2,244,858</b>
		<b>Other Appropriations :</b>						
		<b>Veterans' Affairs - Defence Force</b>						
148	1.1	Policy Advice	220	220	-	220	217	217
1,909	1.2	Administration Services	4,625	4,905	-	4,905	3,161	3,161
5,745	2	Services & Payments to Veterans	6,292	6,292	-	6,292	5,768	5,768
<b>7,802</b>		<b>Total Other Appropriations :</b>	<b>11,137</b>	<b>11,417</b>	<b>-</b>	<b>11,417</b>	<b>9,146</b>	<b>9,146</b>
		<b>Veterans' Affairs - Defence Force</b>						
<b>2,217,728</b>		<b>Total Appropriations</b>	<b>2,290,770</b>	<b>2,296,857</b>	<b>-</b>	<b>2,296,857</b>	<b>2,232,859</b>	<b>2,254,004</b>

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. The difference between total appropriated expenditure for 2013/14 and total expenditure for 2013/14 is due to gains on the sale of property, plant and equipment which is excluded from expenditure against appropriation.

The accompanying notes form part of these financial statements

## Statement of Capital Expenditure

30 June 13 Actual (\$000)		30 June 14 Actual (\$000)	30 June 14 Supplementary Estimates (\$000)	30 June 14 Total Appropriation (\$000)
	<b>Capital Expenditure</b>			
232,535	Capital expenditure	428,987	431,974	431,974
<b>232,535</b>	<b>Total Capital Expenditure</b>	<b>428,987</b>	<b>431,974</b>	<b>431,974</b>

## Statement of Departmental Unappropriated Expenditure for the year ended 30 June 2014

In financial year 2012/2013, the New Zealand Defence Force exceeded its net asset position by \$0.742 million as at 31 May 2013.

The New Zealand Defence sought an appropriation for \$2.850 million in financial year 2011/12 through main estimates for costs relating to the disposal of the Air Combat Force assets. Expenses totalling \$1.959 million were recorded against this appropriation. The underspend of \$0.891 million led to the New Zealand Defence Force exceeding its net asset position.

Approval of the unappropriated expenditure was sought under section 26C of the Public Finance Act 1989.

In financial year 2013/2014, the New Zealand Defence exceeded of its Net Asset Authority by \$259.252M as at 31 March 2014. The Net Asset Authority was temporarily breached when the effects of a mid-year revaluation of Plant, Property and Equipment were unintentionally incorporated into the Net Asset Authority at the March Baseline Update.

The technical breach was remedied when Supplementary Estimates took effect on 30 June 2014.

Approval of the technical net asset breach was sought under section 26C of the Public Finance Act 1989.

There were no other instances of departmental unappropriated expenditure.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2014

### 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 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 applying New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the NZDF are for the 12 months ended 30 June 2014. The financial statements were authorised for issue by the Chief of Defence Force on 30 September 2014.

### 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

During the year NZDF conducted a mid year revaluation of plant property and equipment. This was a departure from the previous accounting policy in that revaluations were normally conducted at year end. The revaluation was conducted on a desktop basis using the same methodology as the last external valuation.

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

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

NZ IFRS standards, amendments, and interpretations issued but not yet effective which have not been early adopted and are relevant to NZDF, are:

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Clarification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus / deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the NZDF is classified as a Tier 1

reporting entity and will be required to apply full public sector Public Benefit Entity Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. Therefore, the NZDF will transition to the new standards in preparing its 30 June 2015 financial statements. The NZDF has not assessed the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standards Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

### **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. The budget figures have been prepared in accordance with GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

#### **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. Interest received on overseas bank accounts is recognised when received. Interest on loans and other receivables 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 useful life of the principal asset to which they relate.

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 useful 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.

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.

Buildings with a net book value greater than or equal to \$250,000 are individually revalued. Buildings with a net book value of less than \$250,000 are revalued using an appropriate market or construction cost based index.

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 useful lives. The estimated useful lives are within the following ranges:

Buildings	5 – 100 years
Leashold 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 life 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. Costing 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 - 5),
- 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.

#### **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.

## 2. Crown Revenue

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

## 3. Departmental Revenue

<b>30 June 13</b>		<b>30 June 14</b>	<b>30 June 14</b>
<b>Actual</b>		<b>Actual</b>	<b>Supplementary</b>
<b>(\$000)</b>		<b>(\$000)</b>	<b>Estimates</b>
9,229	Ministry of Social Development	9,361	9,631
(2)	State Services Commission	-	-
350	Ministry of Defence	(350)	34
<b>9,577</b>	<b>Total Departmental Revenue</b>	<b>9,011</b>	<b>9,665</b>

## 4. Gains

<b>30 June 13</b>		<b>30 June 14</b>	<b>30 June 14</b>
<b>Actual</b>		<b>Actual</b>	<b>Supplementary</b>
<b>(\$000)</b>		<b>(\$000)</b>	<b>Estimates</b>
9,272	Realised Gains on foreign exchange	4,566	2,704
3,252	Unrealised Gains on foreign exchange	1,187	119
7,969	Gain on liability reductions	-	-
<b>20,493</b>	<b>Total Gains</b>	<b>5,753</b>	<b>2,823</b>

## 5. Personnel Costs

<b>30 June 13</b>		<b>30 June 14</b>	<b>30 June 14</b>
<b>Actual</b>		<b>Actual</b>	<b>Supplementary</b>
<b>(\$000)</b>		<b>(\$000)</b>	<b>Estimates</b>
776,549	Salaries and wages	805,750	803,329
49,628	Superannuation contributions to defined contribution schemes	44,219	46,545
8,123	Retirement and accumulated leave adjustment	<b>(5,803)</b>	<b>4,710</b>
10,203	Accident Compensation Corporation (ACC) levies	7,895	7,295
<b>844,503</b>	<b>Total Personnel Costs</b>	<b>852,061</b>	<b>861,879</b>

Superannuation contributions to defined contribution schemes include contribution to the State Sector Retirement Savings Scheme, KiwiSaver, Government Superannuation Fund, Armed Forces Superannuation Scheme and Civil Staff Superannuation.

## 6. Operating Costs

30 June 13 Actual		30 June 14 Actual	30 June 14 Supplementary Estimates
(\$000)		(\$000)	(\$000)
172,580	Materials	162,669	172,062
89,498	Premises cost	82,648	81,521
71,884	Repairs and maintenance	68,217	82,093
58,810	Training and travel	64,835	70,150
50,540	Operating lease rentals and other licence charges	60,076	63,940
3,480	Consultancy	870	119
382	Audit fees for financial statements audit: Audit NZ	423	377
10	Fees for other services: Audit NZ	12	-
27	Fees to auditors other than Audit NZ	7	21
-	Increase/(decrease) in provision for doubtful debts	55	4
16,074	Realised foreign exchange losses	12,273	7,302
(1,905)	Unrealised foreign exchange losses	8,872	5,872
2,487	Loss on sale of property, plant and equipment	3,485	-
120,302	Other operating costs	136,005	144,744
<b>584,169</b>	<b>Total Operating Costs</b>	<b>600,447</b>	<b>628,205</b>

In addition to the Audit fees disclosed above Audit NZ was paid \$17,000 for services relating to the audit of a tendering process for a capital project, this amount was charged to the project as capital.

