



Cabinet

Minute of Decision

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Defence Estate Work Programme

Portfolio **Defence**

On 15 April 2019, following reference from the Cabinet Government Administration and Expenditure Review Committee, Cabinet:

Background

- 1 **noted** that:
 - 1.1 in August 2016, the previous government approved the Defence Estate Regeneration Programme Plan 2016-2030 and noted that approval of the Plan will result in a total of \$1.704 billion capital investment, \$2.553 billion operational expenditure and \$148 million personnel costs from FY2013/14 to FY2029/30 [CAB-18-MIN-0333];
 - 1.2 in May 2018, the Cabinet External Relations and Security Committee agreed New Zealand's Defence's Principles, priorities and roles as part of the Strategic Defence Policy Statement 2018, and noted that advice on Defence capability and funding will be the subject of subsequent papers toward the end of 2018 [ERS-18-MIN-0008];
- 2 **noted** that a fundamental re-orientation of the Defence Estate is required to ensure it is best positioned to deliver the government's and the New Zealand Defence Force's (the Defence Force) long-term outcomes while also providing for continued investment to maintain a functional Estate in the interim;

First Principles Review of the Defence Estate Footprint

- 3 **directed** the Defence Force to undertake a First Principles Review of the Defence Estate Footprint (the Review) to provide the government with a long-term view of the future of the Defence Estate, **s. 9(2)(f)(iv)**
- 4 **agreed** that the Review be overseen by a group of Ministers consisting of the Minister of Finance, Minister of Housing and Urban Development, Minister of Defence, Minister for Regional Economic Development and the Minister for Infrastructure (joint Ministers);
- 5 **directed** the Defence Force to draft Terms of Reference for the Review for approval by the joint Ministers;

- 6 **agreed** that in undertaking the Review established in paragraph 3, the Defence Force will draw on previous base studies and estate reviews to assist in the identification of the options referred to in paragraph 8;
- 7 **agreed** that the criteria to assess the range of viable options for the future Defence Estate footprint are:
- 7.1 the footprint aligns with known and anticipated Defence capability requirements;
 - 7.2 the footprint allows for flexibility in Estate design to incorporate changes in capability over time;
 - 7.3 the footprint provides tangible benefits and resilience to the Defence Force for the delivery of outputs;
 - 7.4 the footprint addresses encroachment pressures from third party competing land uses;
 - 7.5 the footprint supports the government's priorities including value for money and the government's regional social and economic development goals;
- 8 **invited** the Minister of Defence to submit to GOV:
- 8.1 by 30 June 2020, a short list of viable footprint options for detailed investigation;
 - 8.2 by 30 September 2020, the outcome of the First Principles Review of the Defence Estate Footprint, following the detailed investigation;

Defence Estate Regeneration Portfolio Business Case 2019-2035

- 9 **noted** that the draft Defence Estate Regeneration Portfolio Business Case 2019-2035 (the Business Case), attached to the paper under GOV-19-SUB-0012, is a refresh of the Defence Estate Regeneration Programme Plan 2016-2030 approved by the previous government in August 2016 [CAB-16-MIN-0333];
- 10 **noted** that the draft Business Case has been developed alongside and in conjunction with the Defence Capability Plan 2019 [GOV-19-SUB-0011];
- 11 **noted** that the principles which provide the foundation for Estate Regeneration and the Defence Force's approach to managing the Defence Estate have been retested and updated;
- 12 **noted** that in July 2014, the previous government agreed to a set of principles for Estate Regeneration and the Defence Force's approach to managing the Defence Estate [SEC Min (14) 14/3];
- 13 **rescinded** the decisions referred to in paragraph 12 above;
- 14 **approved** the following updated principles for Estate Regeneration and the Defence Force's approach to managing the current Defence Estate:
- 14.1 operational units and support functions will be located or re-located to be in the best place for the Defence Force as a whole;
 - 14.2 investment should primarily be in core operational locations where the Defence Force accommodates its deployable forces;

