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Annual Report

2010

New Zealand

Defence Force

Te Ope Kaatua o Aotearoa

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Cover Pictures (from left to right):

- (1) Support to Multi Agency Operations; Boarding Party returning to HMNZS ROTOITI on completion of inspection tasks
- (2) Exercise Saladin, an Army combined arms training activity in the MacKenzie Basin, South Island
- (3) Air Security dog and handler patrolling aircraft and airfield at night, RNZAF Base Auckland

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Section One

Overview by the Chief of Defence Force

The level and variety of activities undertaken by the New Zealand Defence Force over the past 12 months has been unprecedented in my term as Chief of Defence Force. From our expanded role supporting New Zealand youth; multi-agency operations and tasks in and around New Zealand working with the likes of Police, Customs, Fisheries, Conservation and others; our summer mission to Antarctica loading supplies to sustain scientists on the ice; our timely response to tsunamis, cyclones, and other tragedies that befell our friends in the Pacific; to significant peacemaking and peacekeeping operations in the Pacific, Asia, and Afghanistan – including the recent return of our special forces troops to Kabul – all go to demonstrate that New Zealand's sailors, soldiers and airmen and airwomen were busy delivering our mission: keeping New Zealand secure, protecting our sovereign interests and being ready to meet future contingencies.

Matching this brisk operational tempo has been a sharp rise in our 'organisational tempo': significant new capital acquisitions were advanced with the arrival of the Navy's new 'Protector' fleet, the programmes delivering new helicopters and upgraded maritime patrol and transport aircraft to the Air Force continued apace; the Defence Force is vigorously pursuing its transformational change agenda in its logistics, human resources, and headquarters support functions; and we supported the Defence Assessment and the associated Value for Money Review, leading to a Defence White Paper in the later part of 2010.

Key to our success as an organisation across this demanding, yet successful year was the men and women of the Defence Force. They took the challenges of our many and varied commitments in their stride, performing commendably. We ask a lot of our people, both military and civilian, and I continue to admire their professionalism and the commitment they make in the service of New Zealand.

This year the Government expanded the Defence Force's role to assist the Ministries of Social Development and Education in the development of New Zealand's young people through the Limited Service Volunteer (LSV) scheme, Service Academies in schools, and military-style activity camps. To date our involvement with the schemes has been very successful, and the opportunity to be part of these enhanced programmes is welcomed. The Defence Force has great trainers with many excellent skills, values and attitudes that can be put to good use in assisting to develop New Zealand's youth.

Our routine operations in and around New Zealand are also an important part of our core business. In partnership with other government departments and agencies we continued to enforce New Zealand's territorial sovereignty, support resource management of our Exclusive Economic Zone (EEZ) and respond to emergencies and disasters in the region.

Further out into the Pacific our work with our neighbours was punctuated by humanitarian emergencies such as the Princess Ashika ferry tragedy, the destructive cyclones in the Cook Islands and Fiji, and the devastating tsunami in the Pacific which affected Samoa and Tonga. With agencies like NZAID, the New Zealand Police, and with NGOs like the International Committee of the Red Cross, the Defence Force rapidly responded to these disasters and provided assistance to those desperately in need of help.

Internationally, the Defence Force remained engaged in a range of bilateral and multinational activities with nations in our region and beyond. Our strategic partnership with Australia remains strong, and we continued to train and operate closely with the Australian Defence Force (ADF). In a further strengthening of this trans-Tasman relationship we are working with the ADF on an initiative for an ANZAC response force for regional incidents. Our membership of the Five Power Defence

Arrangements (FPDA) along with Australia, Singapore, Malaysia and the United Kingdom is our primary element of defence cooperation and engagement in the South East Asia region. In addition to the annual FPDA activities we have maintained strong bilateral military relationships with Singapore and Malaysia, and the other nations in the region through defence diplomacy, participation in peacekeeping and support to regional maritime security initiatives.

New Zealand has been a strong advocate for the peace processes in the Middle East for many years. This year I am pleased to report that a senior Defence Force officer was selected to command the 1600-person strong Multinational Forces and Observers (MFO) stationed in the Sinai. On other assignments, but in smaller numbers, we maintained our contributions of military personnel to United Nations missions in Timor-Leste, the Sudan, the Middle East, Iraq, and the Military Armistice Commission in Korea.

The excellent work of our Provincial Reconstruction Team (PRT), based in the Bamyán Province of Afghanistan continued. In Afghanistan we also provided key staff to the International Security Assistance Force (ISAF) Headquarters, assisted in training the Afghan National Army, and contributed to the United Nations Assistance Mission to Afghanistan (UNAMA). Our international commitment to counter terrorism and establishing the conditions necessary for Afghan society to flourish was enhanced with the return of the New Zealand Special Air Service to Afghanistan.

Looking to the future, the Government has put in place a road map for reorienting and gradually drawing down our military commitment in Afghanistan over the next three years. The size and shape of our other significant military commitments in the Solomon Islands and Timor-Leste are also being considered by the Government. As our commitment to these operations change my principal aim will be to restore military capability for the medium term, to ensure the Defence Force's readiness for future operations.

In parallel to these operational activities there will be a number of other opportunities to manage. The most immediate will be the introduction into full operational service of the Protector fleet, the new helicopter force and the modernised C130 Hercules and P3K Orion aircraft. These ships and aircraft will provide a significant lift to our overall capability to conduct routine operations, our responsiveness to emergencies at home and being ready for the next task – whatever that may be.

These high tempo settings do place pressure on our capacity to continue meeting the ongoing requirements of Government and the expectations of ordinary New Zealanders. This presents a sizeable challenge for the Defence Force to manage. Given these circumstances, the priorities for next year will be firmly centred on maintaining our current military commitments, developing Naval Patrol Force operations and our sealift capability, building the Operational Dive Team (ODT), ensuring the availability of aircraft and crews for operations, and building specialist personnel numbers in the Army.

People are the most important component of military capability in the Defence Force. In 2009/10 the focus was to achieve a state where we had the 'right person, in the right place, at the right time' and by and large we are on track. However, fiscal pressures meant that the targets had to be adjusted. Accordingly, priority was given to retention, and building on the work occurring under other initiatives. The period has seen less people leaving the Defence Force. This will not necessarily be the case in the future and we need to ensure that recruitment and retention remain balanced and future-proofed. Despite lean opportunities in the wider labour market and a decreasing level of attrition, the capacity to recruit and retain some professional tradecraft people remained a challenge.

Meanwhile, we have been working to ensure that the Defence Force is properly structured to support the missions required of us as effectively and efficiently as possible. Even without the impact of the global financial problems we have always sought to maximise efficiency and deliver value for money. Central to this is the Defence Transformation Programme (DTP), a comprehensive programme of

organisational change designed to improve efficiency and deliver significant sustainable savings that can be reinvested in our military capability. Benefits of this programme are being delivered. The DTP has already reaped savings of \$84m through delivering tactical “quick win” projects, and is now implementing further critical transformational change. Once fully implemented I expect the DTP to deliver enduring savings that can be shifted from the ‘back’ of the Defence Force to the ‘front’, of between \$50m - \$100m per year.

The Secretary of Defence has completed the Defence Assessment in advance of the Government’s Defence White Paper due for publication later this year. The Assessment reaffirms the need for a responsive and agile Defence Force, able to conduct a wide range of tasks, particularly in the South Pacific region, and recognises the need to operate alongside partners further afield. The White Paper is set to determine the character of the New Zealand Defence Force for the next 25 years and present the capabilities that we need to develop. The Defence Force’s response to the White Paper will require a significant amount of work as we move to implement the Government’s strategic blueprint.

It is in the nature of military service that Defence Force personnel are often called upon to serve in adverse circumstances. In all military activities there are risks whether deployed on operations, training or preparing for a mission. It is with a deep sadness that I reflect on the loss of colleagues during the year. Our thoughts are with their families as they face the loss of loved ones. The demands of military service extend beyond our sailors, soldiers and airmen and airwomen, to our defence families. Often our service impacts on their lifestyles. The strength and support of the defence family, often unseen, can appear to go without acknowledgement. I understand the sacrifices families make, and I thank them all for their enduring support to our servicemen and servicewomen.

In conclusion, looking beyond the immediate challenges facing the New Zealand Defence Force, I am confident that our people will continue to be successful wherever they are deployed. Supporting current operations, preparing for the next event, and delivering the change our organisation requires will all test the character of our people. Through professionalism the New Zealand Defence Force will achieve its goal of being a credible and viable military force, keeping New Zealand secure, now and into the future.



J. MATEPARAE

Lieutenant General

Chief of Defence Force

The Annual Report for 2010

This report highlights the business of Defence for 2009-2010 and illustrates the broad and diverse range of operations and tasks that we undertake in meeting Government's Defence objectives. It is a comprehensive overview of Defence and how the organisation has utilised the resources and accounts for the appropriations approved by Parliament.

Defence is a significant component of New Zealand's foreign and security policy and while the NZDF is constitutionally the sole provider of military forces it is not the sole contributor to strategic outcomes for national security. On a day by day basis the NZDF trains to be ready, if and when required by Government, to ensure New Zealand's security. The capacity to respond to emergency situations and critical incidents at home and in the region and preparedness for operations, wherever and whenever they may be, is the overriding requirement of the Defence Force.

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

The report is presented in five sections that describe Defence's achievements for the reporting period, Defence policy and relationship to Government's strategic outcomes, our annual performance report and preparedness to deliver on Governments expected outcomes, our Veterans and, finally, financial statements in support of our service performance.

Achievements

Contributions to High Level Outcomes

The Government's overarching goal is to grow the New Zealand economy in order to deliver greater prosperity, security and opportunities to all New Zealanders. The External Sector¹ contributes to this goal in several ways through it's:

- 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.

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

The world economy continues to slowly recover from its biggest financial challenge in 80 years when the global economic growth and world trade went into decline. The departments in the External Sector continued to place a high priority on maintaining New Zealand's security and managing New Zealand's international relations through this period of decline, ensuring that New Zealand is well placed to take advantage of the eventual recovery. Throughout the year each department continued to seek to improve the value for money received from the resources appropriated in its Votes.

The NZDF's contribution to the External Sector is through the main Defence Outcome of "*New Zealand Secure and Protected from External Threats Now and in the Future.*" This is reflected in the following tasks:

- securing New Zealand, including its people, land, territorial waters, EEZ, natural resources and critical infrastructure by contributing to the whole of government efforts and support to multi-agency operations and tasks involving disaster relief, resource protection, international and local crime, security and intelligence as well as ceremonial and other support to government; and
- reducing risks to New Zealand from regional and global insecurity and participating in regional and international security systems by the conduct of a wide range of military operations overseas as well as international confidence building exercises and military diplomatic tasks, which include a network of military adviser and attaché staff serving overseas.

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

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

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

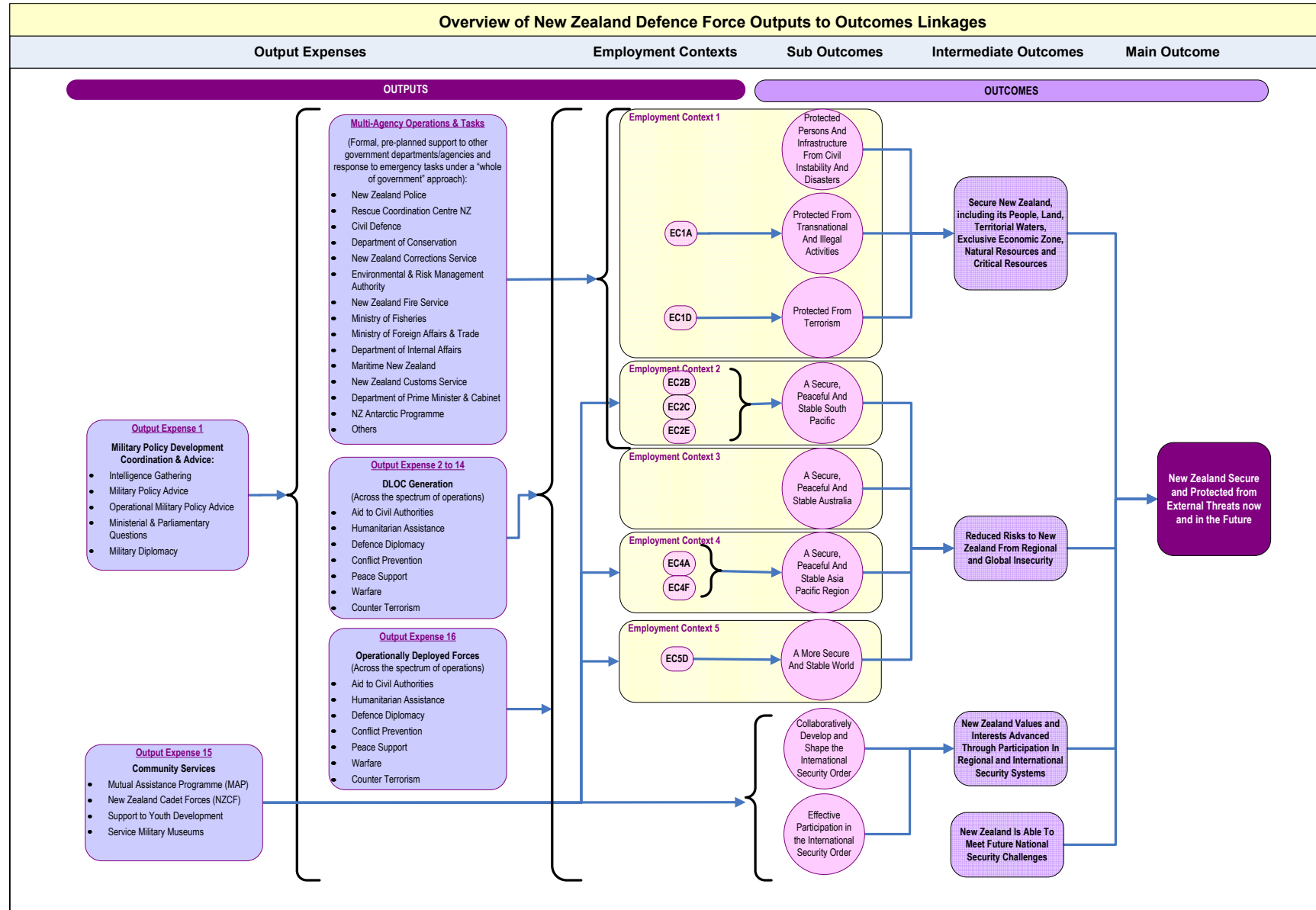
The main Defence outcome is achieved through the four Defence Intermediate Outcomes of:

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

Linking NZDF Outputs to Outcomes

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

The following diagram shows how the NZDF Outputs are linked to the Defence Outcomes.



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

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

This intermediate outcome is divided into the sub outcomes of:

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

All three Services maintained a capability to assist with counter terrorist responses by providing logistical support and surveillance standby capabilities. A Counter-Terrorist Group continued the ability to assist the NZ Police in counter-terrorist operations, including maritime counter terrorism.

The NZDF demonstrated its ability to work closely with a range of agencies in protecting New Zealand from illegal and unauthorised activities. The Navy and Air Force conducted regular surveillance patrols of our EEZ and the Southern Ocean. The NZDF continued to support the New Zealand and United States Antarctic programmes and provided terminal and logistics support at Christchurch, McMurdo Station and Scott Base, as well as C-130 Hercules flights.

In December 2009 a RNZAF Boeing 757 completed a successful maiden trial flight to Antarctica. The trial was to assess the suitability of the B757 to carry passengers to McMurdo Station and thus enable the C130 Hercules to be more effectively tasked with the carriage of freight to the southern continent.

Personnel from all three Services were ready at designated degrees of notice to assist with natural and manmade disasters and search and rescue missions within New Zealand. (See the table in the section on Services in Support of the Government and the Community for more details.)

Intermediate Outcome 2:**Reduced Risks From Regional and Global Insecurity Through:****A Secure, Peaceful and Stable Australia**

The ANZAC relationship has long been our most significant defence partnership. Both the Australian and New Zealand defence forces have continued to invest in joint training, interoperable equipment and shared doctrine. The benefits of this relationship have been recognised during the year by our combined efforts in regional peacekeeping in Timor-Leste and the Solomon Islands, and participation in numerous exercises and support activities, including those mentioned below.

HMNZS *Te Mana* and aircraft from Number 5 Squadron RNZAF participated in ASWEX 09, a combined and joint maritime exercise, in the Western Australian Exercise Area, in November 2009.

A Secure, Peaceful and Stable South Pacific

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

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

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

Personnel from the RNZN's operational diving and mine countermeasure teams, together with a Royal Australian Navy diving team, flew to Tonga on 7 August 2009 to assist in the search for the sunken ferry *Princess Ashika*. A RNZAF Orion took part in the initial searches for survivors, along with local vessels. HMNZS *Manawanui* also assisted with the search using a Sea Eye Falcon remote operated vehicle to locate the sunken vessel. An Australian accident investigator was embarked on *Manawanui* to assist with the underwater photographic survey of the wreck.

In August 2009, a RNZAF Orion successfully located a missing fishing vessel with three people on board in the Marshall Islands. During the same month 5 Squadron was tasked on three further international search and rescue call-outs.

A RNZAF C-130 Hercules from Number 40 Squadron and a French Naval ship combined to save a family of eight on a yacht approximately 200 nautical miles north of New Zealand.

A RNZAF Orion and crew patrolled the edge of Solomon Islands Economic Exclusion Zone over the period 13-15 July 2009 as part of New Zealand's ongoing commitment to Solomon Islands border management and protection of its resources against illegal fishing.

New Zealand is responsible for patrolling more than six million square miles of ocean, including much of the South Pacific, against illegal unreported and unregulated fishing.

During August 2009, No 3 Squadron RNZAF deployed four Iroquois helicopters, 70 personnel, containers and support vehicles/equipment in HMNZS *Canterbury* for Exercise Tropic Astra 09 in Western Samoa. Exercise TROPIC ASTRA is an annual Royal New Zealand Air Force exercise designed to provide training in tropical flying operations, including civil tasking and aircrew survival training. During this exercise the RNZAF conducted flying tasks in support of the Samoan Government.

In November 2009 HMNZ Ships *Manawanui* and *Resolution* with the Operational Diving and Mine Countermeasures teams participated in a Forces Armées de Nouvelle-Calédonie (FANC) sponsored multinational operation (LAGOON MINEX 09) to clear sunken World War II mines in New Caledonia.

On 21 January 2010 the Fiji Rescue Coordination Centre responded to a request to locate a small five metre boat with four teenagers believed to be drifting 50 miles north of Tarawa. A RNZAF Orion was launched from New Zealand and found the vessel shortly after arriving in the 11,000 km search area. A local patrol boat was directed to the craft and the survivors escorted back to land.

Natural disasters and the hurricane season in the South Pacific affected a number of communities this year. The NZDF responded quickly, providing humanitarian aid to Samoa and Tonga in September 2009, the Cook Islands and Tonga in February 2010 and Fiji in March 2010 following the disastrous effects of weather phenomena and results of the Samoan tsunami.

In the early hours of 15 May 2010, an Air Force Orion aircraft was alerted to a fishing vessel missing in the waters to the south of Rarotonga in the Cook Islands. The vessel with four crew onboard had been missing for five days. The aircraft was directed to conduct an extensive search of the oceans to the South and the missing crew were later spotted marooned on Manuae Island. A survival pack was dropped to the fishermen who were later recovered to Rarotonga onboard the Cook Islands Maritime Police boat.

A Secure and Stable Asia-Pacific Region

In promoting a secure, stable Asia-Pacific region, the NZDF has continued with regular contact and dialogue, assistance, confidence-building measures, conflict deterrence, and ongoing support to regional security arrangements.

The Five Power Defence Agreement (FPDA) between New Zealand, Australia, Britain, Singapore and Malaysia was ratified in 1971. It is one of the longest standing regional multinational security arrangements remaining in force since World War Two. The member nations maintain an appropriate level of training to improve interoperability through a range of annual exercises conducted in the South East Asian region.

HMNZS *Te Mana*, in company with HMNZS *Endeavour*, took part in Exercises Lion Zeal and Bersama Lima during October 2009. Aircraft from Number 5 Squadron RNZAF and HMNZS *Endeavour* also participated in the maritime surveillance and proliferation security initiative activities in Exercises Bersama Lima, Iron Sea and Deep Sabre, with other FPDA nations.

New Zealand troops took part in a week-long exercise in Malaysia, working alongside four of their closest neighbours and partners to overcome a simulated regional incident. The sixty-five strong contingent of New Zealand troops took part in a Command Post Exercise. Exercise Suman Warrior 09 involved up to 500 troops from the FPDA nations, and focused on developing interoperability amongst the participating armies.

Suman Warrior is an annual map-based activity that is conducted between the FPDA nations. It essentially puts the command and control functions of each nation to the test in a simulated environment. The exercise provided an opportunity for Army to train with other countries testing the planning skills used by infantry, armour, artillery, logistics, communication, and medical staff.

Bersama Lima 2010 was held in the South China Sea over the period 26 April to 07 May 2010. HMNZ Ships *Te Mana* and *Endeavour* and an Orion aircraft from Number 5 Squadron RNZAF participated in this annual event, exercising maritime surveillance operations with partner nations.

A More Secure and Stable World

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

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

The NZDF commitment in Afghanistan is an important element in New Zealand's contribution to international state-building efforts in assisting Afghanistan to meet its significant security, political and developmental challenges. NZDF personnel currently operate in Afghanistan under the NATO-led International Security Assistance Force (ISAF) mandate. The NZDF currently leads the Bamyán Provincial Reconstruction Team (PRT), provides key staff to ISAF HQ, assists in training the Afghan National Army, and contributes to the United Nations Assistance Mission to Afghanistan (UNAMA).

The NZDF commitment to providing a safe and secure environment for the Afghani population was further enhanced this year with the return of the New Zealand Special Air Service (NZSAS) to Afghanistan. This deployment was augmented with deployment of a NZLAV III detachment that was tasked with providing a protected mobility capability for the NZSAS.

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

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

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

In concert with other relevant government agencies, the NZDF supports this outcome through a range of activities, including participation in confidence-building, defence diplomacy and coalition-building.

Contributions to this outcome during the reporting year included the following:

Ongoing support was provided to UN missions (for details on these see section on Output Expense 16 – Operationally Deployed Forces).

A NZDF officer participated in discussions on Civil and Military Cooperation (CIMIC) in a peace support and humanitarian assistance environment with members at the fourth ASEAN Experts meeting on Peacekeeping held in Thailand. This forum provided an opportunity for nations with operational peacekeeping skills to engage with officials from military, International and Non-Governmental Organisations in the region.

During the reporting period, the NZDF also contributed to various interoperability, standardisation and technical co-operation meetings and programmes, and other forum workshops.

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

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

The NZDF's contribution to this outcome has been to undertake planning for the future, especially for sustainable future capability requirements. The process used to manage this is included in the Capability Management Framework (CMF). The NZDF and the MoD use a suite of planning aids, including strategic guidance, decision support tools, strategic assessments, capability goals matrices and research/lessons learned.

As part of Defence Review 2009, an analysis of the NZDF's future capabilities and force structure was conducted. The NZDF continues to work with the MoD to develop an integrated cost model of all NZDF expenditure (both operating and capital), as well as an output-forecasting model for NZDF force element availability.