## 7. Finance Costs

30 June 13 Actual		30 June 14 Actual	30 June 14 Supplementary Estimates
(\$000)		(\$000)	(\$000)
607	Interest on finance leases	455	357
<b>607</b>	<b>Total Finance Costs</b>	<b>455</b>	<b>357</b>

## 8. Depreciation and Amortisation

30 June 13 Actual		30 June 14 Actual	30 June 14 Supplementary Estimates
(\$000)		(\$000)	(\$000)
40,369	Buildings	48,226	51,161
272,481	Specialist military equipment	282,383	293,766
9,302	Plant and equipment	8,671	9,854
8,030	Office and computer equipment	8,820	9,777
1,945	Computer application software	2,826	4,447
3,082	Motor vehicles	3,111	3,604
<b>335,209</b>	<b>Total Depreciation and Amortisation</b>	<b>354,037</b>	<b>372,609</b>

## 9. 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 2014 was 8.0% (2013: 8.0%).

## 10. Other Operating Expenses

30 June 13 Actual (\$000)		30 June 14 Actual (\$000)	30 June 14 Supplementary Estimates (\$000)
14	Air Combat Force disposal costs	-	-
<b>14</b>	<b>Total Other Operating Expenses</b>	<b>-</b>	<b>-</b>

## 11. Taxpayer's Fund General Funds and Revaluation Reserve for Property, Plant and Equipment

### Taxpayer's Fund General Funds

30 June 13 Actual (\$000)		30 June 14 Actual (\$000)
<b>3,772,574</b>	<b>Opening Balance</b>	<b>3,719,708</b>
42,528	Net surplus for the year	48,295
71,988	Transfers from revaluation reserve on disposal of assets	24,004
11,800	Capital contribution	1,629
(139,930)	Capital withdrawal	-
(39,252)	Repayment of surplus	(54,134)
<b>3,719,708</b>		<b>3,739,502</b>

### Revaluation Reserve for Property, Plant and Equipment

30 June 13 Total (\$000)		30 June 14 Land (\$000)	30 June 14 Buildings (\$000)	30 June 14 Specialist Military Equipment (\$000)	30 June 14 Total (\$000)
<b>1,893,006</b>	<b>Opening Balance</b>	<b>601,275</b>	<b>858,256</b>	<b>557,971</b>	<b>2,017,502</b>
196,484	Revaluation gains/(losses)	-	(28,926)	(257,599)	(286,525)
(71,988)	(Gains)/losses transferred to general funds for assets disposed	(8,500)	(6,557)	(8,947)	(24,004)
<b>2,017,502</b>	<b>Closing Balance</b>	<b>592,775</b>	<b>822,773</b>	<b>291,425</b>	<b>1,706,973</b>

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



## 12. Debtors and Other Receivables

30 June 13		30 June 14	
Actual		Actual	
(\$000)		(\$000)	
509,803	Debtor - Crown	614,099	
-	- GST receivable	9,830	
17,204	Trade debtors	12,761	
(83)	Less: provision for doubtful debts	(134)	
<b>526,924</b>	<b>Total Debtors and Other Receivables</b>	<b>636,556</b>	

As at 30 June 2014, all overdue receivables have been assessed for impairment and appropriate provisions have been applied, as detailed below.

30 June 13			30 June 14		
Gross	Impairment	Net	Gross	Impairment	Net
(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
523,983	-	523,983	631,370	-	631,370
410	-	410	25	-	25
-	-	-	59	-	59
2,531	(83)	2,448	5,236	(134)	5,102
<b>526,924</b>	<b>(83)</b>	<b>526,841</b>	<b>636,690</b>	<b>(134)</b>	<b>636,556</b>
		<b>Total</b>			

## Movements in the Provision for Doubtful Debts

30 June 13		30 June 14	
Actual		Actual	
(\$000)		(\$000)	
<b>83</b>	<b>Opening Balance</b>	<b>83</b>	
-	- Additional provisions made during the year	51	
-	- Charged against provision for the year	-	
<b>83</b>	<b>Closing Doubtful Debt Provision</b>	<b>134</b>	

## 13. Inventories

30 June 13		30 June 14	
Actual		Actual	
(\$000)		(\$000)	
<b>83,524</b>	<b>Total Current Inventories</b>	<b>75,680</b>	
<b>228,130</b>	<b>Total Non - Current Inventories</b>	<b>232,749</b>	
<b>311,654</b>	<b>Total Inventories</b>	<b>308,429</b>	

The carrying amount of inventory held for distribution is at weighted average cost as at 30 June 2014 of \$308.429 million (2013: \$311.654 million).

The write-down of inventory held for distribution was nil (2013: \$nil). 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 figures are net of obsolescence.

### 13. Inventories (Continued)

No inventory has been pledged as security for liabilities (2013: nil). Some inventory is subject to retention of title clauses.

#### Inventories by Category

30 June 13 Actual (\$000)		30 June 14 Actual (\$000)
180,663	Equipment and spares	175,131
76,946	Ammunition	93,255
36,286	General materials and consumables	37,344
19,504	Stock on board ships	20,066
31,493	Fuel, clothing and other inventories	14,637
(33,238)	Obsolescence	(32,004)
<b>311,654</b>	<b>Total Inventories</b>	<b>308,429</b>

### 14. Property, Plant and Equipment

	Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Plant & Equipment (\$000)	Office & Computer Equipment (\$000)	Total (\$000)
<b>Cost or Valuation</b>						
Balance at 1 July 2012	673,738	1,269,276	4,141,387	267,575	75,051	6,427,027
Additions	-	64,950	332,777	7,157	11,081	415,965
Revaluation	72,250	34,161	(1,239,493)	-	-	(1,133,082)
Disposal	(103,900)	(28,945)	(19,787)	(6,012)	(201)	(158,845)
Work in progress movement	-	(50,013)	(129,778)	(603)	5,834	(174,560)
Transfers	-	(889)	(1,034)	(2,653)	4,576	-
<b>as of 30 June 2013</b>	<b>642,088</b>	<b>1,288,540</b>	<b>3,084,072</b>	<b>265,464</b>	<b>96,341</b>	<b>5,376,505</b>
<b>Accumulated Depreciation</b>						
Balance at 1 July 2012	-	(92,860)	(960,475)	(157,424)	(53,117)	(1,263,876)
Depreciation expense	-	(40,370)	(272,480)	(12,383)	(8,030)	(333,263)
Eliminated on disposal	-	10,252	29,963	5,286	192	45,693
Eliminated on revaluation	-	122,826	1,202,898	-	-	1,325,724
Transfers	-	152	94	(247)	1	-
<b>as of 30 June 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(164,768)</b>	<b>(60,954)</b>	<b>(225,722)</b>
<b>as of 30 June 2013</b>	<b>642,088</b>	<b>1,288,540</b>	<b>3,084,072</b>	<b>100,696</b>	<b>35,387</b>	<b>5,150,783</b>

#### 14. Property, Plant and Equipment (Continued)

	Land	Buildings	Specialist Military Equipment	Plant & Equipment	Office & Computer Equipment	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>Cost or Valuation</b>						
Balance at 1 July 2013	642,088	1,288,540	3,084,072	265,464	96,341	5,376,505
Additions	-	9,383	313,065	12,323	10,180	344,951
Revaluation		(52,743)	(401,768)	-	-	(454,511)
Disposal	(22,880)	(16,777)	(4,179)	(7,302)	(925)	(52,063)
Work in progress movement	-	21,600	36,471	-	(8,296)	49,775
Transfers	1,511	1,676	811	8	4,182	8,188
<b>as of 30 Jun 2014</b>	<b>620,719</b>	<b>1,251,679</b>	<b>3,028,472</b>	<b>270,493</b>	<b>101,482</b>	<b>5,272,845</b>
<b>Accumulated Depreciation</b>						
Balance at 1 July 2013	-	-	-	(164,768)	(60,954)	(225,722)
Depreciation expense	-	(48,226)	(282,383)	(11,782)	(8,820)	(351,211)
Eliminated on disposal	-	54	398	6,908	861	8,221
Eliminated on revaluation	-	23,817	144,169	-	-	167,986
Transfers	-	5	(88)	626	(629)	(86)
<b>as of 30 Jun 2014</b>	<b>-</b>	<b>(24,350)</b>	<b>(137,904)</b>	<b>(169,016)</b>	<b>(69,542)</b>	<b>(400,812)</b>
<b>as of 30 Jun 2014</b>	<b>620,719</b>	<b>1,227,329</b>	<b>2,890,568</b>	<b>101,477</b>	<b>31,940</b>	<b>4,872,033</b>

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 \$ 3.837million (2013: \$5.916 million).