- 14.3 opportunities to rationalise or enhance the Estate to improve its efficiency and effectiveness will be pursued at all locations, e.g. by co-locating military training schools alongside operational units;
- 14.4 obsolete and inefficient infrastructure will be replaced and asset utilisation efficiencies and quality improvements will be generated over time;
- 14.5 infrastructure will be assessed for disposal if there is no longer a foreseeable need in the longer term;
- 14.6 management of the Estate will take full advantage of mandated all-of-government capital expenditure processes;
- 14.7 the funding allocated to the Estate Regeneration Programme, as set out in the Defence Capital Plan will not be reallocated within Vote Defence Force without Cabinet's agreement;
- 15 **noted** that the principles and approach in paragraph 14 above may be revised further to reflect the outcomes of the First Principles Review of the Defence Estate Footprint;
- 16 **approved** the Business Case attached to the paper under GOV-19-SUB-0012 to provide for continued investment in the Defence Estate, subject to any changes required to reflect the decisions in GOV-19-MIN-0011 on the Defence Capability Plan;
- 17 **noted** that the draft Defence Estate Regeneration Implementation Plan 2019 (the Plan) has been prepared as a supplementary document to the Business Case, and will be finalised to reflect the decisions in GOV-19-MIN-0011 on the Defence Capability Plan;
- 18 **noted** that:
- 18.1 in July 2018, Cabinet directed that the Defence Estate Regeneration Plan prioritise activities supporting the P-8A Poseidon maritime patrol aircraft and complimentary Capability infrastructure development [CAB-18-MIN-0305];
- 18.2 the Business Case has prioritised activities supporting the P-8A (now referred to as the Defence Force Future Air Surveillance Maritime Patrol) and Enhanced Maritime Awareness Capability infrastructure development as directed in CAB-18-MIN-0305;
- 19 **noted** that a Strategic Partnership is being progressed through an Alliance commercial model to build capacity and capability and to drive best practice and innovation for the effective management of the Defence Estate;
- 20 **noted** that the Defence Force are consulting with officials from relevant agencies, including the Treasury, the Infrastructure Transactions Unit and the Ministry of Business, Innovation and Employment, throughout the development and implementation of the Strategic Partnership (Alliance);

Financial Implications

- 21 **noted** that the forecast capital expenditure of \$2.0 billion from FY2019/20 to FY2029/30, the operating and personnel forecast expenditure of \$2.7 billion and \$290 million respectively from FY2019/20 to FY2029/2030, presents a total capital and operating investment of \$4.9 billion, excluding depreciation and capital charge;
- 22 **noted** that there are no capital injections required in FY2019/20, because near term capital expenditure on the Defence Estate is prioritised within baseline funding;

23 **noted** that depreciation from Estate and Infrastructure assets is spent within the Defence Estate;

24 **noted** that indicative requirements for investment through to 2022/23 in the Business Case requires the following new capital funding to be sought through business cases and the Budget processes for Vote Defence Force:

s. 9(2)(f)(iv)

25 **noted** that the decisions above do not imply that funding is agreed for the investments included in the Business Case;

26 **agreed** that each investment seeking additional funding must be justified through a business case to be considered by Cabinet, and subject to funding being available in the Budget capital allowances, taking into account other government investment priorities;

27 **noted** that there are substantial known capital pipeline pressures which will require prioritisation to manage within Budget capital allowances;

28 **noted** that capital and operating cost increases will be managed through the annual Budget process for Vote Defence Force;

Next Steps

29 s. 9(2)(f)(iv)

30

31 **directed** NZDF to update the Defence Estate Regeneration Portfolio Business Case in 2021 following the First Principles Review of the Defence Estate Footprint or following changes to Defence policy as directed by the government, whichever occurs first;

32 **invited** the Minister of Defence to submit an updated Defence Estate Regeneration Portfolio Business Case to Cabinet in 2021;

33 s. 9(2)(f)(iv)

Michael Webster
Secretary of the Cabinet

Secretary's Note: This minute replaces GOV-19-MIN-0012. Cabinet amended paragraph 3 and deleted paragraphs 8 and 9 of the GOV minute, and added a new paragraph 6.

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