In addition, the NZDF has encouraged innovation and high standards in education and training; promoting a healthy defence industry in New Zealand; maintaining the security and well being of all New Zealanders through supporting the NZ Police, the NZ Customs Service, Ministry of Fisheries, Ministry of Emergency Management, Civil Defence and other agencies; assisting Veterans groups; providing courses for the Limited Service Volunteer (LSV) Scheme (see Output 15.3); and supporting the NZ Cadet Forces (see Output 15.2).

Government's Priorities

The Government's key priorities for Defence for 2009/10 were:

- **2009 Defence Review.** Contribution to the 2009 Defence Assessment ahead of the issuance of the *Defence White Paper*. The focus is on "how well the NZDF meets the tasks that are expected of it by the Government". The objective is that the NZDF be capable of doing more with current funding.
- **Current Operations.** Ensure that, in concert with the priority on Capability Management, current operations, both international and domestic, are effective and sustainable.
- **Capability Management.** Ensure effective management of major capability acquisition; especially vessels acquired under Project Protector and the major contracts to upgrade the RNZAF's aircraft and purchase of new helicopters.
- **Value for Money.** Other than essential additional funding (primarily to cover the increased depreciation brought on through the introduction of new and modernised capabilities) the NZDF is required to manage its operations and readiness within the current fiscal envelope. Defence is to ensure that value for money is evident in and pervades Vote Defence Force in the future.

Strategic Performance

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

Strategic Objective 1: Sustain current operational commitments

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

Support to Multi-Agency Operations and Tasks within our national border and in the Exclusive Economic Zone were successfully met throughout the year. Assistance to government agencies by the Naval Patrol Forces progressively increased over the period as the Inshore Patrol Vessels were introduced into service. This capability will be further enhanced when the Offshore Patrol Vessels are released for operations later in 2010.

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

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

Ensuring the NZDF is able to provide military response options for the Government is our highest priority. The greatest challenge to achieving this objective this year came from the introduction into service of new and modernised capabilities which gave rise to platforms being unavailable at certain times. Another equally challenging situation stems from our high level of operational commitments elsewhere which sometimes means that our people and their equipment can be unavailable to prepare for additional missions.

Despite these temporary stresses on the organisation the NZDF maintained the requisite level of preparedness for most existing military capabilities, providing Government with effective military options that could deal with a wide range of potential security events when called upon. Preparedness of some military capabilities improved as a result of equipment purchases and upgrades. An illustration of this improved level of capability can be found with the introduction into service of the amphibious support ship, *Canterbury*; a ship that is capable of providing support across a full spectrum

of NZDF operations when required. Preparedness of some RNZAF capabilities reduced temporarily while modernisation of some aircraft and equipment was undertaken. In the coming years the NZDF will be able to provide Government with a more comprehensive and sustainable range of military response options as a result of acquisition of NH90 and A109 helicopter fleets and the return of the upgraded P3K Orion and C130 Hercules aircraft.

Strategic Objective 3: Make best use of finance and resources

At the same time as the Defence Assessment was examining New Zealand's security outcomes, military capabilities and resourcing levels, the NZDF continued on an ambitious change agenda to transform the way support functions are delivered. Defence intends to increase the proportion of baseline funding spent in front-line forces from 44% to 50%. The NZDF has allocated 46% of the approved budget for 2010/11 to Force Elements, and further increases are anticipated in future as a result of the Defence Transformation Programme and the Value for Money Review.

Commentary on the Defence Transformation Programme and Performance Improvement Actions is provided later in this section.

Defence Transformation Programme

The Defence Transformation Programme (DTP) is the formal programme of work initiated to take a strategic look at the overall support functions of the New Zealand Defence Force. To date \$84 million dollars has already been saved through several tactical 'quick win' projects, and in 2009 DTP re-focused on longer-term transformational change across the NZDF, to deliver further sustainable savings and set up an ongoing culture of innovation.

Reflecting the Government's desire to highlight and improve value-for-money within Defence, three areas were targeted for change: Human Resource Management (HRM), Logistics, and NZDF Headquarters. The process undertaken in each stream has followed a thorough approach:

- Research the current way the HRM, Logistics, and HQ NZDF support organisations work;
- Develop a vision for what those organisations could look like in the future; then
- Combine this information with external reviews and research into other organisations and militaries; and
- Compare with existing frameworks and theories; to
- Design in detail how the future organisation will work and the implications of the changes.

Specifically, transformational changes to the NZDF include:

- A new consolidated Defence Logistics Command;
- A new consolidated Human Resources organisation;
- A new consolidated Training and Education Directorate; and
- A new way of structuring and working in Headquarters.

To begin and support these changes to Logistics, the Defence Logistic Command was established as the pan-NZDF consolidated logistics organisation. A Strategic Sourcing project was also established and during 2010 will look at how the NZDF can negotiate better deals for third party procurement by acting as a whole, rather than three single Service customers. An Inventory Optimisation project will look specifically at inventory management to determine whether the organisation has the right quantity and types of inventory.

For the HRM programme it was identified that the 'consolidated HRM organisation' will be made up of a centralised transactional centre, supported by specialist HR advisors and functional centres of expertise. The centralisation of payroll (with personnel switching to accessing payroll advice through the intranet, by email, or by phone) is consistent with this model. Work is underway to define the HR advisory model, and the Workforce Planning, Policy Development, Defence Psychology and Strategic Recruitment teams from across the three Services and NZDF will come together in one centralised location in 2010 to become the first of the centres of expertise.

A Training and Education Directorate was established early in 2010 to begin driving consistent Training and Education strategy and policy, and to become a single point of contact for external organisations. Areas of common training delivery have been identified and the process of combining separate Service training where appropriate will begin in 2010.

Enhanced technology will be required to support all these changes within the HRM area and a review of the Human Resource Management Information System is also underway.

Within Headquarters, reviews of the Finance and Planning functions were completed and decisions on ways for these areas to provide more streamlined support will be made during 2010. Development and Corporate Services branches will also be reviewed and a project to e-enable the organisation is underway.

The new consolidated organisations that are being designed in Logistics and HRM will support operations, and ensure personnel required in uniform requirements are met. Service representatives embedded within the DTP programme team will make certain the cultural strengths and practices of each Service are understood, particularly as further detail is developed. Together, all these changes are expected to free up resources through the creation of leaner and smarter support services.

Performance Improvement Actions

The NZDF has two major Performance Improvement Actions (PIA) in progress.

The Defence Transformation Programme is targeted primarily at the two most resource intensive support functions, logistics and personnel, and the Headquarters. The organisational changes planned are extensive impacting on functions employing 6000 personnel. Savings have been achieved through implementing the simpler changes; the programme is progressing to plan and savings and benefits from transformational change will begin to accrue from 2011/12.

The Enterprise Cost Reduction programme is directed at finding economies of service delivery in other functions.

The NZDF's costs have been reviewed by an independent third party and areas have been identified where costs can be reduced. A parallel review exercise, commissioned as part of the work of developing the next Defence White Paper, is examining the NZDF's current expenditures to determine whether or not they represent value for money. The conclusions of these two activities, when taken together, will identify a number of further opportunities for improved efficiency and performance.

Section Two

Defence at a Glance

Introduction

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

NZDF Mission

The primary mission of the NZDF is:

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

Linkages to Government Policy

The Defence Act 1990 provides for armed forces to be raised and maintained for:

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

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

New Zealand’s Defence Policy

Defence is a significant component of New Zealand’s foreign and security policy. A range of other government departments and agencies, including for example the Ministry of Defence, the Ministry of Foreign Affairs and Trade, the Customs and Immigration Services, the Government Communications Security Bureau and the Ministry of Fisheries, all contribute to promoting and protecting New Zealand’s national security.

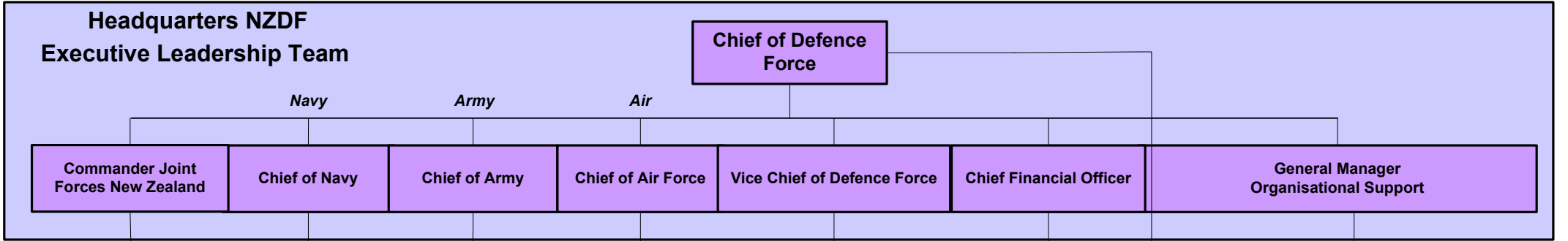
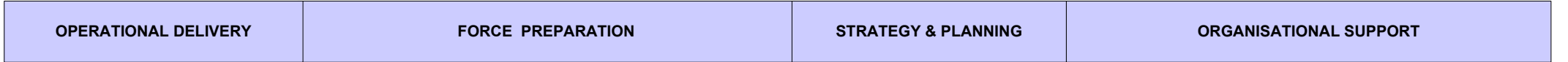
Currently, there are five broad strategic outcomes for national security. From these, a defence policy objective is set for each outcome. In achieving these objectives, the NZDF makes a range of contributions: it maintains operationally prepared forces for use by the Government and it carries out operational missions in accordance with government direction. These outcomes, objectives and examples of NZDF contributions are shown in the following table.

Government's Strategic Outcomes, and Related Defence Policy Objectives	NZDF Contribution
<p>Strategic Outcome: A secure New Zealand including its people, land, territorial waters, EEZ, natural resources and critical infrastructure.</p> <p>Defence Policy Objective: To defend New Zealand and to protect its people, land, territorial waters, Exclusive Economic Zone (EEZ), natural resources and critical infrastructure.</p>	<ul style="list-style-type: none"> Protecting our EEZ resources Supporting other government agencies and the community Explosive disposal response Counter Terrorist response Civil Defence Assistance Sovereignty protection Aid to civil power
<p>Strategic Outcome: A strong strategic relationship with Australia in support of common interests for a secure and peaceful region.</p> <p>Defence Policy Objective: To meet our alliance commitments to Australia by maintaining a close defence partnership in pursuit of common security interests.</p>	<ul style="list-style-type: none"> Partnering regional security assistance Combined exercises and readiness training Closer Defence Relations Visits and development of doctrine
<p>Strategic Outcome: A political environment in the South Pacific in which national economies, societies and identities continue to evolve in a climate of good governance and internationally agreed standards of compliance with human rights.</p> <p>Defence Policy Objective: To assist in the maintenance of security in the South Pacific and to provide assistance to our Pacific neighbours.</p>	<ul style="list-style-type: none"> Assisting Pacific Island nations Peace Support Operations Disaster relief Helping protect Pacific Island nations' EEZ resource and sovereignty Security assistance Protecting New Zealand nationals abroad
<p>Strategic Outcome: An expanding role in the regional dialogue of South East and North East Asia and, where appropriate, a role in regional security consistent with New Zealand's interests and capabilities.</p> <p>Defence Policy Objective: To play an appropriate role in the maintenance of security in the Asia-Pacific region, including meeting our obligations as a member of the Five Power Defence Arrangement (FPDA).</p>	<ul style="list-style-type: none"> Peace Support Operations Humanitarian Support Regional Security Arrangements Combined exercises and readiness training Defence diplomacy and regional engagement
<p>Strategic Outcome: A global approach which supports New Zealand's place in an international community committed to the maintenance of human rights and the collective security responsibilities enshrined in the United Nations (UN) Charter, and which strengthens New Zealand's international economic linkages.</p> <p>Defence Policy Objective: To contribute to global security and peacekeeping through participation in the full range of UN and other appropriate multilateral peace support and humanitarian relief operations.</p>	<ul style="list-style-type: none"> Combat Operations Peace Support Operations Humanitarian support

NZDF Operations and Missions Overseas

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

NZDF HIGH LEVEL FUNCTIONAL ORGANISATION as at 30 June 2010



Headquarters Joint Forces New Zealand

Naval Staff

Army General Staff

Air Staff

- * Strategy Management
- * Development
- * Strategic Commitments & Intelligence
- * International Defence Relations
- * Legal Services
- * Special Operations

- * Finance Plans
- * Finance
- * Risk and Assurance

- * Chief of Staff
- * Defence Communications Group (Public Relations)
- * Business Projects
- * Defence Services
- * Corporate Support
- * Programme Change Management
- * Defence Health Services

- Defence Support Services
- * Support Services
 - * Communications and Information Systems
 - * Defence Technology Agency

Deployed Forces

Operational Units

Executive Programme Manager to CDF

Veterans' Affairs New Zealand (VANZ)
General Manager VANZ / Secretary for War Pensions

- Defence Personnel Executive
- * Policy
 - * Directorate of Reserve Forces
 - * Training and Education Directorate
 - * Chaplain Services
 - * Defence College
 - * Civilian HR
 - * NZ Cadet Forces

Defence Logistics Command

Major NZDF Units within New Zealand

<p>Headquarters New Zealand Defence Force</p> <p>Wellington HQ NZDF (Strategic Headquarters) Chief of Defence Force Vice Chief of Defence Force Chief of Navy Chief of Army Chief of Air Force Corporate Financial Officer Commander Defence Logistics General Manager Organisational Support</p> <p>Trentham Defence College Joint Logistics and Support Organisation</p>	<p>New Zealand Army</p> <p>Papakura 1 NZ SAS Group Auckland Regional Support Group</p> <p>Waiouru NZ Land Training and Doctrine Group Officer Cadet School Land Operations Training Centre The Army Depot</p> <p>Linton HQ 2ND Land Force Group 1st Battalion 16th Field Regiment (Artillery and Air Defence) 2nd Engineer Regiment 1st NZ Signals Regiment 2nd Logistics Battalion 2nd Health Service Battalion</p> <p>Trentham Trentham Regional Support Battalion 1st NZ Military Intelligence Company 1st NZ Military Police Company 1st NZ Explosive Ordnance Disposal Squadron HQ Military Studies Institute</p>
<p>Joint Forces New Zealand</p> <p>Trentham Commander Joint Forces New Zealand Headquarters Joint Forces New Zealand</p>	<p>Burnham HQ 3RD Land Force Group Queen Alexandra's Mounted Rifles (Armoured Reconnaissance) 2nd/1st Battalion (Infantry) 3rd Signals Squadron 3rd Logistics Battalion</p> <p>Tekapo Military Training Area</p>
<p>Royal New Zealand Navy</p> <p>Auckland Naval Support Command RNZN Naval College Joint Geospatial Support Facility HMNZ Dockyard</p> <p>Naval Combat Force HMNZS <i>Te Kaha</i> HMNZS <i>Te Mana</i></p> <p>Naval Support Force HMNZS <i>Canterbury</i> (Amphibious Sealift) HMNZS <i>Endeavour</i> (Fleet Replenishment)</p> <p>Hydrographic HMNZS <i>Resolution</i></p> <p>Diving Support HMNZS <i>Manawanui</i></p> <p>Sea Training HMNZS <i>Kahu</i> (decommissioned October 2009)</p> <p>Naval Patrol Force HMNZS <i>Otago</i> (accepted 18 February 2010) HMNZS <i>Wellington</i> (accepted 06 May 2010) HMNZS <i>Rotoiti</i> HMNZS <i>Hawea</i> HMNZS <i>Pukaki</i> HMNZS <i>Taupo</i></p>	<p>Royal New Zealand Air Force</p> <p>Auckland No 5 Squadron 6 x Lockheed P-3K Orion No 6 Squadron 5 x SH-2G(NZ) Seasprite No 40 Squadron 2 x Boeing 757-200 5 x Lockheed C-130H Hercules Expeditionary Support Squadron</p> <p>Ohakea No 3 Squadron 14 x UH-1H Iroquois 5 x Bell 47G-3B-2 Sioux Flying Training Wing 14 x CT-4E Airtrainer 5 x Beech King Air B200</p> <p>Woodbourne Ground Training Wing</p>

NZDF Personnel Strength as at 30 June 2010

Service	Regular Force (RF)	Reserve Force (ResF)	Civilian	Total	Gender Ratio (RF Male)	Gender Ratio (RF Female)
HQNZDF	370	19	477	866		
NZDF Support Services	71	1	612	684		
HQJFNZ	165		39	204		
NAVY	2161	339	370	2870	78%	22%
ARMY	4905	1789	690	7384	87%	13%
AIR FORCE	2607	186	402	3195	82%	18%
TOTAL	9673	2314	2590	14577	83%	17%

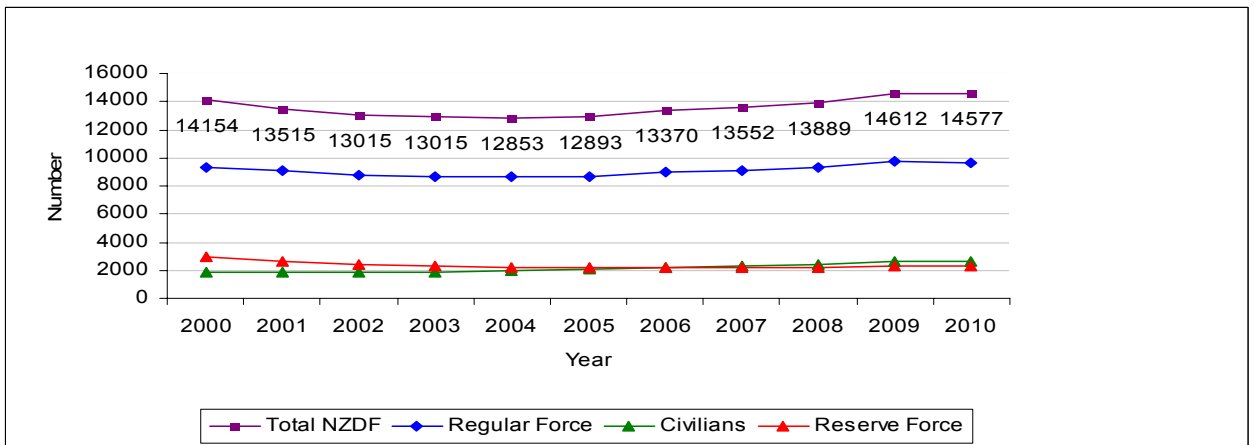
Notes:

HQ NZDF, Shared Services and HQ JFNZ military personnel (RF and Res) are already counted within single Service totals.

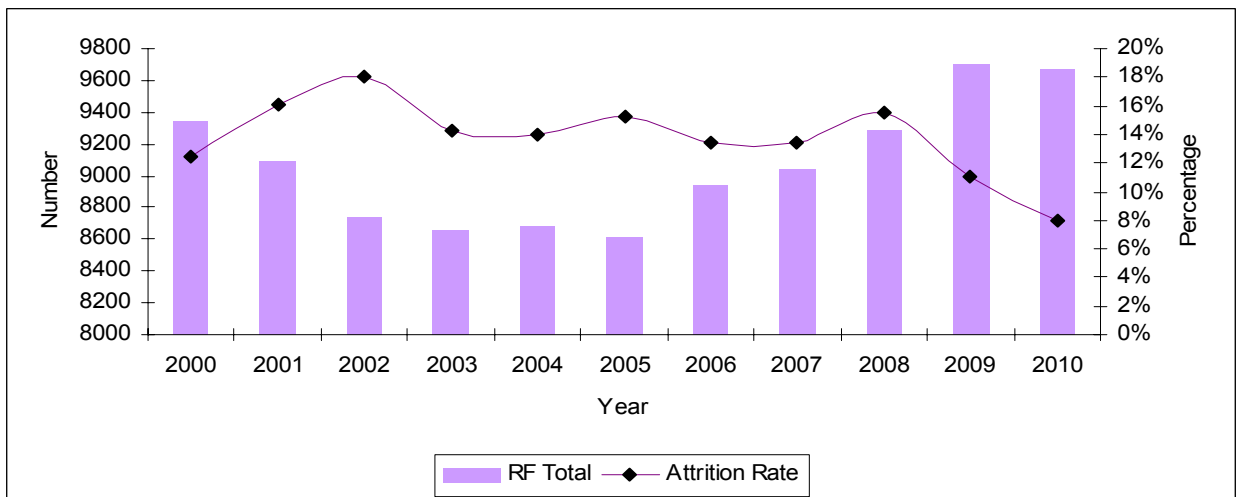
Civilian numbers in HQ NZDF, NZDF Support Services and HQ JFNZ are counted separately to single Service civilian totals.

All civilian numbers are full-time equivalent, and include VANZ and locally employed civilians (HQ NZDF).

NZDF Personnel Total Number by Year



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



The RF attrition rate (12 month rolling attrition) for the 12 months to 30 June 2010 was 8.0% (excluding Short-Term Employees).

Attitude Survey

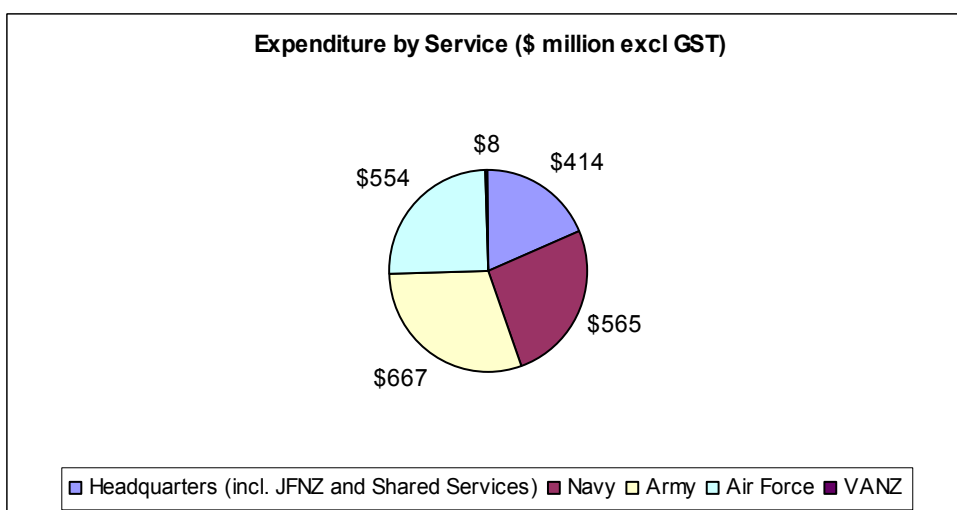
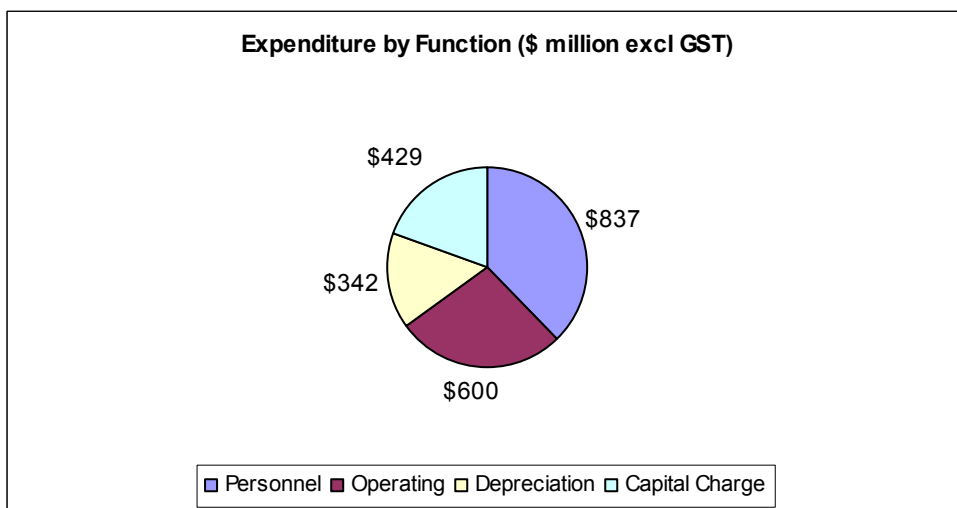
Overall, Regular Force (RF) satisfaction has remained fairly stable over the past 12 months. From July 2009 to June 2010, 65% of all RF respondents rated their overall satisfaction of the NZDF as 'good' or 'excellent'.