#### Revaluation

The NZDF policy is to revalue property, plant and equipment at least once every five 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 fair value as at 30 June 2013 by an independent registered valuer, Nigel Hoskin, ANZVI, BBS (VPM) from Beca Valuations Limited.

Specialist Military Equipment (SME) was revalued at fair value as at 30 June 2013 by NZDF subject matter experts. SME is stated at the depreciated replacement cost of a comparable asset.

The valuation of Buildings and Specialist Military Equipment were reviewed and updated by NZDF for latest market, comparable asset data and useful lives as at 31 December 2013. The internal review identified additional fair value adjustment that decreased assets by a total of \$286.525 million. The majority of this adjustment related to the strengthening of the New Zealand Dollar against other currencies in which the comparable assets are priced.

## 14. Property, Plant and Equipment (Continued)

### Seismic Strengthening

#### Valuation

The most recent valuation of land and buildings was performed by an independently contracted registered valuer, Nigel Hoskin ANZVI, BBS (VPM) of Beca Valuations Ltd. The valuation is effective as at 30 June 2014. Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values in the locality. Buildings are valued at fair value using market based evidence.

This valuation above was reviewed as at 31 December 2013 and updated for the latest available market data. Valuations of land and buildings covered by the Beca valuation were considered reasonable. A minor adjustment was made to the valuation of buildings based on the updated calculation of depreciated replacement cost values.

#### Seismic Status of Buildings

The NZDF has established a programme to assess the seismic integrity of the NZDF estate. At this time initial assessments have indicated that the NZDF has 182 buildings that are potentially earthquake prone. Detailed Engineering Evaluations (DEE) are being undertaken to confirm whether the asset is indeed earthquake prone and the costs of remediation. On completion of the DEEs the NZDF will review:

- the operational requirement for the asset;
- whether the asset is likely to be recapitalised as part of extant programmes or potential future consolidation programmes; and hence
- whether the asset will be remediated or demolished.

There will be a liability for seismic remediation work as a result of the seismic assessment programme, however, it is too early to be able to articulate the extent of that liability or when that liability is likely to materialise.

Given the current level of uncertainty of both remedial works costs and future estate planning in relation to retention or demolition of these assets, the NZDF has chosen not to book an impairment on current building values. However, given the size of the potential remedial work the NZDF is disclosing the situation.

#### 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 2014 was \$593.095 million (2013: \$489.320 million). This included \$399.240 million for work in progress for capital projects managed by the Ministry of Defence (2013: \$444.220 million).

<b>30 June 13</b>		<b>30 June 14</b>
<b>Actual</b>		<b>Actual</b>
<b>(\$000)</b>		<b>(\$000)</b>
11,322	Buildings	32,922
455,144	Specialist military equipment	491,391
15,824	Plant and equipment	14,782
7,030	Office and computer equipment	-
<b>489,320</b>	<b>Total Work in Progress</b>	<b>539,095</b>

## 15. Intangibles

30 June 13		30 June 14
Actual		Actual
(\$000)		(\$000)
	<b>Cost or Valuation</b>	
36,709	Opening balance	40,704
4,171	Additions	26,192
(176)	Disposals	-
-	Transfers	(119)
<b>40,704</b>	<b>Closing Balance</b>	<b>66,777</b>
	<b>Accumulated Amortisation</b>	
(31,368)	Opening balance	(33,145)
(1,946)	Less amortisation	(2,826)
169	Eliminated on disposal	-
-	Transfers	-
<b>(33,145)</b>	<b>Closing Balance</b>	<b>(35,971)</b>
<b>7,559</b>	<b>Net Intangible Assets</b>	<b>30,806</b>

## 16. Creditors and other Payables

30 June 13		30 June 14
Actual		Actual
(\$000)		(\$000)
28,183	Trade creditors	25,322
200,999	Accrued expenses	321,999
17,341	Payroll liabilities	20,482
4,305	Other short term liabilities	4,965
<b>250,828</b>	<b>Total Trade Creditors and Accruals</b>	<b>372,768</b>
10,564	GST payable	-
<b>261,392</b>	<b>Total Creditors and Other Payables</b>	<b>372,768</b>

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.

## 17. Surplus Repayable to the Crown

30 June 13		30 June 14
Actual		Actual
(\$000)		(\$000)
42,528	Net operating surplus	48,295
14	Add: other expenses	-
(3,290)	Less: unrealised foreign exchange gains on derivative financial instruments	5,839
<b>39,252</b>	<b>Net Surplus from Delivery of Outputs</b>	<b>54,134</b>
<b>39,252</b>	<b>Total Provision for Repayment of Surplus</b>	<b>54,134</b>

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

## 18. Provisions

30 June 13	30 June 14
Actual \$(000)	Actual \$(000)
10,975 Foreign Military Sales provision	-
3,833 Resource Management Act provision	3,609
55 Narrow Neck Lease	187
- Range Remediation	10,000
8,859 Reconstitution of Equipment	3,064
<b>23,722 Total Provisions</b>	<b>16,860</b>

	Foreign Military Sales \$(000)	Resource Management Act \$(000)	Narrow Neck Lease \$(000)	Range Remediation \$(000)	Reconstitution of Equipment \$(000)	Actual \$(000)
<b>Opening Balance 1 July 2012</b>	<b>10,350</b>	<b>3,717</b>	<b>-</b>	<b>-</b>	<b>9,285</b>	<b>23,352</b>
Additional provisions made during the year	1,145	-	55	-	-	1,200
Changes against provisions during the year	(520)	116	-	-	(426)	(830)
<b>Closing Opening Balance 30 June 2013</b>	<b>10,975</b>	<b>3,833</b>	<b>55</b>	<b>-</b>	<b>8,859</b>	<b>23,722</b>

	Foreign Military Sales \$(000)	Resource Management Act \$(000)	Narrow Neck Lease \$(000)	Range Remediation \$(000)	Reconstitution of Equipment \$(000)	Actual \$(000)
<b>Opening Balance 1 July 2013</b>	<b>10,975</b>	<b>3,833</b>	<b>55</b>	<b>-</b>	<b>8,859</b>	<b>23,722</b>
Additional provisions made during the year	-	-	132	10,000	-	10,132
Changes against provisions during the year	(10,975)	(224)	-	-	(5,795)	(16,994)
<b>Closing Opening Balance 30 June 2014</b>	<b>-</b>	<b>3,609</b>	<b>187</b>	<b>10,000</b>	<b>3,064</b>	<b>16,860</b>

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, and it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

## 19. Employee Entitlements

30 June 13		30 June 14
Actual		Actual
\$(000)		\$(000)
	<b>Current Entitlement</b>	
1,743	Retirement, incentive and long service leave	1,882
50,663	Accrued and annual leave	45,817
<b>52,406</b>	<b>Total Current Entitlement</b>	<b>47,699</b>
	<b>Non – Current Entitlement</b>	
5,450	Retirement, incentive and long service leave	4,910
2,475	Accrued leave	2,187
232	Sick leave	232
5,100	ACC self insurance liability	4,832
<b>13,257</b>	<b>Total Non – Current Entitlement</b>	<b>12,161</b>
<b>65,663</b>	<b>Total Provision for Employee Entitlements</b>	<b>59,860</b>

Annual leave is calculated using the number of days owing as at the end of June 2014. 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. Civilian sick leave is calculated based on average days taken and sick leave balances outstanding at the end of June 2014 in accordance with NZ IAS 19.