The NZDF Ongoing Attitude Survey continues to provide a valuable source of information to monitor organisational health as an aid to HR policy development. The NZDF Cohort Survey has also continued. This survey tracks selected cohort groups of officer and other rank recruits across the three Services over time, to monitor recruit perceptions and levels of satisfaction, and inform future recruitment, training, and management practices.

Summary of Expenditure

NZDF expenditure for the year ended 30 June 2010 was \$2.208 billion, exclusive of GST. Of this total, \$429 million (19%) 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 Section 6 of this report.



Statutory Committees

The two statutory NZDF committees, with the number of meetings held during 2009/10 were:

- Chiefs of Service Committee Nine meetings
- Board of Review Three occasions

During the reporting period, the Executive Leadership Team also met on 12 occasions.

Availability of Information

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

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

Defence Communications Group: dcg@nzdf.mil.nz

Headquarters New Zealand Defence Force

2–12 Aitken Street, Wellington

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

Headquarters New Zealand Defence Force

2–12 Aitken Street, Wellington

Navy: www.navy.mil.nz

Navy Today:

(Monthly publication)

The White Ensign:

(Navy Museum heritage journal) (Quarterly publication)

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

Devonport Naval Base, Auckland

Army: www.army.mil.nz

Army News:

(Fortnightly publication)

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

Waiouru

Air Force: www.airforce.mil.nz

RNZAF News:

(Monthly publication)

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

Sockburn, Christchurch

Ministry of Defence: www.defence.govt.nz

Legislation Administered by NZDF

Acts

Armed Forces Canteens Act 1948
 Armed Forces Discipline Act 1971
 Court Martial Act 2007
 Court Martial Appeals Act 1953
 Defence Act 1990
 Military Decorations and Distinctive Badges Act 1918
 Military Manoeuvres Act 1915
 Naval and Victualling Stores Act Repeal Act 1998
 Patriotic and Canteen Funds Act 1947
 Veterans' Affairs Act 1999
 Visiting Forces Act 2004
 War Funds Act Repeal Act 2003
 War Pensions Act 1954

Regulations, Orders and Royal Warrants

Air Efficiency Award Regulations 1954
 Armed Forces Canteens (Fees and Expenses) Regulations 1974
 Armed Forces Canteens (Fees and Travelling Expenses) Regulations 1974
 Armed Forces Discipline (Exemptions and Modifications) Amendment Order 1999
 Armed Forces Discipline (Legal Services Fees and Allowances) Amendment Regulations 1997
 Armed Forces Discipline Regulations 2008
 Armed Forces Discipline Rules of Procedure 2008
 Armed Forces Establishments Road Traffic Amendment Bylaws 2004
 Cadet Forces Medal
 Court Martial Appeal Court Rules 2008
 Court Martial Appeals (Fees and Allowances) Regulations 2008
 Courts-Martial Appeals Act Commencement Order 1955
 Defence Regulations 1990
 East Timor Medal 2001
 Efficiency Decoration Regulations 1966
 Efficiency Medal Regulations 1966
 Kayforce Wills Notice 1953
 Medal for Long Service and Good Conduct (Military) Regulations 1959
 New Zealand Armed Forces Award
 New Zealand Army Long Service and Good Conduct Medal
 New Zealand Cadet Forces Medal Regulations 1989
 New Zealand Distinguished Service Decoration Regulations 2007
 New Zealand General Service Medal (Afghanistan) Regulations 2002
 New Zealand General Service Medal (Arabian Gulf) Regulations 2001
 New Zealand General Service Medal (Bougainville) Regulations 2001
 New Zealand General Service Medal (Cambodia) Regulations 1995
 New Zealand General Service Medal (Indian Ocean) Regulations 2002
 New Zealand General Service Medal (Iraq) Regulations 1994
 New Zealand General Service Medal (Iraq 2003) Regulations 2004
 New Zealand General Service Medal (Korea 1954-57) Regulations 2002
 New Zealand General Service Medal (Korea) Regulations 2008
 New Zealand General Service Medal (Kuwait) Regulations 1992
 New Zealand General Service Medal (Malaya 1960-64) Regulations 2002
 New Zealand General Service Medal (Mozambique) Regulations 1995
 New Zealand General Service Medal (Near East) Regulations 2002
 New Zealand General Service Medal (Peshawar) Regulations 1994
 New Zealand General Service Medal (Rwanda) Regulations 2002

New Zealand General Service Medal (Sinai) Regulations 1992
 New Zealand General Service Medal (Solomon Islands) Regulations 2007
 New Zealand General Service Medal (Somalia) Regulations 1994
 New Zealand General Service Medal (Thailand) Regulations 2003
 New Zealand General Service Medal (Timor-Leste) Regulations 2007
 New Zealand General Service Medal (Vietnam) Regulations 2002
 New Zealand General Service Medal 1992
 New Zealand General Service Medal 1997
 New Zealand General Service Medal 2002
 New Zealand Memorial Cross
 New Zealand Meritorious Service Medal
 New Zealand Operational Service Medal 2002
 New Zealand Operational Service Medal Regulations 2002
 New Zealand Service Medal 1946-1949
 New Zealand Service Medal 1946-1949, 2002
 New Zealand Special Service Medal (Asian Tsunami) Regulations 2005
 New Zealand Special Service Medal (Nuclear Testing) Regulations 2002
 New Zealand Special Service Medal (Erebus) Regulations 2006
 New Zealand Special Service Medal 2002
 New Zealand White Ensign Regulations 1968
 Queen's Medal for Champion Shots of the Air Forces Regulations 1954
 Queen's Medal for Champion Shots of the New Zealand Naval Forces Regulations 1958
 Revocation of the Defence Pay Notice
 Royal New Zealand Air Force Long Service and Good Conduct Medal
 Royal New Zealand Naval Reserves Officers' Decorations
 Royal New Zealand Naval Reserves Officers' Decorations 1985
 Royal New Zealand Naval Volunteer Reserve Long Service and Good Conduct Medal
 Royal New Zealand Navy Long Service and Good Conduct Medal
 Royal Warrant - The Cadet Forces Medal
 Royal Warrant - The Queen's Medal for Champion Shots of the New Zealand Naval Forces
 Royal Warrant - The Vietnam Medal
 Royal Warrant - Cadet Forces Medal 1954
 Royal Warrant - The Medal for Long Service and Good Conduct (Military)
 Royal Warrant - The East Timor Medal
 Royal Warrant - The New Zealand General Service Medal
 Royal Warrant - The New Zealand Operational Service Medal
 Royal Warrant - The New Zealand Service Medal 1946-1949
 Royal Warrant - The New Zealand Special Service Medal
 War Pensions (Arrangement with Australia) Regulations 1967
 War Pensions (Rates of Pensions, Lump Sum Payments, and Allowances) Order 2007
 War Pensions (Rates of Pensions, Lump Sum Payments, and Allowances) Order 2008
 War Pensions (Rates of Pensions, Lump Sum Payments, and Allowances) Order 2009
 War Pensions (Total Deafness) Order 1997
 War Pensions Regulations 1956

Miscellaneous - Defence Force Orders (DFOs)

The activities of the Armed Forces are regulated by Defence Force Orders issued pursuant to the Defence Act 1990 and the Armed Forces Discipline Act 1971.

Section Three

NZDF Statement of Service Performance

Employment Contexts

Strategic guidance describes situations in which the New Zealand Government might choose to use military force. The NZDF uses this guidance to develop geographically grouped Employment Contexts (EC). EC 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.

EC are selected through assessment of New Zealand's geo-strategic situation and international security trends. The EC 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.

EC include high level operational concepts which, in turn, drive the Services' and joint Mission Essential Tasks (METs), that is, those tasks that the deployed forces must be able to perform. The METs drive the priorities for the Services' and joint annual training activities and which determine the output parameters that need to be delivered in order to meet government requirements.

The EC 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 affects the level of capability that must be maintained on an annual basis. Concepts for operations and contingency plans can then be developed for relevant EC.

EC ensure the NZDF output quality is consistent with defence policy. Current EC operational concepts 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.

The Employment Contexts are shown in the following table.

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

Note: The EC highlighted in the table above are those that have been fully developed and against which all NZDF force elements are assessed for operational preparedness. The interrelationships between highlighted and other EC are detailed in the Statement of Intent.

Military Capability

The annual outputs of the NZDF fall into two categories:

- performing predictable or routine tasks, such as providing policy advice, completing multi agency tasks or continuing to support existing peace support operations; and
- maintaining the military capability to respond to potential security events.

The level of preparedness required for new events is specified in the NZDF Output Plan, which details the level of military capability that must be maintained against the EC depicted in the previous table. The EC 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 OLOC, the NZDF is funded to routinely maintain a lower Directed Level of Capability (DLOC). This allows force elements to be raised to OLOC within specified response times, before being deployed on operations.

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.

Preparedness

The NZDF evaluates its ability to provide military response options to potential security events through the Operational Preparedness and Reporting System (OPRES). This system assesses the preparedness of all force elements for future security events against four key ingredients - readiness, combat viability, deployability, and sustainability. (These terms are amplified in the following table and explained in the glossary).

Supporting these measures are key performance indicators (KPIs). The table below shows the indicative KPIs and performance measures used for all force elements. These are applicable to 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 those for Veterans' Affairs New Zealand.

The table is indicative, as the actual measures used by each of the Services do vary slightly; this reflects that the Navy and Air Force are primarily based on platforms, whereas the Army is based more on personnel.

The results of these measures are the prime source to report the operational preparedness for each force element in Output Expenses 2 to 14, using a performance rating scale, also 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.

Performance Measurement

The following measures are used to assess the preparedness of NZDF force elements for likely security events.

Key Performance Indicators	Performance Measures
Readiness	
DLOC Establishment Filled.	% of Unit's DLOC Establishment that is filled.
Personnel Continuity.	% of personnel turnover in the last six months.
Key Personnel Appointments Filled Over Time.	% of key appointments filled by qualified personnel.
Equipment Serviceability.	% of Unit Establishment platforms/equipments that are serviceable.
Individual and Unit Level Training Completed.	% of individual/unit Readiness Training Activities (RTA) completed within reporting period.
Mission Critical Platform/Combat System/DLOC Aircraft Availability.	% of programmed operating time in which the ship's platform/combats systems were available/% of DLOC aircraft available.
Sufficiency of RTA Equipments, Expendable Stocks and Munitions.	% of stocks and live/practice munitions available for required RTA.
Combat Viability	
Adequacy of Tactics, Techniques and Procedures.	% mission success and element survivability enabled by tactics, techniques and procedures.
Collective Proficiency in EC Tasks.	% of collective/joint/combined exercises covering EC essential tasks completed.
Standardisation.	The degrees of interoperability allowed by the level of standardisation (as defined by NATO, ASIC and ABCA) with friendly forces for the EC METs.
Mission Critical Equipment Operational Viability or Suitability.	% mission success enabled (or restrictions on mission) by technology or equipment performance.
Equipment Reliability for Mission Critical Systems.	% degradation of EC essential tasks at OLOC operating tempo due to equipment reliability.
Deployability	
EC Specific OLOC Generation and Contingency Plans.	Plans distributed, reviewed and validated as current (annually).
Critical Equipment Deficiency Correction within Response Time.	% of Critical Deficiencies that can be corrected within Response Time.
Sufficiency of Deployment Expendable Stocks and Munitions.	% of live/practice munitions and stocks available for OLOC generation and retention, including the OVP.
Serviceability and Availability of OLOC Generation Equipment.	% of OLOC generation equipment serviceable and available.
Sustainability	
Availability of Replacement Personnel.	% of Service personnel to provide for sustainment.
Key Equipment Reparability.	% of operating time during which FE availability is degraded at OLOC operating tempo by repair times.
Availability of Sustainment Equipment, Stocks and Munitions.	% of sustainment equipment, stocks and munitions avail or obtainable within RT + OVP.
Availability of Replacement Equipment.	% of replacement equipment avail or obtainable within RT+ OVP.
Materiel Supply Times.	% of operating time during which FE availability is degraded at OLOC operating tempo by supply times.
Ability to Achieve and Sustain Operating Tempo to Achieve Tactical Objectives.	% operating tempo able to sustain throughout duration of deployment (due to aircraft/equipment serviceability and availability).

Notes:

1. These KPIs are indicative of the types of measures used. The actual measures used by each of the Services will vary. The Service-specific KPIs and their Performance Rating Scales are detailed in appropriate directives.
2. Service KPIs are used at the lower end (unit level) of OPRES. As in the case of OPRES, the aggregated KPIs, via the Statement of Service Performance, are reported externally in the NZDF Annual Report.

NZDF OPRES Performance Rating Scale

The following OPRES Performance Rating Scale is used to quantify force element performance in achieving preparedness (DLOC¹):

Rating	Meaning
P1	Fully Prepared – It means that 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.

Ministry of Defence

The Evaluation Division of the Ministry of Defence assesses, for the Minister of Defence, whether the NZDF has delivered Outputs to the standard required in the Output Plan. These assessments look at whether the NZDF would have been able to bring a force element up to an operational level of capability within the time required in the Output Plan, if called upon to do so.

Office of the Controller and Auditor General

The role of the Office of the Controller and Auditor General (Audit New Zealand) is to audit 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.

Contribution to Services Provided 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 section.

¹ Direct Level of Capability (DLOC) should be seen as a band within which there are five ratings (P1 to P5, or 'Fully Prepared' through to Unavailable for Assessment). A Force Element that has been set a P1 rating is at DLOC if it achieves that standard. If that Force Element only achieves a P2 rating, it is below DLOC. Similarly, a Force Element that has been set a P2 rating is at DLOC if it achieves that rating even though it is not fully prepared.

OUTPUT EXPENSE 1:

MILITARY POLICY DEVELOPMENT, COORDINATION AND ADVICE

Description

Provision of advice to the Minister of Defence on military contributions to New Zealand's foreign policy and military responses to contingencies, in accordance with NZDF Output Plan specifications. This output expense also includes military intelligence, responses to ministerial correspondence, select committee and parliamentary questions, Official Information Act inquiries, and Ombudsmen correspondence.

Output Expense 1 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 and Associate Minister on:

- procurement of major military equipment; and
- defence policy development.

Outputs in Output Expense 1

Output 1.1: Collection, Collation, and Dissemination of Military Intelligence

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

Output 1.2: Development and Production of Military Policy

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

Output 1.3: Operational Military Policy Advice

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

Output 1.4: Ministerial Correspondence and Parliamentary Questions

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

Contribution to Outcomes

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

Performance Measurement

Performance evaluation means output performance will be measured by the degree of satisfaction expressed by the Minister and Associate Minister, or by the appropriate committee or agency.

Measurement Areas

The supply of individual products of high quality as defined by the seven characteristics of quality advice: Purpose, Logic, Accuracy, Options, Consultation, Practicality and Presentation.

Overview

Overall, a satisfactory level of quality was achieved for key submissions. The number of responses provided was within the range anticipated except for submissions to Cabinet and reports to Select Committees.

The proportion of requests for official information requiring extensive research has continued to climb, which has led to the lengthening of some response times overall. The receipt of a large number Select Committee questions requiring a concentrated level of research and a response within tight deadlines means that timeliness targets for other correspondence cannot always be achieved.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
Range of key submissions anticipated as follows:	
<ul style="list-style-type: none"> Two Statutory Reports to Parliament (Statement of Intent and Annual Report) 	Two Statutory Reports were made to Parliament.
<ul style="list-style-type: none"> 30-50 Submissions to Cabinet (in conjunction with the Ministry of Defence) 	Nine submissions were made.
<ul style="list-style-type: none"> 350-450 Reports and Briefing Papers to Minister (in conjunction with the Ministry of Defence) 	426
<ul style="list-style-type: none"> 300-400 Ministerial Correspondence ("Ministerials") 	273 (including 80 requests made under the Official Information Act)
<ul style="list-style-type: none"> 350-450 Parliamentary Questions (for <i>Written</i> and <i>Oral</i> answer) 	98
<ul style="list-style-type: none"> 2-8 Select Committee Reports 	No reports were required to be presented to a Parliamentary Committee.
<ul style="list-style-type: none"> 380-480 Select Committee Questions (Foreign Affairs Defence & Trade, and Finance and Expenditure Committees) 	176
<ul style="list-style-type: none"> Meet the supply of high quality individual products, as above, - defined by the characteristics of quality advice (Refer to Note) 	Met
All reports and oral advice will be delivered within the agreed or statutory time frame: <ul style="list-style-type: none"> 95% of replies to Ministerials will be provided within 20 days of receipt of request 95% of replies to Parliamentary Questions for Written Answer will be provided by due date 95% of replies to Parliamentary Questions for Oral Answer will be provided by midday on the day that the reply is due in the House 	78% of draft replies to Ministerial correspondence were provided within 20 working days. Most draft replies to urgent correspondence were provided within five working days. 92% of the draft replies to Parliamentary Questions were provided within five working days There were no Parliamentary Questions for Oral Answer during the period In addition to numerous oral briefs the NZDF responded to 67 non-Ministerial OIA requests during the period under review
<ul style="list-style-type: none"> 95% of the first drafts of all policy papers accepted by the Minister 	96% of draft correspondence was accepted by the Minister without significant amendment.
<ul style="list-style-type: none"> 95% of other responses accepted without substantive amendment 	95% of other responses were accepted without substantive amendment.
<ul style="list-style-type: none"> A high degree of satisfaction expressed by the Minister, appropriate committee or agency (feedback from those for whom policy products have been produced) 	The Minister of Defence has expressed satisfaction with the quality of submissions after his preferences were reflected in the draft correspondence provided. Additional resources are being provided to the Output and should enhance the timeliness of responses.

Note: **Characteristics of 'quality advice':**

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

Costs for Output Expense 1 (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
	Expenditure			
10.565	Personnel	10.497	11.031	11.281
2.486	Operating	1.924	2.575	2.324
0.239	Depreciation	0.386	0.519	0.528
0.227	Capital Charge	0.207	0.215	0.215
13.517	Total Expenses	13.014	14.340	14.348
	Income			
13.339	Revenue Crown	12.979	14.305	14.305
0.035	Revenue Department	0.035	0.035	0.035
0.001	Revenue Other			0.003
0.000	Other Gains	0.000	0.000	0.325
13.375	Total Income	13.014	14.340	14.668
(0.142)	Net Surplus (Deficit)	-		0.320
	Cost by Output			
7.329	Output 1.1	6.553	8.317	8.245
2.678	Output 1.2	2.929	2.721	2.985
1.206	Output 1.3	1.218	1.296	1.248
2.304	Output 1.4	2.314	2.006	1.870

The total approved appropriation in 2009/10 for this output expense was \$14.540 million and the total expenditure was \$14.348 million. There was no unappropriated expenditure for this output expense.

Summary of Performance for Output Expenses 2-14

The following is a summary of the performance standards achieved for Navy, Army and Air Force outputs. More detailed information on the performance of individual outputs is shown in the following pages in this section.

Overall, force elements were prepared to meet contemporary security threats.

Navy – Output Expenses 2-6

Naval Combat Forces, Naval Support Forces, Mine Countermeasures (MCM) and MCM Diving Forces, and Military Hydrography and Hydrographic Data Collection achieved most of their performance targets.

The commencement of the ANZAC Class mid life upgrade reduced availability of the Naval Combat Force Outputs.

During the reporting period, Navy's Amphibious Sealift Force, HMNZS *Canterbury*, remained subject to contract and warranty provisions but made progress towards its operational release. Consequently *Canterbury* did not fully achieve the expected performance targets. Nevertheless, the ship demonstrated its value-add to the Defence Force with ship and crew participating in a number of significant exercises and operations, including OP TSUNAMI RELIEF.

The last of the IPC Class (HMNZS *Kahu*) decommissioned as all the IPVs completed their introduction into service and became available for operations. This has resulted in a corresponding increase in MAO&T/EEZ days being delivered. The acceptance of the OPV Class at the years end was too late for these ships to have an impact on Outputs.

Owing to a full exercise programme for the Hydrographic assets for FY09/10 not all Hydrographic Data Collection products were delivered to LINZ.

Personnel and the manning of the fleet was carefully managed in order to ensure units were available for programmed tasks. In some trades, shortages of experienced personnel at sea still exist but all vessels have been able to be manned and sailed as required to meet programmed outputs.

Army – Output Expenses 7-10

The requirement to provide a company group for EC 1 and 2 tasks was exceeded with an infantry company group fully prepared for tasks under EC 1, while concurrently sustaining deployments to Timor-Leste, Solomon Islands and Afghanistan. These deployments in effect almost equated to a light infantry-sized battalion group. To surge to an infantry battalion group during the reporting period would have required the redeployment of resources from Timor-Leste and Afghanistan. Light Armoured Vehicles were also successfully deployed to Afghanistan, the first time this capability has been used in an operational theatre with the NZ Army.

A high-readiness group was prepared for any high priority responses to events in the South Pacific region. Army provided force elements to assist the immediate clean-up in Samoa and the Cook Islands following the disastrous effects of the tsunami and seasonal weather conditions during the year.

Combat effectiveness continues to be enhanced through a renewed focus on combined arms training. Building this capability has improved the performance level of the NZ Army to conduct warfighting operations, delivering a more agile Army with a sharper combat edge prepared for both short notice contingencies and more complex tasks.

While responses to higher-threat situations were not required during the reporting period, training and equipping for these events is ongoing.

Teams were available to respond to IEDD tasks within New Zealand and this capability continued to grow over the reporting period. 1 NZSAS Group was available to conduct special operations and a counter terrorist group and counter terrorist assault group were prepared to assist the NZ Police, if required.

Air Force – Output Expenses 11-14

Aircraft and crews were capable of being deployed within designated degrees of notice and response times to conduct operations in low threat environments. However, the ongoing modernisation of a large number of aircraft created challenges in reaching targets for medium or higher threat military operations. Significant milestones included completion of the B757 fleet modification and some progress was achieved with the P3K Orion upgrade and C-130 Hercules life extension programme. The introduction of the NH90 medium utility helicopter will address the operating limitations of the current Iroquois fleet.

Effective standardisation with other forces was achieved with participation in exercises such as Maple Guardian in Canada and Swift Eagle in Australia, and regular operational support flights to Afghanistan. On the personnel front Air Force attrition is low. Despite this, in some trades shortages of experienced technical personnel remain, however, this is being addressed through targeted recruitment and retention initiatives.

Output Expense 2: Naval Combat Forces

Description

Provision of the capabilities of the frigates, HMNZ Ships *Te Kaha* and *Te Mana*, prepared to conduct maritime operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications.

Overview

Both frigates achieved their planned sea day and preparedness targets. HMNZS *Te Kaha* fell short on Mission Available Days due to delays with completion of the Ship's Propulsion Systems Upgrade (PSU). The PSU for HMNZS *Te Kaha* saw the ship in dockyard hands for the first half of the reporting period. Following post PSU trials and training HMNZS *Te Kaha* rejoined the operational fleet in April 2010. HMNZS *Te Mana* remained the operational frigate until entering PSU in April 2010.

Highlights

During the reporting period the Naval Combat Force (NCF) participated in the following activities:

- Bilateral Exercise LION ZEAL with the Republic of Singapore Navy. An exercise which allowed Singaporean and NZ forces to conduct joint operations in a multi-threat environment, with a focus on maritime support operations and enhance interoperability and strengthen professional relationships between the two Defence Forces.
- Five Power Defence Arrangement (FPDA) exercises BERSAMA LIMA and BERSAMA SHIELD. This exercise allowed FPDA partners to conduct joint operations in a multi-threat environment in the defence of Malaysia and Singapore enhancing interoperability and strengthening professional relationships.
- Anti Submarine Exercise (ASWEX 09) with the Royal Australian Navy (RAN) and Royal Australian Air Force (RAAF) and Royal New Zealand Air Force (RNZAF). An exercise which allowed the NCF to conduct advanced DLOC training through participation in RAN anti-submarine training exercise and trials.
- A Fleet Concentration Period (FCP) in Australia. A foundation exercise period for the ADF and NZDF to build maritime warfare skills across all environments to ensure a base level of competency for ADF and NZDF units.
- Exercise GREY GHOST with the RNZAF and the RAN. A surface warfare exercise conducted with ships and aircraft while on passage between Australia and New Zealand.
- Exercise TASMANEX with the RAN and RNZAF. A foundation exercise period for the ADF and NZDF to build maritime warfare skills across all environments to ensure a base level of competency for ADF and NZDF units.
- At sea, in company training with the RAN.
- Conducted Defence Diplomacy activities in Singapore, Indonesia, Hong Kong, China, Canada and the United States of America.

Contribution to Outcomes

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

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
<p>Two ANZAC frigates, each with embarked Seasprite helicopter as required, available for military tasks. One frigate to be available for regional or collective security tasks and the second frigate to be available to deal with low-level security challenges in New Zealand or South Pacific waters.</p> <p>The Offshore Patrol Vessels (OPVs) will assume the low-level security challenges in New Zealand or South Pacific waters role once they have been fully accepted into service.</p> <p>Deployment Impact:</p> <ul style="list-style-type: none"> • Consecutive deployments of the Naval Combat Force elements for six months, on similar missions, are likely to have an adverse impact on training. • The Naval Combat Forces will not be able to reach a higher grading for the higher-end/combat-related tasks (under Employment Contexts 3 - 5) until the Self Defence Upgrade project has been completed. The proposed Self Defence Upgrade project remains subject to Government approval. <p>(Refer to Notes)</p>	<p>Apart from the periods of routine planned maintenance and the periods HMNZ Ships <i>Te Kaha</i> and <i>Te Mana</i> were in the first phase to upgrade platform systems, two frigates, each with an embarked Seasprite helicopter, were available as required to support required tasks.</p> <p>The late delivery of the OPVs saw the frigates remain prepared to respond to low-level security challenges in the South Pacific.</p>
<p>Undertake MAO&T (Multi-Agency Operations/Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role.</p> <p>While specific, pre-planned operations/tasks (under MAO&T) normally require specific quality standards, the quality of other assistance to the government and the community may rely on the satisfaction expressed by the supported party/agency. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")</p>	<p>The introduction of the IPV largely removed the requirement for Naval Combat Forces to conduct MAO&T during this period.</p> <p>This has permitted the Naval Combat Forces to fulfil a programme that focused on defence diplomacy (e.g. Shanghai Expo) and DLOC generation through exercise commitments (e.g. FPDA and ADF/NZDF).</p> <p>Services were provided to the satisfaction of agencies.</p>
<p>Undertake Defence Diplomacy tasks as required, in accordance with NZDF and Government/MFAT requirements. This normally involves ship visits to foreign ports.</p>	<p>Despite the Naval Combat Force being in planned upgrade phases during the reporting period both units completed comprehensive deployments to Australia South East and East Asia; with <i>Te Kaha</i> also visiting North America.</p> <p>Feedback from Defence Attaches and MFAT on defence diplomacy undertaken as part of foreign port visits and exercising with foreign military forces has been uniformly positive. Reports indicate that the arrival of a RNZN vessel in port provides a focal point around which wider discussion of the inter-state relationship can be discussed. Notable examples were the positive reports on the support <i>Te Kaha</i> provided to MFAT as part of the Shanghai World Expo and <i>Canterbury's</i> involvement at the Indonesian Feet Review.</p>

Performance Measures	Performance Achieved
HMNZS <i>Te Kaha</i> to be mission available for 161 days and to spend 95 to 115 days at sea for the year.	HMNZS <i>Te Kaha</i> had a reduction in mission availability to 124 days which was due to the programmed PSU period commencing two months later than originally scheduled. The delay was caused when the Original Equipment Manufacturers (OEM) were unable to develop the Integrated Performance Management System (IPMS) options within the timeframe originally anticipated. To ensure that fully developed options were able to be assessed, more time was given to allow OEM development of the options. The reduced mission availability was managed to minimise the impact in days at sea of which <i>Te Kaha</i> achieved 84. While the delay in commencing the PSU impacted <i>Te Kaha</i> 's availability this was offset through an increase in <i>Te Mana</i> 's employment, resulting in the Output Expense collectively meeting its output requirements.
HMNZS <i>Te Mana</i> to be mission available for 115 days and to spend 72 to 92 days at sea for the year.	HMNZS <i>Te Mana</i> was mission available for 188 days and spent 111 days at sea. This increase was due to the delay in commencing the programmed upgrade and ensuring that <i>Te Kaha</i> 's reduction was covered across the Naval Combat Force.
Preparedness – Naval Combat Forces: Employment Context	
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>	
Illegal exploitation of marine resources within the New Zealand EEZ, and other low-level threats to New Zealand territorial sovereignty (EC 1A) – Fully prepared	Fully prepared
Terrorist and asymmetric threats (EC 1D) – Fully prepared	Fully prepared
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>	
Natural and manmade disasters (EC 2B) – Fully prepared	Fully prepared
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C) – Fully prepared	Fully prepared
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E) – Fully prepared	Fully prepared
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>	
Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation (EC 4A) – Substantially prepared	Substantially prepared
Inter-state conflict (EC 4F) – Substantially prepared	Substantially prepared
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>	
Terrorist threats (EC 5D) – Substantially prepared	Substantially prepared

Notes:

1. The Key Measurement Areas (Readiness, Combat Viability, Sustainability and Deployability), the Performance Rating Scale, and the Employment Contexts (EC) are explained earlier in this part.
2. Details on the Seasprite helicopters are recorded under Output Expense 11 (Naval Helicopter Forces.)

Costs for Output Expense 2 (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
	Expenditure			
101.089	Personnel	93.078	103.064	98.753
78.421	Operating	81.729	71.624	69.633
6.050	Losses on Foreign Exchange			4.747
113.023	Depreciation	102.078	115.721	112.703
108.206	Capital Charge	107.830	116.467	116.472
406.789	Total Expenses	384.715	406.876	402.308
	Income			
394.184	Revenue Crown	381.277	403.420	403.420
1.227	Revenue Department	1.628	1.503	0.606
1.503	Revenue Other	1.810	1.953	1.787
7.859	Gains on Foreign Exchange			1.904
0.000	Other Gains			1.032
404.773	Total Income	384.715	406.876	408.749
(2.016)	Net Surplus (Deficit)			6.441

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2009/10 for this output expense was \$404.226 million and the total expenditure excluding remeasurements was \$397.561 million. There was no unappropriated expenditure for this output expense.

Output Expense 3: Naval Support Forces

Description

Provision of the capabilities 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, in accordance with NZDF Output Plan specifications. This output expense also includes contributions to a range of services provided to Government and the community.

Outputs in Output Expense 3

Output 3.1 - Replenishment Force

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

Output 3.2 - Amphibious Sealift Force

The provision of the Amphibious Sealift Ship, HMNZS *Canterbury*, prepared to conduct amphibious sealift operations in support of deploying and/or deployed military forces, and normal naval activities. This output also includes contributions by the Amphibious Sealift Ship to some community services when not committed to operations.

Overview

HMNZS *Endeavour* achieved her planned sea day targets and planned preparedness targets were met.

Although HMNZS *Canterbury* continues to develop capability the ship has still yet to achieve all output performance targets. The ship's full introduction into operational service has been delayed owing to contractual warranty matters and the remedial programme. As a consequence, *Canterbury* spent fewer days at sea than planned as there was a need to adjust the ship's programmed exercise and training activities to accommodate the modification schedule under the remedial programme.

Highlights

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

- Bilateral Exercise LION ZEAL with the Republic of Singapore Navy. An exercise which allowed Singaporean and NZ forces to conduct joint operations in a multi-threat environment, with a focus on maritime support operations and enhance interoperability and strengthen professional relationships between the two Defence Forces.
- Five Power Defence Arrangement (FPDA) exercises BERSAMA LIMA and BERSAMA SHIELD. This exercise allowed FPDA partners to conduct joint operations in a multi-threat environment in the defence of Malaysia and Singapore enhancing interoperability and strengthening professional relationships.
- Exercise DEEP SABRE 2.
- Exercise TASMANEX with the Royal Australian Navy (RAN) and RNZAF. A foundation exercise period for the ADF and NZDF to build maritime warfare skills across all environments to ensure a base level of competency for ADF and NZDF units.
- At sea on passage undergoing training with the RAN.

- Conducted defence diplomacy activities in Singapore, Hong Kong, China, Canada and the United States.

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

- Indonesian Fleet Review – North Sulawesi.
- Operation SAMOAN TSUNAMI RELIEF which included the delivery of aid to the Kingdom of Tonga.
- Training with elements of the Australian Defence Force (ADF) through participation in the Fleet Concentration Period (East), Exercise SQUADDEX and Exercise SEA LION. Exercise SEA LION was an exercise which allowed the development of amphibious capability in a controlled multi landing craft environment ensuring commonality of procedures between RNZN and RAN amphibious units.
- Exercise CROIX DU SUD in New Caledonia. A joint and combined exercise involving the NZ Navy, Army, Air Force and regional forces including South Pacific Island nation, Australian and French Forces. The purpose of this exercise is to train multinational forces in the conduct of a small-sized joint, combined non-combatant evacuation operations and humanitarian assistance/disaster relief missions. The NZDF's involvement permits the Force to generate a capacity to provide Military Aid to Civilian Authorities in a regionalised coalition force.
- Support to the Department of Conservation at Raoul Island.

Contribution to Outcomes

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

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
<p>HMNZS <i>Endeavour</i> and HMNZS <i>Canterbury</i>, with embarked Seasprite helicopters as required, available for military tasks.</p> <p>HMNZS <i>Canterbury</i> is capable of embarking four NH-90 medium utility helicopters (to be acquired by the NZDF in 2010/11).</p> <p>HMNZS <i>Canterbury</i> will not be fully prepared for the full spectrum of operational service until the end of 2009.</p>	<p>HMNZS <i>Endeavour</i> was available, as required, for military tasks. (Note: <i>Endeavour</i> does not have an embarked Seasprite capability)</p> <p>HMNZS <i>Canterbury</i> was available to support all military tasks, with an embarked Seasprite helicopter when required, that were within the ship's capability under the operational release period. Due to warranty issues and latent defects <i>Canterbury</i> has not yet achieved full operational availability. <i>Canterbury's</i> introduction into service will continue in FY 2010/11.</p>
<p>Undertake MAO&T (Multi-Agency Operations/Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role.</p> <p>While specific, pre-planned operations/tasks (under MAO&T) normally require specific quality standards, the quality of other assistance to the government and the community may rely on the satisfaction expressed by the supported party/agency. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")</p>	<p>During the reporting period, HMNZ Ships <i>Endeavour</i> and <i>Canterbury</i> undertook a range of MAO&T and contributed to a range of services in support of other government departments, the community and foreign and defence policy objectives. HMNZS <i>Canterbury</i> provided humanitarian support to Samoa following the tsunami in September 2009.</p> <p>Services were provided to the satisfaction of agencies.</p>

Performance Measures	Performance Achieved
Both vessels undertake Defence Diplomacy tasks as required, in accordance with NZDF and Government/MFAT requirements. This normally involves ship visits to foreign ports.	<p>HMNZS <i>Endeavour</i> completed two deployments to Australia and Asia, including one to North America. Throughout these deployments <i>Endeavour</i> supported Defence Diplomacy and Government/MFAT requirements.</p> <p>Feedback from Defence Attaches and MFAT on defence diplomacy undertaken as part of foreign port visits and exercising with foreign military forces has been uniformly positive.</p> <p>HMNZS <i>Canterbury</i> deployed to Australia and the South Pacific in support of Defence Diplomacy.</p>
HMNZS <i>Endeavour</i> to be mission available for 239 days and to spend 141 to 161 days at sea.	HMNZS <i>Endeavour</i> was mission available 247 days and spent 150 days at sea.
HMNZS <i>Canterbury</i> to be mission available for 279 days and to spend 135 to 155 days at sea.	HMNZS <i>Canterbury</i> was mission available 220 days and spent 128 days at sea. This reduction was due to an increased amount of unforeseen warranty maintenance required.
Preparedness – Naval Support Forces: Employment Context	
Security Challenges and Defence Tasks in New Zealand and its environs	
<p>Illegal exploitation of marine resources within the New Zealand EEZ, and other low-level threats to New Zealand territorial sovereignty (EC 1A).</p> <p>HMNZS <i>Canterbury</i> – Fully prepared</p>	HMNZS <i>Canterbury</i> – Substantially prepared
<p>Terrorist and asymmetric threats (EC 1D).</p> <p>HMNZS <i>Canterbury</i> – Fully prepared</p>	HMNZS <i>Canterbury</i> – Substantially prepared
Security Challenges to New Zealand's Interests in the South Pacific	
<p>Natural and manmade disasters (EC 2B).</p> <p>HMNZS <i>Endeavour</i> - Fully prepared</p> <p>HMNZS <i>Canterbury</i> – Fully prepared by end of 2009</p>	<p>HMNZS <i>Endeavour</i> - Fully prepared</p> <p>HMNZS <i>Canterbury</i> – Substantially prepared</p>
<p>State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C) –</p> <p>HMNZS <i>Endeavour</i> – Fully prepared</p> <p>HMNZS <i>Canterbury</i> – Fully prepared by end of 2009</p>	<p>HMNZS <i>Endeavour</i> - Fully prepared</p> <p>HMNZS <i>Canterbury</i> – Substantially prepared</p>
<p>Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E).</p> <p>HMNZS <i>Endeavour</i> - Fully prepared</p> <p>HMNZS <i>Canterbury</i> – Fully prepared by end of 2009</p>	<p>HMNZS <i>Endeavour</i> - Fully prepared</p> <p>HMNZS <i>Canterbury</i> – Substantially prepared</p>
Security Challenges to New Zealand's Interests in the Asia-Pacific Region	
<p>Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation (EC 4A).</p> <p>HMNZS <i>Endeavour</i> - Substantially prepared</p> <p>HMNZS <i>Canterbury</i> – Substantially prepared</p>	<p>HMNZS <i>Endeavour</i> – Substantially prepared</p> <p>HMNZS <i>Canterbury</i> – Substantially prepared</p>

Performance Measures	Performance Achieved
Inter-State conflict (EC 4F). <i>HMNZS Endeavour</i> - Substantially prepared <i>HMNZS Canterbury</i> – Substantially prepared	<i>HMNZS Endeavour</i> – Substantially prepared <i>HMNZS Canterbury</i> – Substantially prepared
Security Challenges to New Zealand's Interests in Global Peace and Security	
Terrorist Threats (EC 5D). <i>HMNZS Endeavour</i> - Substantially prepared <i>HMNZS Canterbury</i> – Substantially prepared	<i>HMNZS Endeavour</i> – Substantially prepared <i>HMNZS Canterbury</i> – Substantially prepared

Note: The Key Measurement Areas (Readiness, Combat Viability, Sustainability and Deployability), the Performance Rating Scale, and the Employment Contexts (EC) are explained earlier in this part.

Costs for Output Expense 3 (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
	Expenditure			
34.176	Personnel	31.355	33.415	34.604
23.942	Operating	24.361	29.482	26.635
1.855	Losses on Foreign Exchange			1.286
20.918	Depreciation	18.547	19.314	19.252
24.277	Capital Charge	24.233	26.175	26.175
105.168	Total Expenses	98.496	108.386	107.952
	Income			
101.155	Revenue Crown	97.638	107.528	107.528
0.294	Revenue Department	0.370	0.402	0.139
0.440	Revenue Other	0.488	0.456	0.405
2.416	Gains on Foreign Exchange			0.516
0.000	Other Gains			0.068
104.305	Total Income	98.496	108.386	108.656
(0.863)	Net Surplus (Deficit)	-		0.704
	Cost by Output			
45.250	Output 3.1	42.667	43.993	43.258
59.918	Output 3.2	55.829	64.393	63.408

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2009/10 for this output expense was \$108.386 million and the total expenditure excluding remeasurements was \$106.666 million. There was no unappropriated expenditure for this output expense.

Output Expense 4: Mine Countermeasures (MCM) and MCM Diving Forces

Description

Provision of the capabilities of the Mine Countermeasures (MCM) Forces, HMNZS *Manawanui* with HMNZS *Kahu* as backup, prepared to conduct route surveys and conditioning of selected New Zealand ports (Q-Routes), and the provision of the Operational Diving Team (ODT) prepared to support MCM operations and to conduct independent diving tasks, in accordance with NZDF Output Plan specifications. This output expense also includes some support services to the community.

[Note: Any RNZN IEDD support for emergency National Response tasks is covered under Output 10.3. Notwithstanding Output 10.3, the RNZN, via Output 4.2, requires and maintains its own integral EOD/IEDD capability of 2 x Teams].

Outputs in Output Expense 4

Output 4.1 - Mine Countermeasure (MCM) Forces

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

Output 4.2 - MCM Diving Forces

The provision of the ODT, including two integral EOD/IEDD Teams, prepared to classify and clear surveyed Q-Routes, and to conduct independent diving tasks - such as clearance diving, and normal naval activities. This output also includes contributions by Navy Divers to some community services. (Note: Shortages of personnel mean that the second Diving Team (including an integral EOD/IEDD capability) is yet to be fully manned)

Overview

HMNZS *Manawanui* exceeded her planned sea days as she undertook tasking which was originally planned for the Naval Patrol Force. These tasks included support to MAO&T, EEZ patrol and additional sea training courses prior to the full introduction of the Naval Patrol Force. HMNZS *Kahu* was withdrawn from service in October 2009 after completing 42 sea days and the Inshore Patrol Vessels (OE 5.2) were utilised in support of diving training when *Manawanui* was not available.

Preparedness targets were met and personnel met the collective training standards and competency requirements for military tasks.

The planned diving hours were not met due to the shortage of operational divers and the need to concentrate on training of new divers. The introduction of the REMUS underwater search equipment has also reduced the number of dive hours required to undertake some operational dive tasks due to the more efficient search methods of the REMUS equipment. The shortage of divers remains an area of challenge but strategies are in place to improve the situation.

Highlights

MCM Diving Forces contributed to Operation Samoan Tsunami. The team also contributed in conjunction with the REMUS (Remote Environmental Measuring Underwater System) MCMT search team to:

- Operation NOMUKA (the search for the sunken Tongan ferry MV Princess Ashika).
- Five Power Defence Arrangement (FPDA) exercises BERSAMA LIMA and BERSAMA SHIELD. This exercise allowed FPDA partners to conduct joint operations in a multi-threat environment in the defence of Malaysia and Singapore enhancing interoperability and strengthening professional relationships.

- LAGOON MINEX search and disposal of mines in New Caledonia. This exercise allowed the operational procedures to locate and neutralise unexploded ordnance on the sea bed to be evaluated and enhanced the interoperability of MCM units between Defence Forces of New Zealand, Australia, United States of America and France.

Contribution to Outcomes

Output Expense 4 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
<p>MCM Support Vessel (HMNZS <i>Manawanui</i>) and Operational Diving Team (ODT) available for military tasks.</p> <p>When HMNZS <i>Manawanui</i> is deployed outside of New Zealand waters, HMNZS <i>Kahu</i> will undertake the tasks of MCM Support Vessel on the New Zealand station. When not deployed in this role, HMNZS <i>Kahu</i> will operate as part of the Naval Patrol Forces).</p> <p>Only one of two Diving Teams that make up the ODT is manned.</p>	<p>HMNZS <i>Manawanui</i> and the ODT were available for military tasks. HMNZS <i>Kahu</i> was available until October 2009 with the IPVs being made available for some dive training support following <i>Kahu's</i> decommissioning.</p> <p>Whilst one of the diving teams was deployed overseas on exercise a second team was formed from training resources to contribute to Operation Samoan Tsunami. A second dive team continues to be a manpower challenge.</p>
<p>Undertake MAO&T (Multi-Agency Operations/Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role.</p> <p>While specific, pre-planned operations/tasks (under MAO&T) normally require specific quality standards, the quality of other assistance to the government and the community may rely on the satisfaction expressed by the supported party/agency. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")</p>	<p>HMNZS <i>Manawanui</i> and the ODT undertook a range of MAO&T and contributed to a range of services in support of other government departments, the community and foreign and defence policy objectives.</p> <p>Services were provided to the satisfaction of agencies.</p>
<p>HMNZS <i>Manawanui</i> to be mission available for 234 days and to spend 82 to 102 days at sea for the year:</p>	<p>HMNZS <i>Manawanui</i> was mission available for 284 days and spent 155 days at sea</p>
<p>HMNZS <i>Kahu</i> to be mission available for 225 days and to spend 88 to 108 days at sea for the year:</p>	<p>HMNZS <i>Kahu</i> was mission available for 136 days and spent 42 days at sea prior to being removed from service in October 2009</p>
<p>Operational Diving Team to spend 327 to 347 hours on operational dive training and MCM readiness training in diving techniques for the disposal of mines and other explosive devices. (The diving hours refer to actual time in the water).</p>	<p>The Diving Team achieved 277 hours on operations, operational dive training and MCM readiness training.</p>
<p>Preparedness – Mine Countermeasures (MCM) and MCM Diving Forces: Employment Context</p>	
<p>Security Challenges and Defence Tasks in New Zealand and its environs</p>	
<p>Terrorist and Asymmetric Threats (EC 1D) HMNZS <i>Manawanui</i> and ODT- Fully prepared</p>	<p>HMNZS <i>Manawanui</i> and ODT- Fully prepared</p>

Performance Measures	Performance Achieved
Security Challenges to New Zealand's Interests in the South Pacific	
Natural and manmade disasters (EC 2B) HMNZS <i>Manawanui</i> – Fully prepared	HMNZS <i>Manawanui</i> – Fully prepared
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C) HMNZS <i>Manawanui</i> and ODT - Fully prepared	HMNZS <i>Manawanui</i> – Fully prepared ODT - Substantially prepared
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E). HMNZS <i>Manawanui</i> and ODT - Fully prepared	HMNZS <i>Manawanui</i> – Substantially prepared ODT - Substantially prepared
Security Challenges to New Zealand's Interests in the Asia-Pacific Region	
Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation (EC 4A) HMNZS <i>Manawanui</i> and ODT - Substantially prepared	HMNZS <i>Manawanui</i> and ODT- Substantially prepared
Inter-State conflict (EC 4F) HMNZS <i>Manawanui</i> – Substantially prepared ODT – Partially prepared	HMNZS <i>Manawanui</i> - Substantially prepared ODT – Substantially prepared
Security Challenges to New Zealand's Interests in Global Peace and Security	
Terrorist Threats (EC 5D) HMNZS <i>Manawanui</i> and ODT - Substantially prepared	HMNZS <i>Manawanui</i> and ODT- Substantially prepared

Note: The Key Measurement Areas (Readiness, Combat Viability, Sustainability and Deployability), the Performance Rating Scale, and the Employment Contexts (EC) are explained earlier in this part.