Inflation has been assumed to be 3.50% and a discount rate between 3.70% and 5.50% percent has been used for future years.

### ACC Accredited Employer Programme

The liability for the ACC Accredited Employer 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.

Inflation has been assumed to be 3.50% and a discount rate between 3.70% and 5.50% percent 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.

## 20. Finance Leases

30 June 13		30 June 14
Actual		Actual
\$(000)		\$(000)
	<b>Total Minimum Lease Payments Payable</b>	
2,624	Not later than one year	1,847
4,718	Later than one year and not later than five years	2,871
364	Later than five years	364
<b>7,706</b>	<b>Total Minimum Lease Payments</b>	<b>5,082</b>
(1,186)	Future finance charges	(732)
<b>6,520</b>	<b>Present Value of Minimum Lease Payments</b>	<b>4,350</b>
	<b>Present Value of Minimum Lease Payments Payable</b>	
2,170	Not later than one year	1,551
4,002	Later than one year and not later than five years	2,799
348	Later than five years	-
<b>6,520</b>	<b>Total Present Value of Minimum Lease Payments Payable</b>	<b>4,350</b>
	<b>Represented by</b>	
2,170	Current finance lease liabilities	1,551
4,350	Non - current finance lease liabilities	2,799
<b>6,520</b>	<b>Total Finance Lease Liabilities</b>	<b>4,350</b>

### 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 14.

The finance leases can be extended at NZDF's option. The NZDF does not have the option to purchase the assets at the end of the leases 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.

### 21. Events after Balance Date

There have been no significant events after the balance date.

### 22. 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, and 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.



## 22. Financial Instruments (Continued)

### 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 \$5.720 million (2013: net unrealised gain \$0.119 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 that was 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 \$137.029 million (2013: \$164.887 million).

### Sensitivity Analysis – Cash and Cash Equivalents

At 30 June 2014, 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 \$1.246 million lower. Conversely, if the NZ dollar weakened by 5% against all the major currencies with all other variables held constant, the unrealised gain for the year would have been \$1.066 million higher. The movements are a result of the exchange gains or losses on translation of overseas currencies.

### Sensitivity Analysis – Derivative financial instruments

At 30 June 2014, if the NZ dollar strengthened by 5% against all the hedged currencies with all other variables held constant, the unrealised gain for the year would have been \$6.002 million lower. Conversely, if the NZ dollar weakened by 5% against all the hedged currencies with all other variables held constant, the unrealised losses for the year would have been \$6.633 million higher. The individual currency movement are noted in the Sensitivity Analysis table below. The movements are a result of the exchange gains or losses on translation of overseas currencies.

### Sensitivity Analysis

Currency	If the NZD dollar strengthened by 5% against all the hedged currencies	If the NZD dollar weakened by 5% against all the hedged currencies
	(\$000)	(\$000)
Australian Dollar	1,360	(1,503)
Euro Dollar	586	(648)
Great British Pound	627	(693)
Swedish Krona	15	(16)
United States Dollar	3,414	(3,773)
<b>Total Currency impact</b>	<b>6,002</b>	<b>(6,633)</b>

## 22. Financial Instruments (Continued)

### 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 2013	Less than 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Over 5 Years
	(\$000)	(\$000)	(\$000)	(\$000)
	Actual	Actual	Actual	Actual
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	94,425	-	-	-
Debtors and other receivables	526,924	-	-	-
Derivative financial instruments	227	146	-	-
<b>Total Current Assets</b>	<b>621,576</b>	<b>146</b>	<b>-</b>	<b>-</b>
Non Current Assets				
Derivative financial instruments	-	-	1,072	-
<b>Total Non Current Assets</b>	<b>-</b>	<b>-</b>	<b>1,072</b>	<b>-</b>
<b>Total Assets</b>	<b>621,576</b>	<b>146</b>	<b>1,072</b>	<b>-</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Creditors and other payables	261,392	-	-	-
Finance leases	1,062	1,108	-	-
Derivative financial instruments	738	410	-	-
<b>Total Current Liabilities</b>	<b>263,192</b>	<b>1,518</b>	<b>-</b>	<b>-</b>
<b>Non Current Liabilities</b>				
Finance leases	-	-	4,002	348
Derivative financial instruments	-	-	178	-
<b>Total Non Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>4,180</b>	<b>348</b>
<b>Total Liabilities</b>	<b>263,192</b>	<b>1,518</b>	<b>4,180</b>	<b>348</b>
<b>Net Liquidity of Continuing Operations</b>	<b>358,384</b>	<b>(1,372)</b>	<b>(3,108)</b>	<b>(348)</b>

## 22. Financial Instruments (Continued)

30 June 2014	Less than 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Over 5 Years
	(\$000)	(\$000)	(\$000)	(\$000)
	Actual	Actual	Actual	Actual
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	72,076	-	-	-
Debtors and other receivables	636,556	-	-	-
Derivative financial instruments	1,291	860	-	-
<b>Total Current Assets</b>	<b>709,923</b>	<b>860</b>	<b>-</b>	<b>-</b>
<b>Non Current Assets</b>				
Derivative financial instruments	-	-	225	-
<b>Total Non Current Assets</b>	<b>-</b>	<b>-</b>	<b>225</b>	<b>-</b>
<b>Total Assets</b>	<b>709,923</b>	<b>860</b>	<b>225</b>	<b>-</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Creditors and other payables	372,768	-	-	-
Finance leases	1,551	-	-	-
Derivative financial instruments	3,911	2,607	-	-
<b>Total Current Liabilities</b>	<b>378,230</b>	<b>2,607</b>	<b>-</b>	<b>-</b>
<b>Non Current Liabilities</b>				
Finance leases	-	-	2,799	-
Derivative financial instruments	-	-	1,578	-
<b>Total Non Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>4,377</b>	<b>-</b>
<b>Total Liabilities</b>	<b>378,230</b>	<b>2,607</b>	<b>4,377</b>	<b>-</b>
<b>Net Liquidity of Continuing Operations</b>	<b>331,693</b>	<b>(1,747)</b>	<b>(4,152)</b>	<b>-</b>

### 23. 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:

- (a) Quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets;
- (b) 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
- (c) 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 NZDF's financial instruments measured at fair value in the Statement of Financial Position:

<b>30 June 2013</b>	<b>Quoted market price</b>	<b>Observable inputs</b>	<b>Significant non observable inputs</b>	<b>Total</b>
<b>Actual</b>	<b>(\$000)</b>	<b>(\$000)</b>	<b>(\$000)</b>	<b>(\$000)</b>
<b>Assets</b>				
Derivative financial instruments	-	1,445	-	1,445
<b>Liabilities</b>				
Derivative financial instruments	-	1,326	-	1,326

<b>30 June 14</b>	<b>Quoted market price</b>	<b>Observable inputs</b>	<b>Significant non observable inputs</b>	<b>Total</b>
<b>Actual</b>	<b>(\$000)</b>	<b>(\$000)</b>	<b>(\$000)</b>	<b>(\$000)</b>
<b>Assets</b>				
Derivative financial instruments	-	2,376	-	2,376
<b>Liabilities</b>				
Derivative financial instruments	-	8,096	-	8,096