Costs for Output Expense 4 (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
	Expenditure			
12.865	Personnel	11.777	11.449	11.726
6.952	Operating	6.709	6.762	6.080
0.447	Losses on Foreign Exchange			0.207
2.760	Depreciation	1.638	2.461	2.480
5.341	Capital Charge	5.387	5.819	5.819
28.365	Total Expenses	25.511	26.491	26.312
	Income			
27.396	Revenue Crown	25.280	26.268	26.268
0.071	Revenue Department	0.059	0.065	0.022
0.179	Revenue Other	0.172	0.158	0.162
0.581	Gains on Foreign Exchange			0.083
0.000	Other Gains			0.069
28.227	Total Income	25.511	26.491	26.604
(0.138)	Net Surplus (Deficit)	-		0.292
	Cost by Output			
13.308	Output 4.1	12.578	11.812	11.434
15.057	Output 4.2	12.933	14.679	14.671

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2009/10 for this output expense was \$26.791 million and the total expenditure excluding remeasurements was \$26.105 million. There was no unappropriated expenditure for this output expense.

Output Expense 5: Naval Patrol Forces

Description

Provision of the capabilities of the Offshore and Inshore Patrol Vessels (OPVs, 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 EEZ, in accordance with NZDF Output Plan specifications. Once in service, 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.

Outputs in Output Expense 5

Output 5.1 - Offshore Patrol Forces

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

Output 5.2 - Inshore Patrol Forces

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

Overview

Output 5.1 - Both OPVs were delivered during the latter stages of the reporting period but will not become operationally released until late in the next FY.

Output 5.2 - All four IPVs were operational during the reporting period and collectively achieved 98% of the planned Mission Availability days. Due to programme changes and unplanned maintenance individual ship sea days varied from that expected, collectively, however, the IPVs achieved 486 sea days from a planned range of 438 to 518.

Highlights

Output 5.1 – Both Ships have been delivered to the RNZN and have commenced an introduction into service programme.

Output 5.2 – All four ships successfully undertook MA&OT activities in support of a number of government agencies. These tasks extended to the Chatham Islands with HMNZS *Taupo* conducting a successful patrol.

Contribution to Outcomes

Output Expense 5 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
<p>Two OPVs, HMNZ Ships <i>Otago</i> and <i>Wellington</i>, with embarked Seasprite or other helicopter/s as required, available for military tasks - once delivered for service in the Navy.</p> <p>Subject to availability and the Government's requirements, tasking of the OPVs may take place in EC other than those listed below.</p>	<p>Contractor negotiations were ongoing throughout the period resulting in further delays in delivery, acceptance and operational availability of the two OPVs.</p> <p>HMNZS <i>Otago</i> arrived in New Zealand in April 2010 and HMNZS <i>Wellington</i> in June 2010.</p> <p>Neither ship was available for employment in any EC during the reporting period.</p>
<p>Four IPVs, HMNZ Ships <i>Rotoiti</i>, <i>Hawea</i>, <i>Pukaki</i> and <i>Taupo</i>, available for military tasks - once delivered for service in the Navy.</p> <p>Subject to availability and the Government's requirements, tasking of the IPVs may take place in EC other than those listed below.</p>	<p>All four IPVs have been available and employed on military training and tasks.</p> <p>The IPVs have been employed within the confines of the assigned EC.</p> <p>Employment in an EC 2 context is currently influenced by the Lloyds certification which constrains the vessel to within 150nm of a safe refuge. Waivers can be requested, as was done to achieve <i>Taupo</i>'s deployment to the Chatham Islands in March 2010.</p> <p>Throughout the year one IPV has been available as Duty IPV' at eight hours notice for sea and available for unplanned response tasks.</p>
<p>Undertake MAO&T (Multi-Agency Operations/Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role.</p> <p>While specific, pre-planned operations/tasks (under MAO&T) normally require specific quality standards, the quality of other assistance to the government and the community may rely on the satisfaction expressed by the supported party/agency. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")</p>	<p>The IPVs have been employed in MAO&T for since each ship's operational release during the year including qualification periods for Ministry of Fisheries and New Zealand Customs Service. As a consequence the RNZN and MAO&T organisations have become significantly more visible to the general public which has in turn increased public awareness of maritime regulations and the role the Navy plays within the NZ EEZ.</p> <p>Services were provided to the satisfaction of agencies.</p>
<p>OPV HMNZS <i>Otago</i> to be mission available for 273 days and to spend 93 to 113 days at sea. (Refer to Notes)</p>	<p>Owing to delayed delivery, <i>Otago</i> was not mission available and will remain unavailable until Sep 10. Through trials and delivery <i>Otago</i> spent 12 days at sea (in RNZN service).</p>
<p>OPV HMNZS <i>Wellington</i> to be mission available for 312 days and to spend three to six days at sea. (Refer to Notes)</p>	<p>Owing to delayed delivery, <i>Wellington</i> was not mission available and will remain unavailable until at least Oct 10. Through trials and delivery <i>Wellington</i> spent nine days at sea (in RNZN service).</p>
<p>IPV HMNZS <i>Rotoiti</i> to be mission available for 256 days and to spend 108 to 128 days at sea.</p>	<p><i>Rotoiti</i> has been mission available for 235 days and spent 117 days at sea. Mission Available Days are less than planned due to unscheduled maintenance required to correct superstructure cracking.</p>
<p>IPV HMNZS <i>Hawea</i> to be mission available for 226 days and to spend 109 to 129 days at sea.</p>	<p><i>Hawea</i> has been mission available for 279 days and spent 141 days at sea. Mission Available Days are higher than planned due to the unscheduled maintenance required in <i>Rotoiti</i> and <i>Pukaki</i>.</p>
<p>IPV HMNZS <i>Pukaki</i> to be mission available for 272 days and spend 118 to 138 days at sea.</p>	<p><i>Pukaki</i> has been mission available for 238 days and spent 116 days at sea. Mission Available Days are less than planned due to unscheduled maintenance required to correct superstructure cracking and gearbox misalignment.</p>
<p>IPV HMNZS <i>Taupo</i> to be mission available for 247 days and to spend 103 to 123 days at sea.</p>	<p><i>Taupo</i> has been mission available for 237 days and spent 112 days at sea.</p>

Performance Measures	Performance Achieved
Preparedness – Naval Patrol Forces: Employment Context	
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>	
Illegal exploitation of marine resources within the New Zealand EEZ, and other low-level threats to New Zealand territorial sovereignty (EC 1A). Offshore and Inshore Patrol Forces - Fully prepared	Inshore Patrol Forces – Fully prepared Offshore Patrol Force – Unavailable for assessment.
Terrorist and Asymmetric Threats (EC 1D) Offshore and Inshore Patrol Forces - Fully prepared	Inshore Patrol Forces – Fully prepared Offshore Patrol Force – Unavailable for assessment.
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>	
Natural and manmade disasters (EC 2B) Offshore Patrol Forces - Fully prepared Inshore Patrol Forces - Substantially prepared	Inshore Patrol Forces – Fully prepared Offshore Patrol Force – Unavailable for assessment.
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C). Offshore Patrol Forces - Substantially prepared	Offshore Patrol Force – Unavailable for assessment.
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E). Offshore Patrol Forces - Substantially prepared	Offshore Patrol Force – Unavailable for assessment.

Notes:

1. The Key Measurement Areas (Readiness, Combat Viability, Sustainability and Deployability), the Performance Rating Scale, and the Employment Contexts (EC) are explained earlier in this part.
2. For 2009/10, the number of Days Available / Sea Days for the OPVs and IPVs was dependent on the delivery of the two OPVs vessels under Project Protector. Neither of the two vessels was accepted into operational service in 2009/10 due to delays in delivery.

Costs for Output Expense 5 (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
	Expenditure			
36.872	Personnel	35.222	39.572	41.021
13.381	Operating	26.684	22.132	18.661
1.617	Losses on Foreign Exchange			1.315
5.613	Depreciation	22.492	14.043	13.753
24.049	Capital Charge	24.488	26.449	26.449
81.532	Total Expenses	108.886	102.196	101.199
	Income			
82.150	Revenue Crown	108.165	101.493	101.493
0.254	Revenue Department	0.378	0.412	0.142
0.306	Revenue Other	0.343	0.291	0.217
2.101	Gains on Foreign Exchange			0.528
84.811	Total Income	108.886	102.196	102.380
3.279	Net Surplus (Deficit)			1.181
	Cost by Output			
36.908	Output 5.1	50.692	42.371	41.204
44.624	Output 5.2	58.194	59.825	58.680

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2009/10 for this output expense was \$102.196 million and the total expenditure excluding remeasurements was \$99.884 million. There was no unappropriated expenditure for this output expense.

Output Expense 6: Military Hydrography, and Hydrographic Data Collection and Processing for LINZ

Description

Provision of the capabilities of the hydrographic and oceanographic survey vessel, HMNZS *Resolution*, specialist personnel and support infrastructure to conduct military hydrography in accordance with NZDF Output Plan specifications, and hydrographic data collection and processing that meets contractual commitments to Land Information New Zealand (LINZ). This output expense is supported by the Hydrographic Business Unit.

Outputs in Output Expense 6

Output 6.1 – Military Hydrography

The provision of HMNZS *Resolution* to conduct military hydrography.

Output 6.2 - Hydrographic Data Collection and Processing for LINZ

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

Overview

HMNZS *Resolution* exceeded planned sea days and completed the ship-based component of the hydrographic survey task for LINZ. A significant part of the LINZ output task for the financial year was coastal survey activity undertaken with small boats and some of this task will be completed in the next financial year.

Preparedness targets were met and despite maintenance challenges with the survey system onboard *Resolution* the required standards for commitment to military tasks was met.

Highlights

- In addition to meeting the contractual commitments for LINZ, HMNZS *Resolution* supported MCM activities in Noumea as part of Exercise LAGOON MINEX, the search and disposal of mines in New Caledonia. This exercise allowed the operational procedures to locate and neutralise unexploded ordnance on the sea bed to be evaluated and enhanced the interoperability of MCM units between Defence Forces of New Zealand, Australia, United States of America and France.
- Personnel from the Deployable Hydrographic Survey Unit (DHSU) deployed as part of Operation SAMOAN TSUNAMI to provide military hydrographic support to HMNZS *Canterbury*

Contribution to Outcomes

Output 6.1 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity). Output 6.2 contributes to Intermediate Outcome 1 (Secure New Zealand).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
<p>HMNZS <i>Resolution</i> available to conduct military hydrography (Refer to Notes).</p> <p>Deployment Impact: This Output Expense is being run at a level sufficient to meet commercial (LINZ) and operational requirements thus allowing the allocation of some personnel for Output Expense Operationally Deployed Forces.</p>	<p>HMNZS <i>Resolution</i> was available to conduct military hydrography.</p>
<p>HMNZS <i>Resolution</i> available to conduct hydrographic tasks for LINZ under contract. The Hydrographic Business Unit available to support the collection and processing programmes.</p>	<p>HMNZS <i>Resolution</i> was available to conduct hydrographic tasks for LINZ under contract.</p>
<p>Deliver LINZ Contract performance standards. The emphasis is on meeting the contract requirements for hydrographic survey to the satisfaction of LINZ and the delivery of hydrographic data that meets international standards. Other measures include:</p> <ul style="list-style-type: none"> • formal feedback on 'quality' aspects from LINZ; • completion of the contracted hydrographic programme for LINZ; • products will be subjected to continual evaluation by the maritime community; • the provision of hydrographic data through completion of contracted and other programmes; and • delivery within budget. 	<p>Although the ship-based portion of the contract was delivered on time and within budget, the scope of the small-boat and coastal work exceeded available resources and some of the small-boat and coastal survey tasks will be completed in the next financial year.</p> <p>The draft survey deliverables for the contracted work have been received by LINZ, however formal LINZ acceptance of the deliverables will not be expected until completion of the LINZ Quality Control processes later in the calendar year.</p>
<p>The DHSU available to conduct military hydrography either independently or in support of other NZDF force elements.</p>	<p>DHSU was available to conduct military hydrography either independently or in support of other NZDF force elements.</p>
<p>Undertake MAO&T (Multi-Agency Operations/Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role.</p> <p>While specific, pre-planned operations/tasks (under MAO&T) normally require specific quality standards, the quality of other assistance to the government and the community may rely on the satisfaction expressed by the supported party/agency. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")</p>	<p>HMNZS <i>Resolution</i> was available to undertake a range of other services.</p> <p>Services were provided to the satisfaction of agencies.</p>
<p>Undertake Defence Diplomacy tasks as required in accordance with NZDF and Government/MFAT requirements. This normally involves ship visits to foreign ports.</p>	<p>HMNZS <i>Resolution</i> visited New Caledonia, Brisbane and Sydney during the period.</p>
<p>HMNZS <i>Resolution</i> to be mission available for 303 days and to spend 31 to 51 days at sea.</p>	<p>HMNZS <i>Resolution</i> was mission available for 265 days and spent 147 days at sea</p> <p>The proposed scope of the LINZ contract work for 2009/2010 was not available at the time of publishing Statement of Intent and the intention was to reduce the amount of <i>RESOLUTION</i>-based Sea days undertaken in favour of a larger contribution of small-boat and coastal work. When received, the final contract specifications required <i>RESOLUTION</i> to undertake 3842 Survey Line Nautical Miles which was completed in 62 sea-days committed to LINZ activity.</p>
<p>HMNZS <i>Resolution</i> to survey 4,675 line miles in support of the LINZ contract.</p>	<p>HMNZS <i>Resolution</i> completed the ship-based component of the LINZ contract which consisted of 3842 survey line nautical miles. An additional 1521 survey line nautical miles was achieved with small boats.</p>

Performance Measures	Performance Achieved
Preparedness – Military Hydrography, and Hydrographic Data Collection and Processing for LINZ: Employment Context	
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>	
Natural and manmade disasters (EC 2B) – Fully prepared	Fully prepared
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C) – Substantially prepared	Substantially prepared
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E) – Substantially prepared	Substantially prepared

Notes:

- The Key Measurement Areas (Readiness, Combat Viability, Sustainability and Deployability), the Performance Rating Scale, and the Employment Contexts (EC) are explained earlier in this part.
- The ability for HMNZS *Resolution* and the Deployable Hydrographic Support Unit (DHSU) to leverage opportunities to help achieve the Ocean Survey 20/20 Vision and also provide Output Expense Mine Countermeasures (MCM) and MCM Diving Forces products (predominantly Q route surveys) will continue to be explored, commensurate with this primary Output Expense.

Costs for Output Expense 6 (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
	Expenditure			
6.199	Personnel	6.555	6.373	6.622
7.775	Operating	7.294	7.546	7.232
0.091	Losses on Foreign Exchange			0.065
0.571	Depreciation	0.645	0.663	0.663
1.928	Capital Charge	1.842	2.046	2.046
16.564	Total Expenses	16.336	16.628	16.628
	Income			
9.815	Revenue Crown	9.903	10.307	10.307
6.297	Revenue Department	6.261	6.152	5.585
0.198	Revenue Other	0.172	0.169	0.164
0.118	Gains on Foreign Exchange			0.026
16.428	Total Income	16.336	16.628	16.082
(0.136)	Net Surplus (Deficit)			(0.546)
	Cost by Output			
9.882	Output 6.1	9.902	9.928	10.374
6.682	Output 6.2	6.434	6.700	6.189

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2009/10 for this output expense was \$16.628 million and the total expenditure excluding remeasurements was \$16.563 million. There was no unappropriated expenditure for this output expense.

Output Expense 7: Land Combat Forces

Description

Provision of the capabilities of the Land Combat Forces (command, control, intelligence and manoeuvre force elements) prepared to conduct land operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications.

Outputs in Output Expense 7

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 to the framework of a brigade group 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 the Government and the community.

Output 7.2 - Manoeuvre Elements

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

Overview

Land Combat Forces were prepared for warfighting operations. The personnel growth, focused in combat units, during 2008-2009 increased the NZ Army personnel from approximately 4500 to 4900 has resulted in the NZ Army sustaining an increased operational tempo, being able to provide a manoeuvre element (based on the High Preparedness Platoon Group (HPPG)) for short notice contingencies, and provided rotation force elements, which have been able to train at a higher level in a combined arms environment.

The NZ Army was able to meet all the requirements of the Output Plan.

Effective interoperability with key allies was achieved with a number of exercises throughout the South Pacific and South East Asia.

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

Personnel were available for reinforcement and rotation of the deployed forces during the reporting year, which continues to amount to almost three company groups.

Highlights

- Exercise ABSOLUTE a major live firing collective training exercise, focussed on enhancing motorised, combined arms war fighting skills in a mid intensity environment, practicing a Combined Arms Task Group.
- Exercise BLACK TEMPLAR a major live firing collective training exercise, focussed on enhancing light, combined arms war fighting skills in a mid intensity environment, practicing a Combined Arms Task Group.

- Exercise SALADIN a major live firing collective training exercise, focussed on enhancing light, combined arms war fighting skills in a mid intensity environment, practicing a Combined Arms Task Group.
- Exercise KIWI WALK an infantry exercise in urban terrain conducted with the Singaporean Armed Forces.
- Exercise SUMAN WARRIOR an annual FPDA Brigade level Command Post Exercise (CPX) with the main objectives being to develop interoperability amongst participating Armies and to practice command and staff procedures in combined and joint operations.
- Exercise BERSAMA LIMA exercised FPDA assigned forces in the conduct of joint and combined operations in a multi-threat environment.
- Exercise CROIX DU SUD a reciprocal exercise for Exercise CEELO involves a platoon of NZ infantry imbedding into a FANC company on a FANC exercise.
- Exercise CEELO a reciprocal exercise for Ex CROIX DE SUD including soldiers from the French Armed Forces in New Caledonia (FANC) conducting light Infantry tasks.
- Exercise MALO E LELEI based on a Combat Service Support led light combined arms task group response to Plan Pacific Relief under EC 2B.
- Exercise BLUE BANSHEE a Military Police and Intelligence Company exercise conducting a range of security and ISR tasks.

Contribution to Outcomes

Output Expense 7 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below.

Output Performance Standards and Measures

Performance Measures	Performance Achieved
<p>Army, drawing on Headquarters 2 Land Force Group (HQ 2 LFG), HQ 3 LFG, 1 RNZIR, 2/1 RNZIR, QAMR and 1 NZ Military Intelligence Company, and with supplementation from the Territorial Force, as required, will provide the initial and rotation land combat force elements to constitute, generally:</p>	
<ul style="list-style-type: none"> A Company Group (motorised, non-motorised or composite) available for tasks under EC 1 and 2. 	<p>Current Operations: The requirement to provide a Company Group was successfully sustained. NZ Army is providing more than the output requirement due to the Company Group land deployment to Timor-Leste and the enhanced Platoon Group deployed to Solomon Islands.</p> <p>Preparedness for Other Events: An Infantry Company Group was fully prepared and able to support the United Nations and other coalition operations in the South Pacific region and the Middle East.</p> <p>A motorised troop (QAMR), less some combat service support (CSS), could have also been deployed as a non-sustainable force element.</p> <p>A motorised company was available, however, there were some limitations due to current CSS issues.</p>
<ul style="list-style-type: none"> Up to an Infantry Battalion Group (motorised, non-motorised or composite) available for surge only tasks under EC 2 – 5, but see deployment impacts. 	<p>Current Operations: The ongoing deployments to Timor-Leste, Solomon Islands and Afghanistan equate to a non-sustainable composite infantry Battalion Group under all EC 2-5.</p> <p>Preparedness for Other Events: This year the NZ Army has successfully increased the standard of training to prepare land combat forces as part of a Battalion. The NZ Army would have required redeployment of resources from deployed force elements in Timor-Leste and Afghanistan to sustain this output. For some EC's an increase to response times would have been required to ensure that a Battalion Group met all the training requirements.</p>
<ul style="list-style-type: none"> Sub-unit elements available as options for independent contribution to a combined force (Infantry only). 	<p>A light infantry company was available throughout.</p>
<p>Deployment Impacts</p> <ul style="list-style-type: none"> For the period 2009/10 a Battalion Group, either motorised or non-motorised under 'surge capacity' could not be achieved without the withdrawal of some Army manoeuvre elements from existing overseas operations. The Army Intelligence capability can be stretched when it is required to support a large number of concurrent deployments The NZ Army was required to deploy more intelligent operator elements to support three ongoing missions, as a result the intelligent force elements have to deploy at a greater frequency and although there is a deliberate plan to increase intelligence capability, this component requires careful management. There has been an impact on intelligence personnel with a number having to re-deploy within 12 months. 	

Performance Measures	Performance Achieved
Army will also provide:	
<ul style="list-style-type: none"> An appropriate Brigade-level headquarters and the framework for a Brigade Group available for simulation and Command Post Exercise-based combined-arms training. The framework for a Brigade Group requires supplementation from the Territorial Force. 	The Land Combat Forces (inclusive of Reserves), were capable of providing the framework of an infantry brigade group for training to support simulation based command post exercises in a combined arms and coalition environment. This was effected during Exercise SUMAN WARRIOR.
<ul style="list-style-type: none"> An appropriate headquarters (including intelligence and communications support) available for command and control of a deployed force. 	The requirement to provide a headquarters for a deployed force was delivered in excess of the output requirement through Army's contribution to the National Command Element (NCE) for the groups deployed to Timor-Leste, Solomon Islands and Afghanistan. Personnel for these posts have been drawn from staff positions across the Army.
<p>Undertake MAO&T (Multi-Agency Operations/Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported agency/department, when not committed to operations, using the capabilities developed for the operational role.</p> <p>While specific, pre-planned operations/tasks (under MAO&T) normally require specific quality standards, the quality of other assistance to the government and the community may rely on the satisfaction expressed by the supported party/agency. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")</p>	<p>Army contributed to a range of services in support of other government departments and the community when resources were available.</p> <p>Services were provided to the satisfaction of agencies</p>
Preparedness – Land Combat Forces: Employment Context	
Security Challenges and Defence Tasks in New Zealand and its environs	
<p>Terrorist and Asymmetric Threats (EC 1D):</p> <p>Command, Control and Intelligence – Fully prepared</p> <p>Manoeuvre Elements (Infantry and Reconnaissance):</p> <ul style="list-style-type: none"> Company Group (Cordon duties) – Fully prepared 	<p>Command, Control and Intelligence – Fully prepared</p> <p>Manoeuvre Elements - Fully prepared.</p>
Security Challenges to New Zealand's Interests in the South Pacific	
<p>Natural and manmade disasters (EC 2B):</p> <p>Command, Control and Intelligence - Fully prepared</p> <p>Manoeuvre Elements (Infantry and Reconnaissance):</p> <ul style="list-style-type: none"> Company Group (personnel could be drawn Army wide for this EC) – Fully prepared 	<p>Command, Control and Intelligence – Substantially prepared</p> <p>Manoeuvre Elements - Fully prepared.</p> <p>(Refer to Notes)</p>
<p>State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C):</p> <p>Command, Control and Intelligence – Fully prepared</p> <p>Manoeuvre Elements (Infantry and Reconnaissance):</p> <ul style="list-style-type: none"> Company Group – Fully prepared. Battalion Group (under surge capacity) – substantially prepared 	<p>Command, Control and Intelligence – Substantially prepared</p> <p>Company Group - Fully prepared</p> <p>Battalion Group - Substantially prepared</p> <p>(Refer to Notes)</p>

Performance Measures	Performance Achieved
<p>Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E).</p> <p>Command, Control and Intelligence – Fully prepared</p> <p>Manoeuvre Elements (Infantry and Reconnaissance):</p> <ul style="list-style-type: none"> • Company Group – Fully prepared • Battalion Group (under surge capacity) – Substantially prepared 	<p>Command, Control and Intelligence - Substantially prepared.</p> <p>Company Group - Substantially prepared</p> <p>Battalion Group - Substantially prepared.</p> <p>(Refer to Notes)</p>
<p><i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i></p>	
<p>Inter-State conflict (EC 4F)</p> <p>Command, Control and Intelligence – Partially prepared</p> <p>Manoeuvre Elements (Infantry and Reconnaissance):</p> <ul style="list-style-type: none"> • Battalion Group (under surge capacity) – Not prepared 	<p>Command, Control and Intelligence - Partially prepared.</p> <p>Battalion Group - Not prepared.</p>
<p><i>Security Challenges to New Zealand's Interests in Global Peace and Security</i></p>	
<p>Terrorist Threats (EC 5D)</p> <p>Command, Control and Intelligence – Fully prepared</p> <p>Manoeuvre Elements (Infantry and Reconnaissance):</p> <ul style="list-style-type: none"> • Company group – Substantially prepared • Battalion Group (under surge capacity) - Not prepared 	<p>Command, Control and Intelligence - Substantially prepared</p> <p>Company Group - Substantially prepared.</p> <p>Battalion Group - Not prepared.</p> <p>(Refer to Notes)</p>

Notes:

1. The Key Measurement Areas (Readiness, Combat Viability, Sustainability and Deployability), the Performance Rating Scale, and the Employment Contexts (EC) are explained earlier in this part.
2. There are some force elements where NZ Army is able to deploy the initial force and should be considered 'Fully Prepared' however without reassignment of personnel and equipment the sustainment of this force beyond the first rotation may be with risk. Therefore the overall assessment is 'Substantially Prepared'. This is particularly evident with the Command, Control and Intelligence capabilities.

Costs for Output Expense 7 (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
	Expenditure			
161.901	Personnel	166.886	169.519	167.192
89.583	Operating	94.264	91.720	87.861
4.956	Losses on Foreign Exchange			5.020
50.397	Depreciation	54.636	61.892	61.257
58.587	Capital Charge	57.976	62.580	62.581
365.424	Total Expenses	373.762	385.711	383.911
	Income			
354.983	Revenue Crown	371.499	382.962	382.962
1.015	Revenue Department	1.673		0.624
0.423	Revenue Other	0.590	1.591	0.676
6.435	Gains on Foreign Exchange		1.158	2.020
0.000	Other Gains			1.559
362.856	Total Income	373.762	385.711	387.841
(2.568)	Net Surplus (Deficit)			3.930
	Cost by Output			
30.190	Output 7.1	29.923	31.375	29.661
335.234	Output 7.2	343.839	354.336	349.230

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2009/10 for this output expense was \$385.711 million and the total expenditure excluding remeasurements was \$378.891 million. There was no unappropriated expenditure for this output expense.

Output Expense 8: Land Combat Support Forces

Description

Provision of the capabilities of the Land Combat Support Forces (artillery, engineers, communications and military police force elements) prepared to conduct land operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications.

Outputs in Output Expense 8

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 battalion group sized force (motorised, non-motorised or composite). It also includes the requirement to provide artillery elements to the framework of a brigade group 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 battalion group sized force (motorised, non-motorised or composite). It also includes the requirement to provide engineer elements to the framework of a brigade group 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 battalion group sized force (motorised, non-motorised or composite). It also includes the requirement to provide communications elements to the framework of a brigade group 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 battalion group sized force (motorised, non-motorised or composite). It also includes the requirement to provide military police elements to the framework of a brigade group for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services.

Overview

Land Combat Support Forces of the Army improved their trained state in combat operations over the last year. demonstrated through the conduct of complex combined arms exercises with substantial night-fighting components. The requirement to support a company group for tasks under EC 1 and 2 was met. In addition, one-off combat support could have been provided to support up to an infantry battalion group. Sustaining this support would only have been possible if resources had been redeployed from current operations.

Equipment met the required standards for support to current operations. Issues are being addressed to overcome equipment limitations for higher threat situations with the replacement of the Offensive Support Fire Prediction System and the purchase of the Combat Engineer Tractor.

Munitions, stores and equipment were available for OLOC generation.

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

Highlights

- Exercise ABSOLUTE a major live firing collective training exercise, focussed on enhancing motorised, combined arms war fighting skills in a mid intensity environment, practicing a Combined Arms Task Group.
- Exercise BLACK TEMPLAR a major live firing collective training exercise, focussed on enhancing light, combined arms war fighting skills in a mid intensity environment, practicing a Combined Arms Task Group based on Light Infantry.
- Exercise SALADIN a major live firing collective training exercise, focussed on enhancing light, combined arms war fighting skills in a mid intensity environment, practicing a Combined Arms Task Group based on Light Infantry.
- Exercise QUAD ENJOYABLE a School of Artillery live fire exercise practicing Offensive Support, and set in a conventional environment.
- Exercise THUNDER WARRIOR a collective Artillery live firing exercise for the Singaporean Army, supported by New Zealand Forces.
- Exercise MALO E LELEI based on a Combat Service Support led light combined arms task group response to Plan Pacific Relief under EC 2B.
- Exercise TROPIC TWILIGHT a major Humanitarian Assistance and Disaster Relief (HADR) exercise/activity conducted annually and involved medical/engineering tasks funded by NZ AID in Western Samoa.
- Exercise BLUE BANSHEE a Military Police and Intelligence Company exercise conducting a range of security and ISR tasks.

Contribution to Outcomes

Output Expense 8 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
<p>Army, drawing on 2 Land Force Group (LFG) and 3 LFG Regular Force artillery, engineer, communications, and military police units [16 Field Regiment, 2 Engineer Regiment, 1 (NZ) Signals Regiment - including an Electronic Warfare element, and 1 (NZ) Military Police Company], and with supplementation from the Territorial Force, as required, will provide the initial and rotation land combat support force elements to support, generally, as applicable:</p>	
<ul style="list-style-type: none"> • A Company Group (motorised, non-motorised or composite) available for tasks under EC 1 and 2. 	<p>Current Operations: The requirement to provide communications support to a company group within an EC 2 environment was delivered in excess of the output requirement with the deployment of communications elements to support the company group in Timor-Leste and the enhanced platoon group deployed to Solomon Islands. Communications support was also provided to the company group deployment to Afghanistan.</p> <p>Army also achieved the provision for EC 2 through the deployment of an engineer construction team to Timor-Leste for force protection tasks.</p> <p>Preparedness for Other Events: In addition to the current deployed force elements, Army was fully prepared to provide the artillery elements, communication elements and military police detachments required to support a task under EC 1. Engineer elements were substantially prepared within response times. Nevertheless, Army partially achieved the engineer element for EC 1 through the deployment of a light Engineer team to Antarctica.</p> <p>Army was fully prepared to provide the artillery, engineer elements, and military police detachments required to support an infantry company group for EC 2 tasks, however, further communications elements over and above current operations were only substantially prepared within response times.</p> <p>The following could also have been deployed within response times as force elements:</p> <ul style="list-style-type: none"> • A sustainable task organised engineer group (dependent on the operational environment and likely tasks). • A single six-gun artillery field battery, with a single Joint Tactical Air Control, or a two rotation four-gun artillery battery.
<ul style="list-style-type: none"> • Up to an Infantry Battalion Group (motorised, non-motorised or composite) available for tasks under EC 2 - 5. 	<p>Current Operations: During the reporting period, 16 Field Regiment was required to re-role as non motorised peace support forces in order to support operations in Timor-Leste.</p> <p>Army was able to provide Land Combat Support Force elements (Engineers, Communications, and Military Police) to support up to company sized deployments to Timor-Leste and Afghanistan, and the enhanced platoon group in Solomon Islands.</p> <p>Preparedness for Other Events: The re-role of 16 Field Regiment and the commitment of communications capability to support current operations have been at the expense of sustainability for other events. 16 Field Regiment was able to provide a non-sustainable artillery battery to support up to an infantry battalion group.</p> <p>Army was also substantially prepared to provide a one-off non-sustainable engineer squadron to support an infantry battalion for the low-level EC 2, EC 3 and EC 5 tasks.</p> <p>Army could have provided non-sustainable communications support to an infantry battalion group, but would have been unable to provide electronic warfare support.</p> <p>The Very Low Level Air Defence Troop has been at BLOC throughout this period.</p>

Performance Measures	Performance Achieved
<ul style="list-style-type: none"> Sub-unit elements available as options for independent contribution to a combined force (Artillery and Engineers only). 	<p>Artillery, engineer elements, and military police elements could have been provided for an independent contribution to a combined force. However, artillery contributions were non-sustainable.</p> <p>Independent contributions were not possible from communications elements, because of current operational commitments.</p>
<p>Deployment Impact:</p> <ul style="list-style-type: none"> The Communication's trades required careful management to maintain Operations and maintain continuance of trade training The Army Communications and Military Police capabilities can be stretched when they are required to support a large number of concurrent deployments. 	
<p>Army will also provide artillery, engineer, communications and military police force elements available to support the framework for a Brigade Group for simulation and Command Post Exercise-based combined-arms training; this will require supplementation from the Territorial Force.</p>	<p>Army was able to provide artillery, engineer communications and military police elements to support simulation based Command Post Exercises in a combined arms and coalition environment.</p>
<p>Undertake MAO&T (Multi-Agency Operations/Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported agency/department, when not committed to operations, using the capabilities developed for the operational role.</p> <p>While specific, pre-planned operations/tasks (under MAO&T) normally require specific quality standards, the quality of other assistance to the government and the community may rely on the satisfaction expressed by the supported party/agency. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")</p>	<p>Army contributed to a range of services in support of other government departments and the community when resources were available.</p> <p>Services were provided to the satisfaction of agencies.</p>
Preparedness – Land Combat Support Forces: Employment Context	
Security Challenges and Defence Tasks in New Zealand and its environs	
<p>Terrorist and Asymmetric Threats (EC 1D)</p> <p>Field Artillery (personnel only - in support of Cordon) – Fully prepared</p> <p>Engineers (in support of Company Group) – Fully prepared</p> <p>Communications (in support of Company Group) – Fully prepared</p> <p>Military Police (in support of Company Group) – Fully prepared</p>	<p>Field Artillery – Fully prepared</p> <p>Engineers – Fully prepared</p> <p>Communications – Fully prepared</p> <p>Military Police – Fully prepared.</p>
Security Challenges to New Zealand's Interests in the South Pacific	
<p>Natural and manmade disasters (EC 2B)</p> <p>Field Artillery (personnel only in support of a Company Group) – Fully prepared</p> <p>Engineers (in support of Company Group) – Fully prepared</p> <p>Communications (in support of Company Group) – Fully prepared</p> <p>Military Police (in support of Company Group) – Fully prepared</p>	<p>Field Artillery – Fully prepared</p> <p>Engineers – Fully prepared</p> <p>Communications – Fully prepared</p> <p>Military Police – Fully prepared.</p>

Performance Measures	Performance Achieved
<p>State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)</p> <p>Field Artillery (personnel only in support of Company Group) – Fully prepared</p> <p>Field Artillery (personnel only in support of Battalion Group under 'surge' capacity) – Fully prepared</p> <p>Engineers (in support of Company Group) – Fully prepared</p> <p>Engineers (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Communications (in support of Company Group) – Fully prepared</p> <p>Communications (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Military Police (in support of Company Group) – Fully prepared</p> <p>Military Police (in support of Battalion Group under 'surge' capacity) – Fully prepared</p>	<p>Field Artillery (in support of Company Group – Fully prepared</p> <p>Field Artillery (in support of Battalion Group under 'surge' capacity) – Fully prepared</p> <p>Engineers (in support of Company Group) – Fully prepared</p> <p>Engineers (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Communications (in support of Company Group) Substantially prepared throughout due to the lack of strategic communication equipment for part of the period, and the lack of electronic warfare equipment. Additionally, personnel shortages would have meant any further deployment would be unsustainable.</p> <p>Communications (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Military Police (in support of Company Group) – Fully prepared</p> <p>Military Police (in support of Battalion Group under 'surge' capacity) – Fully prepared</p>
<p>Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)</p> <p>Field Artillery (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Engineers (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Communications (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Military Police (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p>	<p>Field Artillery (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Engineers (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Communications (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Military Police (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p>
<p>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</p>	
<p>Inter-State conflict (EC 4F)</p> <p>Field Artillery (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Engineers (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Communications (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Military Police (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p>	<p>Field Artillery (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Engineers (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Communications (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Military Police (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p>
<p>Security Challenges to New Zealand's Interests in Global Peace and Security</p>	
<p>Terrorist Threats (EC 5D)</p> <p>Field Artillery (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Engineers (in support of Battalion Group under 'surge' capacity) – Partially prepared</p> <p>Communications (in support of Battalion Group under 'surge' capacity) – Partially prepared</p> <p>Military Police (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p>	<p>Field Artillery (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Engineers (in support of Battalion Group under 'surge' capacity) – Partially prepared</p> <p>Communications (in support of Battalion Group under 'surge' capacity) – Partially prepared</p> <p>Military Police (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p>

Note: The Key Measurement Areas (Readiness, Combat Viability, Sustainability and Deployability), the Performance Rating Scale, and the Employment Contexts (EC) are explained earlier in this part.

Costs for Output Expense 8 (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
	Expenditure			
100.405	Personnel	102.541	104.178	103.835
49.741	Operating	48.203	50.127	48.098
2.922	Losses on Foreign Exchange			2.667
21.101	Depreciation	23.389	23.389	23.196
28.001	Capital Charge	27.561	29.747	29.748
202.170	Total Expenses	201.694	207.441	207.544
	Income			
197.573	Revenue Crown	200.501	205.995	205.995
0.569	Revenue Department	0.882	0.845	0.329
0.227	Revenue Other	0.311	0.601	0.348
3.794	Gains on Foreign Exchange			1.073
0.000	Other Gains			0.845
202.163	Total Income	201.694	207.441	208.590
(0.007)	Net Surplus (Deficit)			1.046
	Cost by Output			
66.560	Output 8.1	61.721	64.312	64.365
79.396	Output 8.2	82.011	83.597	81.805
42.005	Output 8.3	43.431	44.129	43.683
14.209	Output 8.4	14.531	15.403	15.024

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2009/10 for this output expense was \$207.441 million and the total expenditure excluding remeasurements was \$204.877 million. There was no unappropriated expenditure for this output expense.

Output Expense 9: Land Combat Service Support Forces

Description

Provision of the capabilities of the Land Combat Service Support Forces (transport, medical, supply, repair and movements force elements) prepared to support land operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications.

Outputs in Output Expense 9

Output 9.1 - Transport

The provision of transport elements prepared for the support of land operations and capable of supporting up to a battalion group sized force (motorised, non-motorised or composite). It also includes the requirement to provide transport elements to the framework of a brigade group 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 battalion group sized force (motorised, non-motorised or composite). It also includes the requirement to provide medical elements to the framework of a brigade group 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 battalion group sized force (motorised, non-motorised or composite). It also includes the requirement to provide supply elements to the framework of a brigade group for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services.

Output 9.4 - Repair

The provision of repair elements prepared for the support of land operations and capable of supporting up to a battalion group sized force (motorised, non-motorised or composite). It also includes the requirement to provide repair elements to the framework of a brigade group 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 battalion group sized force (motorised, non-motorised or composite). It also includes the requirement to provide movements elements to the framework of a brigade group for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services.

Overview

Land Combat Service Support Forces of the Army improved their trained state in combat operations over the last year. The requirement to support a company group for tasks under EC 1 and 2 was met through current deployments, with a further deployment being possible but would mean current operations would be unsustainable. Combat service support could only have been provided to support up to a one-off infantry battalion group if resources had been redeployed from current operations.

Preparedness targets were met, however, a longer response time would have been required to prepare for higher threat events.

Equipment met the standards required for current operations. Munitions, stores and equipment were available for OLOC generation, and further equipment is being procured to meet requirements in higher threat situations.

In addition, personnel were available for reinforcement and rotation of the deployed forces during the reporting year, which amounted to almost three company groups. Due to these current operational commitments, personnel were not available for reinforcement and rotation of an infantry battalion group.

Highlights

- Exercise ABSOLUTE a major live firing collective training exercise, focussed on enhancing motorised, combined arms war fighting skills in a mid intensity environment, practicing a Combined Arms Task Group.
- Exercise BLACK TEMPLAR a major live firing collective training exercise, focussed on enhancing light, combined arms war fighting skills in a mid intensity environment, practicing a Combined Arms Task Group based on Light Infantry.
- Exercise SALADIN a major live firing collective training exercise, focussed on enhancing light, combined arms war fighting skills in a mid intensity environment, practicing a Combined Arms Task Group based on Light Infantry.
- Exercise MALO E LELEI based on a Combat Service Support led light combined arms task group response to Plan Pacific Relief under EC 2B.
- Exercise THUNDER WARRIOR a collective Artillery live firing exercise for the Singaporean Army, supported by New Zealand Forces.
- Exercise TROPIC TWILIGHT a major humanitarian assistance and disaster relief (HA/DR) exercise conducted annually and involved medical/engineering tasks funded by NZ AID in Western Samoa.

Contribution to Outcomes

Output Expense 9 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
<p>Army, drawing on 2 Logistics Battalion, 3 Logistics Battalion, 2 Health Support Battalion and Logistic Executive, as part of, respectively, 2 LFG, 3 LFG and Army General Staff, with supplementation from the Territorial Force, as required, will provide the initial and rotation combat service support force elements to support, generally, as applicable:</p>	
<ul style="list-style-type: none"> • A Company Group (motorised, non-motorised or composite) available for tasks under EC 1 and 2. 	<p>Current Operations: The requirement to provide logistic and medical support to a company group within an EC 2 environment was delivered in excess of the output requirement with the deployment of logistic and medical elements to support the company group in Timor-Leste and the enhanced platoon group deployed to Solomon Islands.</p> <p>Preparedness for Other Events: In addition to the current deployed force elements, Army was prepared to meet EC 1 contingencies. Due to current operational commitments, it was partially prepared to meet EC1 and 2 contingencies within response times.</p>
<ul style="list-style-type: none"> • Up to an Infantry Battalion Group (motorised, non-motorised or composite) available for tasks under EC 2 - 5. 	<p>The provision of comprehensive logistic and medical support to an infantry battalion under EC 2 - 5 was achievable with risk (Refer to Deployment Impact)</p>
<ul style="list-style-type: none"> • Sub-unit elements available as options for independent contribution to a combined force (Artillery and Engineers only). 	<p>In addition to the current deployed force elements, Army was unable to provide additional Land CSS forces (sub-unit) elements as independent contributions to a combined force.</p>
<p>Deployment Impact:</p> <ul style="list-style-type: none"> • The Army Transport, Medical, Supply and Repair capabilities can be stretched when they are required to support a large number of concurrent deployments. • The provision of full logistic and medical capabilities to the higher level EC with the Battalion Group was conditional upon forces being reassigned given the extent of Land Force contributions to current operational commitments. • Indentured trades required careful management to maintain Operations and maintain continuance of trade training. 	
<p>Army will also provide combat service support elements available to support the framework for a Brigade Group for simulation and Command Post Exercise-based combined-arms training; this will require supplementation by TF Battalion Groups.</p>	<p>Army was able to provide CSS elements to support simulation based Command Post Exercises in a combined arms and coalition environment.</p>

Performance Measures	Performance Achieved
<p>Undertake MAO&T (Multi-Agency Operations/Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported agency/department, when not committed to operations, using the capabilities developed for the operational role.</p> <p>While specific, pre-planned operations/tasks (under MAO&T) normally require specific quality standards, the quality of other assistance to the government and the community may rely on the satisfaction expressed by the supported party/agency. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")</p>	<p>Army contributed to a range of services in support of other government departments and the community when resources were available.</p> <p>Services were provided to the satisfaction of agencies</p>
Preparedness – Land Combat Service Support Forces: Employment Context	
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>	
<p>Terrorist and Asymmetric Threats (EC 1D)</p> <p>Transport Elements – Fully prepared</p> <p>Medical Elements – Fully prepared</p> <p>Supply Elements – Fully prepared</p> <p>Repair Elements – Fully prepared</p> <p>Movements Elements – Fully prepared</p>	<p>Transport Elements – Fully prepared</p> <p>Medical Elements – Fully prepared</p> <p>Supply Elements – Fully prepared</p> <p>Repair Elements – Fully prepared</p> <p>Movements Elements – Fully prepared</p>
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>	
<p>Natural and manmade disasters (EC 2B)</p> <p>Transport (in support of a Company Group) - Substantially prepared</p> <p>Medical (in support of Company Group) – Substantially prepared</p> <p>Supply (in support of Company Group) – Substantially prepared</p> <p>Repair (in support of Company Group) – Substantially prepared</p> <p>Movements (in support of a Company Group) – Substantially prepared</p>	<p>Transport – Substantially prepared</p> <p>Medical – Substantially prepared</p> <p>Supply – Substantially prepared</p> <p>Repair – Substantially prepared</p> <p>Movements – Substantially prepared</p>

Performance Measures	Performance Achieved
<p>State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C)</p> <p>Transport (in support of Company Group) – Substantially prepared</p> <p>Transport (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Medical (in support of Company Group) – Substantially prepared</p> <p>Medical (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Supply (in support of Company Group) – Substantially prepared</p> <p>Supply (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Repair (in support of Company Group) – Substantially prepared</p> <p>Repair (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Movements (in support of Company Group) – Substantially prepared</p> <p>Movements (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p>	<p>Transport – Substantially prepared</p> <p>Medical – Substantially prepared</p> <p>Supply – Substantially prepared</p> <p>Repair – Substantially prepared</p> <p>Movements – Substantially prepared</p>
<p>Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E)</p> <p>Transport (in support of Company Group) - Substantially prepared</p> <p>Transport (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Medical (in support of Company Group) – Substantially prepared</p> <p>Medical (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Supply (in support of Company Group) – Substantially prepared</p> <p>Supply (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Repair (in support of Company Group) – Substantially prepared</p> <p>Repair (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p> <p>Movements (in support of Company Group) – Substantially prepared</p> <p>Movements (in support of Battalion Group under 'surge' capacity) – Substantially prepared</p>	<p>Transport – Substantially prepared</p> <p>Medical – Substantially prepared</p> <p>Supply – Substantially prepared</p> <p>Repair – Substantially prepared</p> <p>Movements – Substantially prepared</p>

Performance Measures	Performance Achieved
Security Challenges to New Zealand's Interests in the Asia-Pacific Region	
Inter-State Conflict (EC 4F) Transport (in support of Battalion Group under 'surge' capacity) – Partially prepared Medical (in support of Battalion Group under 'surge' capacity) – Partially prepared Supply (in support of Battalion Group under 'surge' capacity) – Partially prepared Repair (in support of Battalion Group under 'surge' capacity) – Partially prepared Movements (in support of Battalion Group under 'surge' capacity) – Partially prepared	Transport – Partially prepared Medical – Partially prepared Supply – Partially prepared Repair – Partially prepared Movements – Partially prepared
Security Challenges to New Zealand's Interests in Global Peace and Security	
Terrorist Threats (EC 5D) Transport (in support of Battalion Group under 'surge' capacity) – Partially prepared Medical (in support of Battalion Group under 'surge' capacity) - Substantially prepared Supply (in support of Battalion Group under 'surge' capacity) – Partially prepared Repair (in support of Battalion Group under 'surge' capacity) – Partially prepared Movements (in support of Battalion Group under 'surge' capacity) – Partially prepared	Transport – Partially prepared Medical – Partially prepared Supply – Partially prepared Repair – Partially prepared Movements – Partially prepared

Note: The Key Measurement Areas (Readiness, Combat Viability, Sustainability and Deployability), the Performance Rating Scale, and the Employment Contexts (EC) are explained earlier in this part.