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

### 24. Categories of Financial Instruments

<b>30 June 13</b>		<b>30 June 14</b>
<b>Actual</b>		<b>Actual</b>
<b>(\$000)</b>		<b>(\$000)</b>
<b>Loans and Receivables</b>		
94,425	Cash and cash equivalents	72,076
526,924	Debtors and other receivables	636,556
<b>621,349</b>	<b>Total Loans and Receivables</b>	<b>708,632</b>
<b>Fair Value through Profit and Loss</b>		
1,445	Derivative financial instrument assets	2,376
(1,326)	Derivative financial instrument liabilities	(8,096)
<b>119</b>	<b>Total Fair Value through Profit and Loss</b>	<b>(5,720)</b>
<b>Financial Liabilities Measured at Amortised Cost</b>		
261,392	Creditors and other payables	372,768
<b>261,392</b>	<b>Total Financial Liabilities Measured at Amortised Cost</b>	<b>372,768</b>

## 25. Derivative Financial Instruments

The notional principal amounts of outstanding forward exchange contracts as at 30 June 2013 and 30 June 2014 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 13	30 June 14
	Actual (\$000)	Actual (\$000)
Australia (AUD)	34,420	31,358
Canada (CAD)	1,937	-
Euro (EUR)	3,230	12,691
Great Britain (GBP)	13,610	13,216
Norway (NOK)	6,849	-
Sweden (SEK)	5,737	358
USA (USD)	68,570	79,406
<b>Total Derivatives Financial Instruments</b>	<b>134,353</b>	<b>137,029</b>

## 26. 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 2014 were \$220.3 million (2013: \$208.0 million) and included capital purchases from the Ministry of Defence of \$170.2 million (2013: \$180.6 million), with major platform maintenance upgrades from Air NZ and electricity and gas from Genesis totalling \$40.7 million (2013: \$27.4 million).

For the year ended 30 June 2014, the total accounts receivable balance for government related entities was \$1.8 million and included \$1.3 million owed by the Ministry of Defence to the NZDF. The remaining balance of \$0.5 million is owed by various other government related entities.

The total accounts payable balance for the year ended 30 June 2014 for government related entities was \$219.4 million, of which \$210.8 million was owed to the Ministry of Defence, \$4.2 million to Safe Air Ltd and \$4.4 million to Accident Compensation Corporation.

No provision has been required, nor any expense recognised for the impairment of receivables from related parties.

## 26. Related Party Information (Continued)

### Service Museums and Non-Public Funds

#### Financial Performance of Service Museums and Non Public Funds

30 June 13		30 June 14
Actual		Actual
(\$000)		(\$000)
	<b>Income</b>	
3,973	Non public funds	5,429
1,513	Service museums	5,812
<b>5,486</b>	<b>Total Income</b>	<b>11,241</b>
	<b>Expenditure</b>	
2,448	Non public funds	2,692
1,142	Service museums	1,228
<b>3,590</b>	<b>Total Expenditure</b>	<b>3,920</b>
<b>1,896</b>	<b>Total Net Surplus</b>	<b>7,321</b>

#### Financial Position of Service Museums and Non Public Funds

30 June 13		30 June 14
Actual		Actual
(\$000)		(\$000)
	<b>Assets</b>	
20,139	Current assets - non public funds	18,913
8,383	Current assets - service museums	2,816
3,613	Property, plant and equipment - non public funds	13,832
9,207	Property, plant and equipment - service museums	18,506
10,531	Investments - non public funds	11,758
214	Investments - service museums	214
10,414	Property investment - non public funds	-
738	Museum collections - non public funds	735
28,671	Museum collections - service museums	28,812
<b>91,910</b>	<b>Total Assets</b>	<b>95,586</b>
	<b>Liabilities</b>	
3,339	Liabilities - non public funds	3,497
3,281	Liabilities - museums	2,511
<b>6,620</b>	<b>Total Liabilities</b>	<b>6,008</b>
<b>85,290</b>	<b>Total Equity</b>	<b>89,578</b>

## 26. Related Party Information (Continued)

### 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 are owned by independent trusts and have been valued at cost or market value between June 2008 and June 2012. The collections tend to have an indefinite life and are not of a depreciable nature, therefore depreciation is not applicable.

The Navy and Army collections were valued by Robin Watt and Associates, cultural and forensic specialists.

The Air Force collection was valued by the Trustees of the Air Force Museum Trust Board.

### 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

<b>30 June 13</b>		<b>30 June 14</b>
<b>Actual</b>		<b>Actual</b>
<b>(\$000)</b>		<b>(\$000)</b>
3,186	Salaries and short term employee benefits	3,532
-	Other long term benefits	430
<b>3,186</b>	<b>Total Key Management Personnel</b>	<b>3,962</b>

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 of the 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.

**27. Reconciliation of Net Surplus/(Deficit) to Net Cash Flow from Operating Activities for the Year Ended 30 June 2014**

<b>30 June 13</b>	<b>30 June 14</b>
<b>Actual</b>	<b>Actual</b>
<b>(\$000)</b>	<b>(\$000)</b>
<b>42,528</b>	<b>48,295</b>
<b>Net Operating Surplus / (Deficit)</b>	
<b>Add / (less) Non – Cash Items</b>	
335,209 Depreciation and amortisation expense	354,037
(31,478) Increase / (Decrease) in the provision for stock obsolescence	(1,233)
- Increase / (Decrease) in provision for doubtful debts	51
(33,155) Increase / (Decrease) in non - current employee entitlements	(1,097)
(1,369) Increase / (Decrease) in non - current finance leases	(1,551)
(1,571) Increase / (Decrease) in non - current derivatives	1,400
6,803 Realised foreign exchange (gain)/loss	7,707
<b>274,439</b>	<b>359,314</b>
<b>Total Non - Cash Items</b>	
<b>Add / (less) Items Classified as Investing Activities</b>	
2,487 (Gains) / losses on disposal of property, plant and equipment	3,485
<b>2,487</b>	<b>3,485</b>
<b>Total Investing Activity Items</b>	
<b>Add / (less) Movements in Working Capital Items</b>	
(110,643) Increase / (Decrease) in debtors and receivables	(99,802)
13,443 Increase / (Decrease) in inventories	3,225
(9,753) Increase / (Decrease) in prepayments	2,028
(19,306) Increase / (Decrease) in creditors and other payables	(1,780)
11,875 Increase / (Decrease) in current employee entitlements	(4,707)
380 Increase / (Decrease) in current finance leases	(619)
(1,633) Increase / (Decrease) in current derivatives	3,592
796 Increase / (Decrease) in provisions	(11,067)
<b>(114,841)</b>	<b>(109,130)</b>
<b>Net Movements in Working Capital Items</b>	
<b>204,613</b>	<b>301,964</b>
<b>Net Cash from Operating Activities</b>	



## 28. Budget Composition

	30 June 14 Main Estimates	30 June 14 Supplementary Estimates Changes	30 June 14 Supplementary Estimates
	(\$000)	(\$000)	(\$000)
<b>Income</b>			
Crown	2,291,705	(12,752)	2,278,953
Departmental	17,850	(8,185)	9,665
Other	11,215	(2,976)	8,239
Gains	-	2,823	2,823
Interest	10	5	15
<b>Total Revenue</b>	<b>2,320,780</b>	<b>(21,085)</b>	<b>2,299,695</b>
<b>Expenditure</b>			
Personnel	801,967	59,912	861,879
Operating	671,521	(43,316)	628,205
Finance Costs	-	357	357
Depreciation and amortisation	402,680	(30,071)	372,609
Capital charge	444,602	2,379	446,981
<b>Total Output Expenses</b>	<b>2,320,770</b>	<b>(10,739)</b>	<b>2,310,031</b>
Other expenses	-	-	-
<b>Total Expenses</b>	<b>2,320,770</b>	<b>(10,739)</b>	<b>2,310,031</b>

### The main contributors to the changes were:

Vote: Defence Force	Explanation	30 June 14 (\$000)
Personnel	Significant investment in Military personnel to meet future NZDF output commitments.	59,912
Operating	Budget priorities have been focused on building Personnel resources.	(43,316)
Finance Costs		357
Depreciation and amortisation	Outcome of a revaluation of property, plant and equipment undertaken by NZDF as at 31 December 2013	(30,071)
Capital charge	Capital charge increase as result of lower asset valuations.	2,379
<b>Total Output Expenses</b>		<b>(10,739)</b>
Other Expenses		-
<b>Total Expenses</b>		<b>(10,739)</b>

## 29. NZDF Appropriation Movements By Vote

		(\$000)	(\$000)
<b>Vote: Defence Force</b>			
<b>Main Estimates as at 1 July 2013</b>			<b>2,320,780</b>
<b>October Baseline Update – through Revenue Crown</b>			
Exclude Department and Third Party Revenue		(30,005)	<b>(30,005)</b>
Exclude Interest		(10)	<b>(10)</b>
Include Gains on Asset Sales		2,843	<b>2,843</b>
Expense Transfers from 2012/13 to 2013/14	Cab Min (13) 12/6(5)	12,031	
Transfer Computer Systems from GCSB to NZDF	CO (11) 6	1,015	
Capital Charge impact of 30 June 2013 Taxpayers Funds Position after Asset Revaluation	CO (11) 6	14,375	
Adjustment to Third Party Revenue	CO (11) 6	(6,318)	<b>21,103</b>
<b>March Baseline Update – through Revenue Crown</b>			
Capital Charge impact of 31 December 2013 Taxpayers Funds Position after Asset Revaluation	CO (11) 6	(12,153)	
Capital Charge Savings from Defence Housing Sale	CO (11) 6	1,640	
Transfer of funds to GCSB	Cab Min (13) 43/17	(93)	
Adjustment to Third Party Revenue	CO (11) 6	(4,405)	<b>(15,011)</b>
<b>Budget 2013 - through Revenue Crown</b>			
Paid Parental Leave	Initiative No 8158	507	
Budget reprioritisation	CO (11) 6	(512)	<b>(5)</b>
<b>Total Appropriation Changes</b>			<b>(21,085)</b>
<b>Total Supplementary Estimate of Appropriations</b>			<b>2,299,695</b>
<b>Veterans' Affairs - Defence Force</b>			
<b>Main Estimates as at 1 July 2013</b>			<b>145,132</b>
<b>October Baseline Update – through Revenue Crown</b>			
Forecast Changes to Benefits and Other Unrequited Expenses (BOUE)	CO (11) 6	(5,428)	<b>(5,428)</b>
<b>March Baseline Update – through Revenue Department</b>			
RS Grant transfer from Ex Gratia Payments & Medical to Support Vets & their Families	CO (11) 6	150	
Forecast Changes to Benefits and Other Unrequited Expenses (BOUE)	CO (11) 6	(1,111)	
Write down on Veterans Loans	CO (11) 6	1,733	<b>772</b>
<b>Budget 2013 - through Revenue Crown</b>			
Forecast Changes to Benefits and Other Unrequited Expenses (BOUE)	CO (11) 6	5,150	<b>5,150</b>
<b>Total Appropriation Changes</b>			<b>494</b>
<b>Total Supplementary Estimate of Appropriations</b>			<b>145,626</b>

### **30: Explanation of Major Variances against Budgets**

Explanations of major variances from the New Zealand Defence Force's budgeted figures in the information supporting the estimates are as follows:-

#### **Statement of Comprehensive Income**

##### **Personnel costs**

Personnel costs were greater than budget by \$50m. This was the result of a deliberate change in strategy following the Defence Mid-point Rebalancing Review. Both Military and Civilian personnel numbers increased on budget through lower attrition and targeted recruitment.

##### **Operating costs**

Operating costs are lower than budget by \$71m. This is the result of a lower level of activity than planned. There was a lower level activity due to the end of several deployments and the unavailability of Air Force and Navy platforms undergoing maintenance or being upgraded.

##### **Depreciation**

Depreciation is lower than budget by \$48m. This is mainly result of the revaluation of Navy Platforms which are valued with reference to comparative assets priced on the international market. The strengthening of the New Zealand Dollar had a large effect on this valuation, which in turn reduced the depreciation charge.

##### **Loss on revaluation of Property, Plant and Equipment**

The loss on revaluation of \$286m was not included in the budget. This is mainly the result of the revaluation of Navy Platforms which are valued with reference to comparative vessels priced on the international market.

#### **Statement of Financial Position**

##### **Debtors and other receivables**

Debtors and other receivables are \$332m higher than budgeted. This is due to a higher than expected Crown Debtor as a result of underspends in operating expenditure and unexpected delays in capital projects.

##### **Property, plant and equipment**

Property, plant and equipment is \$255m lower than budget. This is mainly due to the revaluation of specialist military equipment and unexpected delays in capital projects.

##### **Creditors and other payables**

Creditors and other payables are \$180m higher than budget. This is due to a change in spending patterns with the accrual of a higher than expected year end expenses. Historically, the year end creditors and accruals have been lower.

#### **Statement of Cash flows**

Receipts from the Crown were less than budget by \$245m. This was the result of lower than expected operating expenditure.

Payment to Employees are higher than budget by \$60m. This is due to higher than budgeted Military and Civilian personnel as described above.

Payments for Property, plant and equipment lower than budget by \$250m. This is due unexpected delays in capital projects.

# NON-DEPARTMENTAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## Statement of Non-Departmental Expenditure and Appropriations for the year ended 30 June 14

30 June 13		30 June 14	30 June 14	30 June 14	30 June 14	30 June 14
Actual		Main Estimates	Supplementary Estimates	Section 26A Changes	Total Appropriation	Actual
(\$000)	Description	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
	<b>Non-Departmental Output Classes</b>					
591	Development & Maintenance of Services Cemeteries	746	746	-	746	615
1,010	Support for Veterans and Their Families	1,027	1,177	-	1,177	964
<b>1,601</b>	<b>Total Non-Departmental Output Appropriations</b>	<b>1,773</b>	<b>1,923</b>	<b>-</b>	<b>1,923</b>	<b>1,579</b>
	<b>Other Expenses to be Incurred by the Crown</b>					
228	Ex Gratia Payments	1,300	994	-	994	420
242	Debt Write-down for Benefits and Other Unrequited Expenses	250	250	-	250	250
-	Forgiveness of Interest on Veteran Trusts Loans	-	2,039	-	2,039	2,039
<b>470</b>	<b>Total Other Expenses to be Incurred by the Crown</b>	<b>1,550</b>	<b>3,283</b>	<b>-</b>	<b>3,283</b>	<b>2,709</b>
	<b>Benefits and Other Unrequited Expenses to be Incurred by the Crown</b>					
123,107	War Disablement Pensions	122,398	122,362	-	122,362	119,467
17,367	Medical Treatment	19,367	18,014	-	18,014	15,981
3	Interest Concessions for Land and Buildings	-	-	-	-	-
33	Special Annuities	44	44	-	44	41
<b>140,510</b>	<b>Total Benefits and Other Unrequited Expenses to be Incurred by the Crown Appropriations</b>	<b>141,809</b>	<b>140,420</b>	<b>-</b>	<b>140,420</b>	<b>135,489</b>
	<b>Other Non-Departmental Expenses</b>					
251	Non-deductible GST	-	-	-	-	514
<b>251</b>	<b>Total Other Non-Departmental Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>514</b>
<b>142,832</b>	<b>Total Non-Departmental Expenditure</b>	<b>145,132</b>	<b>145,626</b>	<b>-</b>	<b>145,626</b>	<b>140,291</b>

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.