Costs for Output Expense 9 (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
	Expenditure			
74.264	Personnel	74.284	75.471	75.670
43.456	Operating	43.310	41.695	40.481
2.352	Losses on Foreign Exchange			2.165
13.295	Depreciation	14.789	14.954	14.740
20.775	Capital Charge	20.443	22.062	22.062
154.142	Total Expenses	152.826	154.182	155.118
	Income			
151.106	Revenue Crown	151.995	153.141	153.141
0.373	Revenue Department	0.625	0.680	0.236
0.172	Revenue Other	0.206	0.361	0.188
3.055	Gains on Foreign Exchange			0.871
0.000	Other gains			0.585
154.706	Total Income	152.826	154.182	155.021
0.564	Net Surplus (Deficit)			(0.097)
	Cost by Output			
29.236	Output 9.1	28.315	28.343	27.780
31.035	Output 9.2	31.183	31.269	32.437
43.020	Output 9.3	42.780	43.366	42.639
38.239	Output 9.4	37.528	38.347	37.598
12.612	Output 9.5	13.020	12.857	12.499

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2009/10 for this output expense was \$154.182 million and the total expenditure excluding remeasurements was \$152.953 million. There was no unappropriated expenditure for this output expense.

Output Expense 10: Special Operations Forces

Description

Provision of the capabilities of the Special Operations Forces prepared to conduct special forces operations in support of land operations, counter-terrorist operations, and the provision of Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal (CBRE IEDD) that threaten public safety or national interests, in accordance with NZDF Output Plan specifications.

This output expense provides Special Operations Forces prepared for:

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

Outputs in Output Expense 10

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 to the framework of a brigade group for simulation and Command Post Exercise-based combined arms training.

Output 10.2 - Counter-Terrorist Forces

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

Output 10.3 - Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal

The provision of a dedicated military organisation of specialised teams at the operational level of capability prepared for Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal (CBRE IEDD) that threaten public safety or national interests. This organisation will not normally be available for other community support services.

Overview

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

Counter-Terrorist Groups were available to assist the NZ Police with EC 1 tasks in New Zealand. In addition, three response teams were available in Auckland, Wellington and Christchurch to respond to IEDD threats and a specialist response team was available to respond to CBRE threats.

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

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

Highlights

- 1 NZSAS Gp has focused on generating specialist skills to achieve OLOC in order to meet the requirements of their current deployment to Afghanistan. Also the Counter-Terrorist Assault Group (CTTAG) has been maintained at OLOC for the entire period.

- Exercise KIWI BLACK a counter terrorist based activity conducted in Australia.
- 1 NZ EOD Sqn has continued to grow and as of 30 June 2010, was fully established. Up until this time, 1 NZ EOD Sqn remained reliant on supplementation of qualified personnel from all three Services to meet directed output requirements. The capability to neutralise CBRE devices continued to be developed. 1 NZ EOD Sqn conducted weekly IEDD training to in order to maintain specialist skills. Regular collective training is conducted in order to maintain a CBRE team capability.

Contribution to Outcomes

Output Expense 10 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below.

This Output Expense is designed to provide capabilities prepared for:

- Special Operations (NZ Special Air Service (NZ SAS) "green role") in support of land operations. It also includes the requirement to provide Special Forces elements to the framework of a brigade group for simulation and Command Post Exercise-based combined arms training. If a major element of the Special Forces is committed in support of land combat operations, the Army is not able to provide, concurrently, a like commitment to another operation/mission.
- A Counter-Terrorist Assault Group to assist the NZ Police in Counter-Terrorist operations, including Maritime Counter-Terrorism, under Employment Contexts 1D and 2D.
- National Response for Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal (CBRE IEDD). It involves the provision of a dedicated military organisation of specialised teams at the operational level of capability prepared for Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal (CBRE IEDD) that threaten public safety or national interests. This organisation will not normally be available for other community support services.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
Army, drawing on 1st NZ Special Air Service Group (1 NZ SAS Gp), 1 NZ Explosive Ordnance Disposal (EOD) Squadron (1 NZ EOD Sqn), and Army/NZDF-wide resources, will provide:	
<ul style="list-style-type: none"> The initial and rotation elements of up to a SAS Squadron available 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 Company and/or Battalion Group (motorised, non-motorised or composite). 	1 NZSAS Gp was able to meet these requirements
<ul style="list-style-type: none"> A Counter-Terrorist Group available to assist the NZ Police in Counter-Terrorist operations, including Maritime CT, under Employment Contexts 1D and 2D. 	A CTG and a Counter-Terrorist Assault Group were available to assist the NZ Police with non-CBRE EC 1 tasks.
<ul style="list-style-type: none"> A CBRE IEDD/EOD organisation of squadron strength available, which has the ability to provide three IEDD Response Teams (one each based at Auckland, Wellington and Christchurch) and a specialist CBR Response Team to undertake emergency national IEDD/CBRE tasks. 	1 NZ EOD Sqn continued to maintain this capability with considerable supplementation of qualified personnel from Navy, Army and Air Force units.
Army will also maintain a SAS Squadron available to support the framework of a brigade group for training in New Zealand.	A SAS Squadron was available, in New Zealand, to support brigade group, Command Post Exercises simulating operations in a combined arms and coalition environment.
<p>Deployment Impacts:</p> <ul style="list-style-type: none"> If a high proportion of the <i>Special Forces</i> capability was deployed on actual operations, any other concurrent contribution from this output would be very limited. This does not, however, affect the ability of the NZDF to continue to fully deliver force elements for the <i>Counter-Terrorist</i> capability. The number of personnel qualified and available to deliver CBRE is currently limited. The deployment of any personnel from this output to Output Expense <i>Operationally Deployed Forces</i> would have a major impact on training and the ability of the NZDF to deliver CBRE. 	
Preparedness – Special Operations Forces: Employment Context	
Security Challenges and Defence Tasks in New Zealand and its environs	
Terrorist and Asymmetric Threats (EC 1D) Special Forces – Fully prepared Counter-Terrorist Forces – Fully prepared CBRE / IEDD – Fully prepared	Special Forces – Fully prepared Counter-Terrorist Forces – Fully prepared CBRE / IEDD – Fully prepared
Security Challenges to New Zealand's Interests in the South Pacific	
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2 C) Special Forces – Fully prepared	Fully prepared

Performance Measures	Performance Achieved
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E) Special Forces – Fully prepared	Fully prepared
Security Challenges to New Zealand's Interests in the Asia-Pacific Region	
Interstate Conflict (EC 4F) Special Forces – Fully prepared	Fully prepared
Security Challenges to New Zealand's Interests in Global Peace and Security	
Terrorist Threats (EC 5D) Special Forces – Fully prepared	Fully prepared

Note: The Key Measurement Areas (Readiness, Combat Viability, Sustainability and Deployability), the Performance Rating Scale, and the Employment Contexts (EC) are explained earlier in this part.

Costs for Output Expense 10 (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
	Expenditure			
33.284	Personnel	33.280	35.816	36.471
16.241	Operating	16.971	19.039	18.113
1.164	Losses on Foreign Exchange			1.281
4.983	Depreciation	6.691	5.358	5.616
6.321	Capital Charge	6.242	6.901	6.901
61.993	Total Expenses	63.184	67.114	68.382
	Income			
59.842	Revenue Crown	62.746	66.526	66.526
0.183	Revenue Department	0.323	0.402	0.139
0.060	Revenue Other	0.115	0.186	0.091
1.511	Gains on Foreign Exchange			0.515
0.000	Other Gains			0.260
61.596	Total Income	63.184	67.114	67.531
(0.397)	Net Surplus (Deficit)			(0.851)
	Cost by Output			
27.299	Output 10.1	27.444	27.873	27.905
27.172	Output 10.2	27.323	27.748	27.799
7.522	Output 10.3	8.417	11.493	11.397

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2009/10 for this output expense was \$67.414 million and the total expenditure excluding remeasurements was \$67.101 million. There was no unappropriated expenditure for this output expense.

Output Expense 11: Naval Helicopter Forces

Description

Provision of the capabilities of No 6 Squadron RNZAF (Seasprite SH-2G helicopters) prepared to conduct maritime operations in support of other Output Expenses, especially the Naval Combat Forces, Naval Support Forces and Naval Patrol Forces, in accordance with NZDF Output Plan specifications.

Overview

Five SH-2G Seasprites are supported by the RNZAF and operated by the RNZN. The Seasprites have primarily been employed as organic air assets from the two ANZAC Frigates and the Multi Role Vessel HMNZS *Canterbury* in order to provide a range of capabilities from logistic support to combat operations. During the reporting period No 6 Squadron provided embarked air assets on every occasion the Fleet Programme demanded an SH-2G Seasprite. Despite operating setbacks caused by aircraft unserviceability, equipment deficiencies and aircrew and maintenance personnel shortages, the sustained provision of an embarked aviation capability to RNZN Frigates was achieved.

Highlights

Organic aviation assets to the frigates and MRV were provided on numerous operational deployments and exercises. The deployments and exercises comprised:

HMNZS TE MANA

- Exercise LION ZEAL (Singapore)
- Exercise BERSAMA LIMA (South China Sea/Malaysia/Singapore)
- Exercise ASWEX (Western Coast of Australia)
- Exercise Fleet Concentration Period (East Coast of Australia)

HMNZS TE KAHA

- Exercise BERSAMA LIMA (South China Sea/Malaysia/Singapore)
- Principal Warfare Officer Sea Assessment Week and Exercise Fleet Concentration Period (Australia)
- Operation CRUCIBLE deployment (Indonesia/Singapore/Hong Kong/China/Canada/USA)
- Exercise BERSAMA SHIELD (South China Sea/Malaysia/Singapore)

HMNZS CANTERBURY

- Operation HAVRE (re-supply of stores to Raoul Island for the NZ Department of Conservation)
- Operation SAMOAN TSUNAMI
- Exercise Fleet Concentration Period (East Coast of Australia)
- Exercise SEA LION (East Coast of Australia)
- Exercise CROIX DU SUD (Noumea)

Contribution to Outcomes

Output Expense 11 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
<p>Three SH-2G (NZ) Seasprite helicopters available for military tasks - from a total fleet of five Seasprite helicopters. Priority is for the Seasprites to be available for Naval Combat Force operations.</p> <p>Management of this Output Expense is governed by the RNZAF/RNZN Joint Agreement on Naval Aviation.</p> <p>Note: No 6 squadron, RNZAF will remain under the full command of the Chief of Air Force. Operational command will be exercised through the Air Component Commander (ACC) and Officer Commanding 485 Wing for shore-based activities. When ships' flights are required to embark, operational command will be assigned by ACC to the Maritime Component Commander (MCC), who will in turn assign operational control to the ship's Commanding Officer. The RNZAF is responsible for the training of RNZN Seasprite helicopter aircrew and the provision and training of Ship's Flights maintenance personnel, for operational employment by the RNZN.</p>	<p>Two aircraft were available for sustained embarked operations from the fleet of five. Over the Feb/Mar 2010 period three aircraft were concurrently embarked for short term operations. Each of the ships' flights maintained DLOC for all embarked operations.</p> <p>Shore-based conversion and continuation training requirements were delayed in 2010 by aircraft unavailability caused by continued high levels of scheduled and unscheduled maintenance.</p> <p>For the majority of the year the Squadron was one short of the six crew establishment, however the resignation of an experienced pilot in May 2010 has reduced qualified crews to four. This is not expected to improve until early 2011.</p> <p>The combination of crew reduction and low disembarked flying rate has made it impossible to maintain three Flights ready for embarkation. The Squadron's ability to train and sustain operations has been impacted to a level that currently can only support a single Flight with a limited surge capacity to the end of 2010, when it is anticipated a robust regeneration plan will have recovered to a sustainable level of two embarked Flights with short term surge to three.</p> <p>Crews ashore only achieved a basic level of capability and minimum currency.</p>
<p>Undertake MAO&T (Multi-Agency Operations/Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role.</p> <p>While specific, pre-planned operations/tasks (under MAO&T) normally require specific quality standards, the quality of other assistance to the government and the community may rely on the satisfaction expressed by the supported party/agency. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")</p>	<p>Seasprite flying operations supported a number of embarked (reported through OE2-4) and shore based MAO&T activities including support of MFish. Several surveillance operations around New Zealand have been conducted resulting in positive feedback (verbal) from MFish Officers.</p> <p>Services were provided to the satisfaction of agencies</p>
<p>In conjunction with the Naval Combat forces, undertake Defence Diplomacy tasks as required, in accordance with NZDF and Government/MFAT requirements. This normally involves ship visits to foreign ports.</p>	<p>Cross deck operations were conducted with coalition partners during multinational exercises. In conjunction with ship's visits defence diplomacy activities were conducted to Australia and South East Asia.</p>
<p>Total Seasprite air flying hours in target range of 1,240 – 1,370 hours.</p>	<p>The NHF flew 882 hours made up of 335 embarked and 549 from ashore. (Refer to Notes)</p> <p>The reduction in planned flying hours was predominantly due to airframe unavailability as routine service periods have been extended through delays, some by contractors, causing an overlap in major servicing. The reduction in shore-based aircraft and a lack of aircrew in the Squadron has not permitted the planned flying hours to be achieved.</p>

Performance Measures	Performance Achieved
Preparedness – Naval Helicopter Forces: Employment Context	
Security Challenges and Defence Tasks in New Zealand and its environs	
Illegal exploitation of marine resources within the New Zealand EEZ, and other low-level threats to New Zealand territorial sovereignty (EC 1A) – Fully prepared	Fully prepared.
Terrorist and Asymmetric Threats (EC 1D) – Fully prepared	Substantially prepared. The NHF was capable of generating OLOC for basic surveillance and attack roles in a low threat environment; however it lacked capability to generate some OLOC requirements for medium to high threat environments due to mission equipment constraints, specifically Forward Looking Infra Red capability and a fully supported self defence system.
Security Challenges to New Zealand's Interests in the South Pacific	
Natural and manmade disasters (EC 2B) – Fully prepared	Substantially prepared.
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C) – Fully prepared	Substantially prepared The NHF was capable of generating OLOC for basic surveillance and attack roles in a low threat environment.
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E) – Fully prepared	Substantially prepared. The NHF was capable of generating OLOC for basic surveillance and attack roles in a low threat environment.
Security Challenges to New Zealand's Interests in the Asia-Pacific Region	
Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation (EC 4A) - Substantially prepared	Partially prepared. The NHF was capable of generating OLOC for basic surveillance and attack roles in a low threat environment.
Inter-State Conflict (EC 4F) – Substantially prepared	Partially prepared. The NHF was able to practice mission essential tasks in conjunction with a wide cross-section of potential coalition partners to achieve DLOC. It participated in complex multinational warfare exercises as organic air assets of deployed Naval Combat Forces in Asia, Australia, and the Pacific.
Security Challenges to New Zealand's Interests in Global Peace and Security	
Terrorist Threats (EC 5D) – Substantially prepared	Partially prepared. The NHF was capable of generating OLOC for basic surveillance and attack roles in a low threat environment.

Notes

1. The Key Measurement Areas (Readiness, Combat Viability, Sustainability and Deployability), the Performance Rating Scale, and the Employment Contexts (EC) are explained earlier in this part.
2. Owing to aircraft and aircrew availability the NHF flying hours were reforecast during the FY; the reassessed requirement for the year was 904 flying hours.

Costs for Output Expense 11 (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
	Expenditure			
23.150	Personnel	23.391	23.302	23.070
25.223	Operating	22.766	21.962	21.715
0.994	Losses on Foreign Exchange			0.792
15.334	Depreciation	16.422	16.985	16.874
20.508	Capital Charge	20.058	21.672	21.720
85.209	Total Expenses	82.637	83.921	84.171
	Income			
82.372	Revenue Crown	81.968	83.459	83.459
0.161	Revenue Department	0.228	0.248	0.086
0.211	Revenue Other	0.441	0.214	0.170
1.290	Gains on Foreign Exchange			0.318
1.248	Gains on Property Plant and Equipment			0.000
85.282	Total Income	82.637	83.921	84.033
0.073	Net Surplus (Deficit)			(0.138)

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2009/10 for this output expense was \$84.521 million and the total expenditure excluding remeasurements was \$83.379 million. There was no unappropriated expenditure for this output expense.

Output Expense 12: Maritime Patrol Forces

Description

Provision of the capabilities of No 5 Squadron RNZAF (P-3K Orion aircraft) prepared to conduct maritime surveillance of New Zealand's EEZ, the Pacific region and the Southern Ocean, to conduct search and rescue missions, and to conduct maritime air operations, in accordance with NZDF Output Plan specifications. This output expense also includes some support services to the community.

Overview

Throughout the reporting period the MPF met the required standards for the majority of the time, with occasional periods where no Orion aircraft were available to support concurrent operational, MAO&T, and maritime search and rescue tasks. This was due to two of six aircraft undertaking the Mission Systems Upgrade programme and maintenance on the remaining aircraft. Unscheduled maintenance occasionally reduced aircraft availability times beyond the required notification periods, however these were infrequent and of short duration.

The MPF did not meet its planned hours due largely to the ongoing upgrade programme. Other significant factors impacting on scheduled flying were late notice submarine withdrawals during exercises, and most significantly the impact of volcanic ash during the largest deployment of the year to the United Kingdom. The MPF met preparedness targets for the NZ EEZ, South Pacific regional surveillance and Search and Rescue (SAR) tasks, however, due to equipment limitations and reduced training opportunities was only partially prepared for regional military contingencies. The Mission System Upgrade will address the majority of current aircraft deficiencies.

Air and ground crew personnel numbers and experience continued to limit MPF preparedness. Whilst recruiting and improved retention has addressed, in some part, the lack of personnel numbers, the majority of these personnel are inexperienced and require continued exposure, supervision and professional development opportunities. The regeneration of personnel continues to be a medium to long term project, and will not be fully realised until aircraft availability improves following completion of the aircraft Mission Systems Upgrade programme.

Planning for P-3K2 Operational Tests and Evaluation (OT&E) is well advanced, with a framework in place for contracted support. The challenge of conducting almost concurrent OT&E, capability development and transition training for legacy crews has been planned in detail and is being resourced. The prototype aircraft has been delayed by both project deliverables and legacy airworthiness issues.

Highlights

During the reporting period the MPF conducted:

- Two deployments in support of Five Power Defence Arrangement exercises in South East Asia.
- Two deployments to exercises in Australia.
- Exercise JOINT WARRIOR in the United Kingdom – a UK and NATO force exercise concentrating on coordinated protection of shipping and overland support to land forces.
- Two patrols in support of Operation MAWSONI (Southern Ocean surveillance) including landings and overnights in Antarctica. These patrols were in support of the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR).

- 16 Search and Rescue missions in response to requests for support from the Rescue Coordination Centre, New Zealand.
- 10 surveillance patrols into the South Pacific
- Completed 40 Operation TAPESTRY missions, flying in support of the National Maritime Coordination Centre. These flights involved surveillance patrols in support of a number of New Zealand Government agencies (including MFish, NZ Custom Services and Police).
- Intelligence, Surveillance and Reconnaissance and OLOC generation in support of NZ Army.
- High explosive bombing training.

Contribution to Outcomes

Output Expense 12 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below. For additional important information on this Output Expense, see the notes at the end of this table.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
Two P-3K2 Orion aircraft available for military tasks - from a total fleet of six aircraft (see Note 1).	Partially achieved. While two aircraft could have been made available, this would have been at the detriment of DLOC generation and MAO&T.
One additional P-3K2 Orion aircraft available for maritime Search and Rescue and other emergency tasks, as required.	All callouts were met within the required degree of notice. Moreover, the Tongan Ferry Disaster utilised two aircraft simultaneously for periods, and response to the Samoan Tsunami was also well within prescribed periods of notice.
Undertake MAO&T (Multi-Agency Operations/Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role. While specific, pre-planned operations/tasks (under MAO&T) normally require specific quality standards, the quality of other assistance to the government and the community may rely on the satisfaction expressed by the supported party/agency. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")	Achieved. Significantly, a larger than normal level of SAR activity was conducted this year which, when combined with planned MAO&T events, equalled planned output. Services were provided to the satisfaction of agencies
Total P-3K2 Orion target range of 2,232 – 2,468 hours The total Orion annual flying hours' allocation was 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 2009/10.	The MPF flew 2110 hours. (Refer to Notes) The additional reduction in planned flying was mainly due to delays with the P3-K2 upgrade project, aircrew availability and the impact of the international flight restrictions on a major overseas training exercise, due to the spread of the Icelandic volcanic ash.

Performance Measures	Performance Achieved
Preparedness – Maritime Patrol Forces: Employment Context	
<i>Security Challenges and Defence Tasks in New Zealand and its environs</i>	
Illegal exploitation of marine resources within the New Zealand EEZ, and other low-level threats to New Zealand territorial sovereignty (EC 1A) – Fully prepared	Substantially prepared
Terrorist and Asymmetric Threats (EC 1D) – Fully prepared	Substantially prepared Current limitations of equipment and weapons fit affect capacity and effectiveness. However, the introduction of the P-3K2 will address the equipment limitations
<i>Security Challenges to New Zealand's Interests in the South Pacific</i>	
Natural and manmade disasters (EC 2B) – Fully prepared	Substantially prepared
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C) – Fully prepared	Substantially prepared
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E) – Fully prepared	Substantially prepared Current limitations of equipment and weapons fit affect capacity and effectiveness. However, the introduction of the P-3K2 will address the equipment limitations
<i>Security Challenges to New Zealand's Interests in the Asia-Pacific Region</i>	
Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation (EC 4A) – Substantially prepared	Partially prepared Current limitations of equipment and weapons fit affect capacity and effectiveness. However, the introduction of the P-3K2 will address the equipment limitations
Inter-State Conflict (EC 4F) – Substantially prepared	Partially prepared Current limitations of equipment and weapons fit affect capacity and effectiveness. However, the introduction of the P-3K2 will address the equipment limitations
<i>Security Challenges to New Zealand's Interests in Global Peace and Security</i>	
Terrorist Threats (EC 5D) – Substantially prepared	Partially prepared Current limitations of equipment and weapons fit affect capacity and effectiveness. However, the introduction of the P-3K2 will address the equipment limitations

Notes:

1. The Key Measurement Areas (Readiness, Combat Viability, Sustainability and Deployability), the Performance Rating Scale, and the Employment Contexts (EC) are explained earlier in this part.
2. The number of P-3K Orion aircraft available during 2009/10 was affected by the Orion upgrade programme. The upgrade programme reduced the full capacity of this output expense and will continue do so until FY 2011/12 and beyond if delays in the project continue. From September 2009 up to two aircraft were not available for service due to the upgrade programme. The requirement to sustain core and Directed Level of Capability (DLOC) training also affected the nature and extent of tasking that was undertaken by the fleet during the period.
3. Owing to delays in the P3-K2 upgrade programme, inability to participate in some overseas exercises, aircraft and aircrew availability the MPF flying hours were reforecast during the FY; the reassessed requirement for the year was 2,198 flying hours

Costs for Output Expense 12 (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
	Expenditure			
62.123	Personnel	59.272	62.866	61.876
57.878	Operating	58.650	59.418	54.617
1.509	Losses on Foreign Exchange			1.475
15.236	Depreciation	18.326	17.538	17.016
32.327	Capital Charge	31.628	34.173	34.224
169.073	Total Expenses	167.876	173.995	169.208
	Income			
164.644	Revenue Crown	166.106	172.964	172.964
0.241	Revenue Department	0.425	0.462	0.161
0.640	Revenue Other	1.345	0.569	0.510
1.958	Gains on Foreign Exchange			0.593
4.382	Gains on Property Plant and Equipment			0.000
0.000	Other Gains			0.519
171.865	Total Income	167.876	173.995	174.747
2.792	Net Surplus (Deficit)			5.539

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2009/10 for this output expense was \$169.995 million and the total expenditure excluding remeasurements was \$167.733 million. There was no unappropriated expenditure for this output expense.