#### Schedule of Non-Departmental Revenue for the year ending 30 June 14

30 June 13	30 June 14
Actual (\$000)	Actual (\$000)
<b>Veterans' Affairs - Defence Force</b>	
- Interest	2,604
<hr/>	<hr/>
<b>- Total Non-Departmental Revenue</b>	<b>2,604</b>

#### Schedule of Non-Departmental Expenditure for the year ending 30 June 14

30 June 13	30 June 14
Actual (\$000)	Actual (\$000)
<b>Veterans' Affairs - Defence Force</b>	
123,107 War Disablement Pensions	119,467
17,367 Medical Treatment	15,981
1,010 Case Management Costs	964
591 Works Maintenance	676
228 Non-Recurring Expenses	359
251 Non-Deductible GST	514
242 Debt Write-Down for Benefits and Other Unrequited Expenses	2,289
33 Special Annuities	41
3 Interest Concessions for Land and Buildings	-
<hr/>	<hr/>
<b>142,832 Total Non-Departmental Expenditure</b>	<b>140,291</b>

#### Schedule of Non-Departmental Assets as at 30 June 14

30 June 13	Note	30 June 14
Actual (\$000)		Actual (\$000)
<b>Current Non-Departmental Assets</b>		
8,323 Cash and cash equivalents		7,915
2,694 Debtors and other receivables	2	434
<hr/>		<hr/>
<b>11,017 Total Current Non-Departmental Assets</b>		<b>8,349</b>
<b>Non - Current Non-Departmental Assets</b>		
3,870 Debtors and other receivables	2	4,210
<hr/>		<hr/>
<b>3,870 Total Current Non-Departmental Assets</b>		<b>4,210</b>
<hr/>		<hr/>
<b>14,887 Total Non-Departmental Assets</b>	5	<b>12,559</b>

#### Schedule of Non-Departmental Liabilities as at 30 June 14

30 June 13	Note	30 June 14
Actual (\$000)		Actual (\$000)
<b>Current Non-Departmental Liabilities</b>		
6,518 Creditors and payables	3	5,452
<hr/>		<hr/>
<b>6,518 Total Non-Departmental Liabilities</b>	5	<b>5,452</b>

There are no non-departmental commitments, contingent assets or contingent liabilities at 30 June 2014 (2013: nil).

**Statement of Non-Departmental Unappropriated Expenditure for the Year Ended 30 June 2014**

There was no non-departmental unappropriated expenditure for Veterans' Affairs – Defence Force.

# NOTES TO THE NON-DEPARTMENTAL FINANCIAL STATEMENTS

## 1. STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2014

### 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 2014. 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 Schedule of Non-Departmental Expenditure.

### 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.

## 2. Debtors and Other Receivables

30 June 2013		30 June 14	
Actual		Actual	
(\$000)		(\$000)	
2,694	Other Receivables	434	
<b>2,694</b>	<b>Total Current Debtors and Receivables</b>	<b>434</b>	
2,725	Loan to Montecillo Trust	2,725	
225	Loan to Rannerdale Trust	-	
920	Loan to Vietnam Veteran's and their Families Trust	1,485	
<b>3,870</b>	<b>Total Non-Current Debtors and Receivables</b>	<b>4,210</b>	
<b>6,564</b>	<b>Total Debtors and Receivables</b>	<b>4,644</b>	

As at 30 June 2014, all overdue receivables have been assessed for impairment and appropriate provisions have been applied, as detailed below.

30 June 2013				30 June 14		
Gross	Impairment	Net		Gross	Impairment	Net
(\$000)	(\$000)	(\$000)		(\$000)	(\$000)	(\$000)
2,213	-	2,213	Past due to 30 days	434	-	434
84	-	84	Past due 31 - 60 days	-	-	-
76	-	76	Past due 61 - 90 days	-	-	-
321	-	321	Past due >91 days	-	-	-
<b>2,694</b>	<b>-</b>	<b>2,694</b>	<b>Total</b>	<b>434</b>	<b>-</b>	<b>434</b>

## 3. Creditors and Other Payables

30 June 2013		30 June 14	
Actual		Actual	
(\$000)		(\$000)	
-	Trade creditors	123	
6,518	Other short term liabilities	5,329	
<b>6,518</b>	<b>Total Creditors and payables</b>	<b>5,452</b>	

## 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.



#### 4. Financial Instruments (Continued)

##### 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 below analyse the NZDF's financial instrument 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.

<b>30 June 2013</b>	<b>Less than 6 Months (\$000)</b>	<b>Between 6 Months and 1 Year (\$000)</b>	<b>Between 1 Year and 5 Years (\$000)</b>	<b>Over 5 Years (\$000)</b>
<b>Actual Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	8,323	-	-	-
Debtors and other receivables	2,694	-	-	-
<b>Total Current Assets</b>	<b>11,017</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non Current Assets</b>				
Debtors and other receivables	-	-	-	3,870
<b>Total Assets</b>	<b>11,017</b>	<b>-</b>	<b>-</b>	<b>3,870</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Creditors and other payables	6,518	-	-	-
<b>Total Current Liabilities</b>	<b>6,518</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>6,518</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Liquidity of Continuing Operations</b>	<b>4,499</b>	<b>-</b>	<b>-</b>	<b>3,870</b>
<b>30 June 14</b>	<b>Less than 6 Months (\$000)</b>	<b>Between 6 Months and 1 Year (\$000)</b>	<b>Between 1 Year and 5 Years (\$000)</b>	<b>Over 5 Years (\$000)</b>
<b>Actual Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	7,915	-	-	-
Debtors and other receivables	434	-	-	-
<b>Total Current Assets</b>	<b>8,349</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non Current Assets</b>				
Debtors and other receivables	-	-	-	4,210
<b>Total Assets</b>	<b>8,349</b>	<b>-</b>	<b>-</b>	<b>4,210</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Creditors and other payables	5,452	-	-	-
<b>Total Current Liabilities</b>	<b>5,452</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>5,452</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Liquidity of Continuing Operations</b>	<b>2,897</b>	<b>-</b>	<b>-</b>	<b>4,210</b>

#### 5. Categories of Financial Instruments

<b>30 June 2013</b>		<b>30 June 14</b>
<b>Actual (\$000)</b>		<b>Actual (\$000)</b>
	<b>Loans and Receivables</b>	
8,323	Cash and cash equivalents	7,915
6,564	Debtors and other receivables	4,644
<b>14,887</b>	<b>Total Loans and Receivables</b>	<b>12,559</b>
	<b>Financial Liabilities Measured at Amortised Cost</b>	
6,518	Creditors and other payables	5,452
<b>6,518</b>	<b>Total Financial Liabilities Measured at Amortised Cost</b>	<b>5,452</b>

# NZDF FORECAST FINANCIAL STATEMENTS - unaudited

## Statement of Forecast Comprehensive Revenue and Expense for the year ended 30 June 15

	<b>2014/15</b>
	<b>Unaudited BEFU Forecast</b>
	<b>(\$000)</b>
<b>Income</b>	
Crown	2,353,530
Departmental	8,278
Other revenue	8,239
Gains	-
Interest	15
<b>Total Income</b>	<b>2,370,062</b>
<b>Expenditure</b>	
Personnel costs	876,857
Operating costs	645,231
Finance costs	-
Depreciation and amortisation	411,804
Capital charge	436,155
<b>Total Output Expenditure</b>	<b>2,370,047</b>
Other operating expenses	-
<b>Total Expenditure</b>	<b>2,370,047</b>
<b>Net Surplus/(Deficit)</b>	<b>15</b>
<b>Other Comprehensive Income</b>	
Gain /(Loss) on revaluation	-
Loss on impairment	-
<b>Total Comprehensive Income</b>	<b>15</b>

\* Actual financial results for the period covered are likely to vary from the information presented in these forecasts. The statement of accounting policies provides explanations of these figures which are not subject to audit.

**Prospective Statement of changes in Net Assets/Equity for the year ended 30 June 15**

	<b>2014/15</b>
	<b>Unaudited BEFU Forecast</b>
	<b>(\$000)</b>
<b>Balance at 1 July</b>	
General funds	3,718,199
Revaluation reserve	1,724,069
	<b>5,442,268</b>
Net surplus for the year	15
Total revaluation gains/(losses)	-
Total impairment losses	-
<b>Total Comprehensive Income for the Year</b>	<b>15</b>
Repayment of surplus	(15)
Capital contribution	20,100
Capital withdrawal	-
<b>Balance as at 30 June</b>	<b>5,462,368</b>
General funds	3,738,299
Revaluation reserve	1,724,069

\* Actual financial results for the period covered are likely to vary from the information presented in these forecasts. The statement of accounting policies provides explanations of these figures which are not subject to audit.

**Prospective Statement of Financial Position as at 30 June 15**

	<b>2014/15</b>
	<b>Unaudited BEFU Forecast</b>
	<b>(\$000)</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	55,184
Debtors and other receivables	362,926
Prepayments	42,295
Inventories	82,148
Derivative financial instruments	-
<b>Total Current Assets</b>	<b>542,553</b>
<b>Non - Current Assets</b>	
Property, plant and equipment	5,053,597
Intangible assets	27,805
Inventories	233,806
Derivative financial instruments	-
<b>Total Non - Current Assets</b>	<b>5,315,208</b>
<b>Total Assets</b>	<b>5,857,761</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Creditors and other payables	326,043
Surplus repayable to the Crown	15
Provisions	3,672
Employee entitlements	52,406
Finance leases	-
Derivative financial instruments	-
<b>Total Current Liabilities</b>	<b>382,136</b>
<b>Non - Current Liabilities</b>	
Employee entitlements	13,257
Finance leases	-
Derivative financial instruments	-
<b>Total Non - Current Liabilities</b>	<b>13,257</b>
<b>Total Liabilities</b>	<b>395,393</b>
<b>Net Assets</b>	<b>5,462,368</b>
<b>Taxpayers' Funds</b>	
General funds	3,738,299
Revaluation reserve	1,724,069
<b>Total Taxpayers' Funds</b>	<b>5,462,368</b>
<b>Total Liabilities and Taxpayers' Funds</b>	<b>5,857,761</b>

\* Actual financial results for the period covered are likely to vary from the information presented in these forecasts. The statement of accounting policies provides explanations of these figures which are not subject to audit.

**Prospective Cash Flow Statement for the year ending 30 June 15**

	<b>2014/15</b>
	<b>Unaudited BEFU Forecast</b>
	<b>(\$000)</b>
<b>Cash Flow – Operating Activities</b>	
Receipts from Crown	2,581,846
Receipts from other	16,517
Payments to employees	(869,431)
Payments to suppliers	(663,814)
Payments for capital charge	(436,155)
Goods and services tax (net)	429
<b>Net Cash Flow from Operating Activities</b>	<b>629,392</b>
<b>Cash Flows – Investing Activities</b>	
Receipts from sale of property, plant and equipment	-
Interest	15
Purchase of property, plant and equipment	(635,467)
Purchase of intangible assets	(18,345)
<b>Net Cash Flow from Investing Activities</b>	<b>(653,797)</b>
<b>Cash Flows from Financing Activities</b>	
Capital contribution	20,100
Capital withdrawal	-
Repayment of surplus	(12,070)
<b>Net Cash Flow from Financing Activities</b>	<b>8,030</b>
Net increase / (decrease) in cash	(16,375)
Cash at the beginning of the year	71,559
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>55,184</b>

\* Actual financial results for the period covered are likely to vary from the information presented in these forecasts. The statement of accounting policies provides explanations of these figures which are not subject to audit.

## Notes to Forecast Financial Statements

### 1: STATEMENT OF SIGNIFICANT ASSUMPTIONS

These statements have been compiled on the basis of government policies and the New Zealand Defence Force (NZDF) Output Plan agreements with the Minister for Defence at the time the statements were finalised.

The 2013/14 budgeted figures are based on management's judgments, estimates and assumptions of the final 2013/14 outcome and are used as the opening position for 2014/15 forecasts.

Key assumptions underlying this forecast are:

- The department's activities will remain substantially the same as for the previous year.
- There will be no significant change in government policies or the New Zealand Defence Force's Output Plan agreement with the Minister of Defence.
- Ministry of Defence payments reflect the forecast payments for acquisition projects which have been approved by Cabinet. Should additional projects be approved during the year, there may be payments for these projects during the year.
- There will be no major changes in exchange rates.
- The capital charge rate for the year ending 30 June 2015 is assumed to be 8.0% per annum.
- Operating costs are based on historical experience. The general historical pattern is expected to continue.
- Estimated year end information for 2013/14 is used as the opening position for the 2014/15 forecast.

### 2.0 STATEMENT OF ENTITY - SPECIFIC ACCOUNTING POLICIES

#### Basis of preparation

These forecast financial statements have been prepared in accordance with New Zealand Public Benefit Entity (NZ PBE) International Public Sector Accounting Standards (IPSAS). While a detailed impact assessment has yet to be completed, no significant impact is expected on transition from NZ IFRS to IPSAS.

These are the first set of prospective financial statements presented by NZDF, under NZ PBE IPSAS. They are compliant with PBE FRS-42 Prospective Financial Statements and are consistent with Generally Accepted Accounting Practice. The purpose of the forecast financial statements is to facilitate Parliament's consideration of the appropriations for, and planned performance of NZDF. Use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the forecast information presented and that the variations may be material.

The New Zealand Defence Force has applied the accounting policies set out in Statement of Accounting Policies Standard included in this document, except as stated below.

#### Reporting Entity

These are the prospective financial statements of New Zealand Defence Force, prepared in accordance with section 38 of the Public Finance Act 1989.

New Zealand Defence Force is a Government Department as defined by section 2 of the Public Finance Act 1989. For the purposes of financial reporting New Zealand Defence Force is a public benefit entity. In addition the financial statements include information on the activities that NZDF administers on behalf of Vote Veterans' Affairs Defence Force.

In these financial statements the New Zealand Defence Force is also referred to as the NZDF, and Veterans' Affairs New Zealand is also referred to as VANZ.

#### Authorisation Statement

These forecast financial statements were authorised for issue by the Chief of Defence Force on 16 April 2014. The Chief of Defence Force as the Chief Executive of the New Zealand Defence Force is responsible for the forecast financial statements presented, including the appropriateness of the assumptions underlying the forecast financial statements and all other require disclosure.

#### Specific Accounting Policies

##### Property, Plant and Equipment

Capitalisation thresholds applied are set out below:

- IT Equipment / Hardware \$5,000.
- All other property, plant and equipment \$5,000.

#### Depreciation

The estimated useful lives of property, plant and equipment are set out below.

- Buildings 5 - 100 years.
- Leasehold improvements 2 - 20 years.
- IT Equipment / Hardware 2 - 5 years.
- Motor vehicles 10 - 15 years.
- Furniture and office equipment 5 - 20 years.
- Specialist Military Equipment 5 - 55 years.
- Other Plant and Equipment 5 - 50 years.

#### Revaluation

Land, Building and Specialist Military Equipment asset classes are subject to revaluation every 5 years. Valuations use a market-based approach where possible. Where reliable market evidence is unavailable optimised depreciated replacement cost (ODRC) is used to calculate fair value.

### **Intangible assets**

Capitalisation thresholds applied are:

- Purchased software \$5,000.
- Internally developed software \$5,000.

The estimated useful lives of intangible assets are set out below:

- Purchased software 3 - 20 years.
- Internally developed software 3 - 20 years.

### **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.

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

### **Cost Allocation**

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

- 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 drivers that reflect the use of that activity to produce outputs.
- Overhead costs are charged to outputs using the percentage of that outputs 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.