Output Expense 13: Fixed Wing Transport Forces

Description

Provision of the capabilities of No 40 Squadron RNZAF (Boeing 757-200 and C-130 Hercules aircraft) prepared to conduct strategic and tactical air transport operations, including aeromedical evacuation, in accordance with NZDF Output Plan specifications, and to contribute support services to the community.

Outputs in Output Expense 13

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.

Overview

No 40 Squadron, with a fleet of two Boeing 757-200 and five C-130 Hercules aircraft (two of which have remained on upgrade for the whole period), supported a wide range of government, NZDF, and community activities during the reporting year. Ongoing commitments included support to the NZDF Provincial Reconstruction Team in Afghanistan, the New Zealand Antarctic Research Programme, and NZDF deployments in Solomon Islands and Timor-Leste. The C-130 Life Extension Programme (LEP) and extensive unavailability of one B757 due to unforeseen maintenance over the period has placed increased demand on remaining assets and personnel to meet operational commitments.

The availability of the Boeing 757-200 fleet was reduced to one aircraft for the period July 2009 to November 2009 where a scheduled heavy maintenance check conducted in Canada was prolonged due to unforeseen engine and contractor issues. Boeing 757-200 serviceability has generally been acceptable for the reporting period. Since both Boeing 757-200 aircraft have been modified (2008) to a palletised/passenger mix they have increased 40 Squadron's versatility immensely and have notably absorbed the impact of the lack of C-130 availability.

The LEP dominated the period for C-130 operations resulting in a maximum of three Legacy aircraft being available to meet NZDF outputs this year. As the number of flying hours against these remaining aircraft increases, the sourcing of parts for what should now be obsolete systems is becoming increasingly difficult and turn around times for aircraft maintenance have been increasing progressively throughout the period. Although the impending C-130 LEP arrival should alleviate this problem on the upgraded aircraft, the delays that have been experienced will mean that this issue will still be observed in the future as Legacy aircraft will still be called upon to provide NZDF outputs for the next two years as they are progressively inducted into the upgrade programme.

The robust planning processes that were developed to allow for forecast reduced airlift availability during the aircraft upgrade process have proved even more vital this year, with the link to planning staff at HQJFNZ now being pivotal to the ability of No. 40 Squadron to meet Government outputs. Although DLOC levels were maintained across the full range of EC, outputs were increasingly being met at the expense of ancillary tasks or training flights.

Competing demands for skilled flying and technical supervisors for training and operational outputs continue. As the introduction into service activities gain traction, the demands will be even greater as the Squadron supports, what are effectively, three different aircraft fleets during the transition period. The C-130 Life Extension Project has moved the aircraft from L3 SPAR, Edmonton, Canada, to L3/IS, Waco, Texas. System software testing has shown it is not mature enough to take into and Operational Test and Evaluation programme (OT&E) and the system remains in development awaiting Acceptance Test and Evaluation.

Highlights

During the reporting period FWTF conducted the following activities by aircraft type.

The B757 fleet completed support flights to the following:

- Operation RATA (Solomon Islands)
- Task Group CRIB (Afghanistan)
- Operation WĀTEA (Afghanistan)
- LONGLOOK exchange programme (UK/Australia)
- Exercise SUMAN WARRIOR (Asia)
- Commonwealth Heads of Government Meeting (South America)
- Royal International Air Tattoo (UK)
- Domestic NZ Troop Transport
- Exercise TROPIC ASTRA (Samoa)
- NZ Command and Staff College (Australia/India)
- ASWEX (Australia)
- OP GYRO (Dili – Timor-Leste)
- SATS (domestic)
- TACEX (domestic)
- KIWI WALK (Singapore)
- Fleet concentration Period (Australia)
- Operation FIJI ASSIST
- Operation GALLIPOLI
- Numerous VVIP / VIP including Prince William, Heads of State (foreign and NZ)
- Samoan Tsunami Relief (Aeromedical Evacuation)

In addition the fleet completed four B757 Pilot conversions, one Air Loadmaster Conversion and three Flight Steward Conversions and two successful historic and maiden Antarctic flights which proved the feasibility of operating the RNZAF B757s as a part of the annual Operation Antarctic programme (Dec 2009 / Feb 2010).

The C-130 fleet completed tasking in support of:

- Operation RATA (Solomon Islands)
- Operation NOMUKA (Tonga)
- Operation ARIKI (TG CRIB - Afghanistan)
- Operation WĀTEA (Afghanistan)
- Operation ANTARCTICA
- Operation COOK ISLANDS ASSIST
- Operation FIJI ASSIST
- Operation ORCA (Prime Minister's visit to Afghanistan) and several MFAT Pacific Island visits.
- Conducted tasking in support of EX TROPIC ASTRA (Samoa) and EX BERSAMA SHIELD (Malaysia)
- Deployed one C-130 and 24 personnel to Afghanistan to conduct ISAF tasking which included a C-130 Combat Air Drop.
- Attended the Pacific Airlift Rally (Malaysia), Advanced Airlift Tactics Training Course (USA) and EX MAPLE FLAG (Canada) providing advanced tactical training to aircrew.
- Successfully completed an Antarctic Aeromedical Evacuation.
- Completed two full C-130 Conversion Courses and three TACEX, domestic tactical training exercises, to conduct initial tactical qualifications.
- Continued development and testing of the C-130 LEP working towards crown acceptance.

Contribution to Outcomes

Output Expense 13 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below. For additional important information on this Output Expense, see the notes at the end of this table.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
One B757-200 aircraft available for strategic military transport tasks - from a total fleet of two aircraft.	Fully achieved On two occasions when unscheduled maintenance precluded B757 flight operations, missions were completed through the transfer of tasking to the C-130 fleet
Two C-130 aircraft available for deployed military tasks (from a total fleet of five aircraft) (Refer to Notes)	Fully achieved.
One additional C-130 aircraft available for EC 1D and emergency tasks, as required (Refer to Notes)	Substantially achieved. Unscheduled maintenance precluded this from being fully achieved for less than 1% of the period
An Aeromedical Evacuation (AE) element available for strategic and tactical AE in support of land operations.	Although the dedicated AE capability has not yet been fully realised, trials are continuing and are scheduled to be completed by July 2010 on the B757. The C-130 remains available for AE tasking, and both aircraft types were used in this capacity during the period.

Performance Measures	Performance Achieved
The RNZAF is required to provide forward, tactical and strategic Aeromedical Evacuation (AE) services, including responsibility for the provision of AE-qualified personnel and associated AE equipment. For fixed wing tactical and strategic AE it is likely that, for high dependency cases, specialist support would be sought from other Services of the NZDF and/or non-defence resources.	Subject to availability of personnel a dedicated aeromedical evacuation capability could be achieved by 2011. Partial delivery of AE was achieved during response to the Samoa tsunami.
Undertake MAO&T (Multi-Agency Operations/Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role. While specific, pre-planned operations/tasks (under MAO&T) normally require specific quality standards, the quality of other assistance to the government and the community may rely on the satisfaction expressed by the supported party/agency. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")	The FWTF contributed to a range of services in support of other government departments and the community. Services were provided to the satisfaction of agencies
Total Air Flying Hours:	
Boeing 757 target range of 1,330 – 1,470 hours.	The B757 fleet flew 1082 hours. (Refer to Notes) The reduction in planned flying hours was due to spares availability and the extended periods of time that the aircraft were undergoing major servicing at contractors facilities.
Hercules C-130 target range of 1,995 – 2,205 hours. 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 C-130 fleet during the period.	The C-130 fleet flew 1752 hours. (Refer to Notes) The reduction in planned flying hours was primarily due to delays with the C130 Life Extension Programme, the return of those aircraft to operational service and the availability of spare parts for the legacy aircraft.
Preparedness – Fixed Wing Transport Forces: Employment Context	
Security Challenges and Defence Tasks in New Zealand and its environs	
Terrorist and Asymmetric Threats (EC 1D) B757 and C-130 Transport Force – Fully prepared	Fully prepared
Security Challenges to New Zealand's Interests in the South Pacific	
Natural and manmade disasters (EC 2B) B757 and C-130 Transport Force – Fully prepared	Substantially prepared Due to the reduced availability of C-130s during the Life Extension Programme
State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C) B757 and C-130 Transport Force – Fully prepared	Substantially prepared Due to the reduced availability of C-130s during the Life Extension Programme
Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E) B757 and C-130 Transport Force – Fully prepared	Substantially prepared Due to the reduced availability of C-130s during the Life Extension Programme
Security Challenges to New Zealand's Interests in the Asia-Pacific Region	
Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation (EC 4A). B757 and C-130 Transport Force – Substantially prepared	Substantially prepared Due to the reduced availability of C-130s during the Life Extension Programme
Inter-State conflict (EC 4F) B757 and C-130 Transport Force – Substantially prepared	Substantially prepared

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

Notes:

- The Key Measurement Areas (Readiness, Combat Viability, Sustainability and Deployability), the Performance Rating Scale, and the Employment Contexts (EC) are explained earlier in this part.
- The number of C-130 Hercules aircraft available during 2009/10 was affected by the Life Extension Programme and reduced the full capacity of this output. At least two C-130 aircraft are planned to be removed from service at any one time during the programme, this will continue until FY 2011/12 and beyond if delays in the project continue. While the number of aircraft required by the NZDF Output Plan for OLOC should be maintained for the period, there will be periods where aircraft availability will be reduced - given the need to continue to cycle aircraft through group and phase servicing schedules. The requirement to sustain core competencies and DLOC training also affected the nature and extent of tasking undertaken by the C-130 fleet during the period. Completion of the Boeing 757 upgrade with the ability to carry palletised freight compensated for reduced C-130 availability during the period.
- Owing to delays in the C130H Life Extension Programme, and availability of spares for the legacy aircraft the Hercules flying hours were reforecast during the FY; the reassessed requirement for the year was 1,898 flying hours. Delays by the contractor with scheduled major servicing of the B757 gave rise to extended periods of aircraft unavailability during the year; the reassessed requirement for the year was 1,101 flying hours.

Costs for Output Expense 13 (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
	Expenditure			
69.881	Personnel	69.773	72.974	71.862
71.570	Operating	76.277	82.366	78.429
1.566	Losses on Foreign Exchange			1.661
30.621	Depreciation	40.023	29.005	39.036
40.735	Capital Charge	40.417	43.669	43.696
214.373	Total Expenses	226.490	228.014	234.684
	Income			
217.466	Revenue Crown	225.228	226.369	226.369
0.402	Revenue Department	0.629	0.531	0.232
0.784	Revenue Other	0.633	1.114	0.799
2.031	Gains on Foreign Exchange			0.668
3.388	Gains on Property Plant and Equipment			0.000
0.000	Other Gains			0.715
224.071	Total Income	226.490	228.014	228.783
9.698	Net Surplus (Deficit)			(5.901)
	Cost by Output			
87.972	Output 13.1	98.419	115.003	120.666
126.401	Output 13.2	128.071	113.011	112.357

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2009/10 for this output expense was \$235.014 million and the total expenditure excluding remeasurements was \$233.023 million. There was no unappropriated expenditure for this output expense.

Output Expense 14: Rotary Wing Transport Forces

Description

Provision of the capabilities of No 3 Squadron RNZAF (Iroquois helicopters) prepared to conduct tactical air transport, including aeromedical evacuation, and counter-terrorist operations, and to contribute support services to the community, in accordance with NZDF Output Plan specifications.

Overview

The ANZAC Day UH-1H Iroquois crash was undoubtedly the defining event of the reporting period. Three members of No 3 Squadron were killed in the crash; the first fatal incident involving the Unit since 1972. A full military service was held at RNZAF Base Ohakea to honour their service and sacrifice.

The period is also notable for the increased impact of the new helicopter projects and the corresponding moderate drawdown of Iroquois capacity. Two Iroquois were placed in long term storage, although one was subsequently regenerated to ensure sufficient flight line numbers, following the loss of NZ3806 in the crash.

In general, the Iroquois fleet experienced reduced serviceability rates across the period. The main reason for the low rates was aircraft spares availability problems, an issue largely outside the control of the NZDF. External providers consistently failed to meet desired support requirements, particularly for the key main rotor blade and 90 degree gearbox items regularly needed during the year.

While aircraft availability targets were still met with respect to the OE14 output requirements, as a consequence of the reduced serviceability rates, the overall planned flying hours target was not met. Nevertheless, preparedness targets for EC 1 and 2 tasks were achieved, and No 3 Squadron also demonstrated its ability to respond to natural disasters in the region at very short notice, with two Iroquois having deployed to Samoa for a month of relief operations, immediately after the Pacific Tsunami.

While the introduction into service (IIS) of the NH90 medium and A109 light utility helicopters will address the operating and equipment limitations of the current Iroquois fleet in medium to high threat environments, tactical operations were still validated on Exercise STEEL TALON, conducted in concert with NZ Army units in the Tekapo Area.

No.3 Squadron also deployed two Iroquois to New Caledonia to participate in Exercise CRIX DU SUD, where further tactical operations were conducted and interoperability confirmed with the other host and Australian Defence Force participants. This Exercise also marked the third employment of HMNZS *Canterbury* to strategically deploy and/or re-deploy Iroquois during the reporting period.

The IIS of the NH90 medium and A109 light utility helicopters is increasingly impacting on the current capability. The period has seen further experienced personnel (aircrew and maintenance) transferring to roles within the IIS of the new platforms. The impact is inevitable and is being carefully managed, as are the expectations of the RWTF for the next few years as the transition continues.

The RNZAF has significantly reinforced the MoD led NH90 Resident Project Team in France, as the project moves towards Acceptance of the system. Crew training will start in France later this year. Delays to the qualification of some aircraft systems have introduced a two month delay to the delivery schedule. It is anticipated the first NH90 will be delivered to the RNZAF mid – 2011.

Air Force pilots have begun training on the A109 Light Utility and Training helicopter in Italy and the A109 simulator project is making good progress. An RNZAF Helicopter Transition Unit has been established at Ohakea to integrate OT&E, training and capability development. OT&E of the two

helicopter systems has been planned in depth, allowing Introduction Into Service resourcing to be finely balanced with the need to maintain legacy helicopter outputs.

Highlights

- Exercise TROPIC ASTRA in August saw the successful deployment of four Iroquois and a sizeable contingent of No 3 Squadron and Expeditionary Support Squadron personnel to Samoa for tropical and civil aid operations (from a remote tented location). The Iroquois and some personnel were deployed/re-deployed using HMNZS Canterbury.
- Two Iroquois and a small contingent of No 3 Squadron personnel deployed at short notice to Samoa to conduct disaster relief operations in the aftermath of the Pacific Tsunami in October. This operation was made significantly easier by the fact that the personnel had familiarity with the operating environment, and had established working relationships with key contacts, during the preceding TROPIC Exercise.
- Seven Iroquois deployed to Tekapo in October to conduct Exercise STEEL TALON, the Squadron's annual tactical Readiness Training Activity. This exercise was conducted in concert with two NZ Army exercises, thereby providing opportunities for combined training and shared (reduced) logistical costs.
- Exercise KIMIHA was held at RNZAF Base Ohakea in November and involved multiple agencies and operators, both military and civil, congregating to share knowledge and network on matters relating to search and rescue.
- Exercise CROIX DU SUD involved two Iroquois and a small contingent deploying to New Caledonia, again utilising HMNZS Canterbury, for combined tactical operations with French and Australian Defence Force elements.
- Exercise PEKA PEKA was conducted in two phases, in May and June at Auckland and Waiouru respectively, with the focus on night and special operations flying. All critical objectives for this exercise were met, while a number of aircrew upgrades were also able to be achieved.

No 3 Squadron also provided valuable support to the NZ Police during the reporting period. In addition, a number of Search and Rescue activities were conducted, including one night rescue off Mt Taranaki in November which resulted in No 3 Squadron receiving a Certificate of Achievement at the NZ SAR Awards.

Contribution to Outcomes

Output Expense 14 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
<p>Six UH-1H Iroquois helicopters available for military tasks - from a total fleet of 14 helicopters.</p> <p>It is prudent to record now that the introduction into service of the NH-90 helicopter (replacement for the Iroquois) in 2010 onwards, will impact on the availability of helicopters for operational deployment. More detail will be provided in the 2010/11 documentation.</p>	<p>Six helicopters, with trained aircrew and ground support were available for military tasks in addition to those aircraft and crews held at a degree of notice to respond to emergencies and other events.</p>
<p>Two additional helicopters on standby for rapid response tasks in New Zealand (under EC 1), such as Counter-Terrorist Operations and for Search and Rescue Missions.</p>	<p>Two aircraft were available for rapid response tasks under EC1 and one aircraft was available for Search and Rescue. A number of SAR missions were conducted during the course of the year.</p>
<p>A Forward and Tactical Aeromedical Evacuation (AE) element available for the support of land operations.</p> <p>(The RNZAF is required to provide forward and tactical Rotary Wing AE services, including responsibility for the provision of AE-qualified personnel and associated AE equipment.)</p>	<p>A Forward and Tactical AE capability was available when required</p>
<p>Undertake MAO&T (Multi-Agency Operations/Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives to the satisfaction of the supported department/agency, when not committed to operations, using the capabilities developed for the operational role.</p> <p>While specific, pre-planned operations/tasks (under MAO&T) normally require specific quality standards, the quality of other assistance to the government and the community may rely on the satisfaction expressed by the supported party/agency. (For details see the section on "Services in Support of the Government and the Community, including MAO&T.")</p>	<p>Significant and varied MAO&T were conducted throughout the year for a range of Government agencies. The total percentage of MAO&T against total flying hours flown this year exceeded the previous year by approximately 10%. This increase was primarily due to improved tasking management, including the greater use of DLOC training to concurrently achieve MAO&T objectives.</p> <p>Services were provided to the satisfaction of agencies</p>
<p>Iroquois target flying range of 3,952 – 4,368 hours.</p>	<p>The Iroquois flew 3652 hours. (Refer to Notes)</p>
<p>Preparedness – Rotary Wing Transport Forces: Employment Context</p>	
<p>Security Challenges and Defence Tasks in New Zealand and its environs</p>	
<p>Terrorist and Asymmetric Threats (EC 1D) – Fully prepared</p>	<p>Fully prepared</p>
<p>Security Challenges to New Zealand's Interests in the South Pacific</p>	
<p>Natural and manmade disasters (EC 2B) – Fully prepared</p>	<p>Substantially prepared.</p> <p>A concurrent requirement to deploy was sustainable, with additional risk, while concurrently maintaining EC1 commitments with the reduced legacy Iroquois fleet.</p>
<p>State failure or fragility leading to internal conflict and/or humanitarian crisis (EC 2C) – Fully prepared</p>	<p>Substantially prepared.</p> <p>A concurrent requirement to deploy was sustainable, with additional risk, while concurrently maintaining EC1 commitments with the reduced legacy Iroquois fleet.</p>
<p>Challenges to legitimate governments, including civil war and secessionist conflict (EC 2E) – Fully prepared</p>	<p>Substantially prepared.</p> <p>A concurrent requirement to deploy was sustainable, with additional risk, while concurrently maintaining EC1 commitments with the reduced legacy Iroquois fleet.</p>

Performance Measures	Performance Achieved
Security Challenges to New Zealand's Interests in the Asia-Pacific Region	
Inter-State conflict (EC 4F) – Partially prepared (See Note 2)	Partially prepared. Limitations with the current aircraft fleet, employment in a medium to high threat environment would come with considerable risk.
Security Challenges to New Zealand's Interests in Global Peace and Security	
Terrorist Threats (EC 5D) – Partially prepared (See Note 2)	Not prepared. Employment in the EC is beyond the capability of the current UH-1H fleet.

Notes:

1. The Key Measurement Areas (Readiness, Combat Viability, Sustainability and Deployability), the Performance Rating Scale, and the Employment Contexts (EC) are explained earlier in this part.
2. High-end operational tasks (like under EC 4 and 5) are beyond the current capabilities of the Iroquois helicopter. This situation will not improve until the NH-90 helicopters have been fully introduced into service.
3. Owing to aircraft availability due to lack of spares the RWTF flying hours were reforecast during the FY; the reassessed requirement for the year was 3,900 flying hours.

Costs for Output Expense 14 (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
	Expenditure			
53.214	Personnel	57.591	56.226	55.204
39.092	Operating	38.699	35.070	33.134
0.599	Losses on Foreign Exchange			0.743
9.157	Depreciation	12.149	9.645	9.222
27.403	Capital Charge	27.030	28.793	28.660
129.465	Total Expenses	135.469	129.734	126.963
	Income			
128.084	Revenue Crown	134.166	129.016	129.016
0.095	Revenue Department	0.214	0.233	0.082
0.507	Revenue Other	1.089	0.485	0.455
0.777	Gains on Foreign Exchange			0.299
2.242	Gains on Property Plant and Equipment			0.000
0.000	Other gains			0.520
131.705	Total Income	135.469	129.734	130.372
2.240	Net Surplus (Deficit)			3.409

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2009/10 for this output expense was \$127.734 million and the total expenditure excluding remeasurements was \$126.220 million. There was no unappropriated expenditure for this output expense.

Output Expense 15: Miscellaneous Support Activities/Multi-Class Output Appropriation

Description

The provision of the NZDF infrastructure and planned support to regional defence forces and the New Zealand community that is provided by identified elements of the NZDF. It includes support provided under the auspices of the Mutual Assistance Programme (MAP), support for the New Zealand Cadet Forces (NZCF), training of Limited Service Volunteers (LSVs), and the provision of Service Museums.

Outputs in Output Expense 15

Output Class 15.1 – Support to Mutual Assistance Programme (MAP)

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

Output Class 15.2 – Support to NZ Cadet Forces

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

Output Class 15.3 – Support to Limited Service Volunteer Training Scheme

This output class is limited to the conduct of Limited Service Volunteer courses for unemployed or disadvantaged youth, selected by the Ministry of Social Development, to encourage these youth towards employment. This sub-Output Class was incorporated into OE 15.5 at the end of December 2009.

Output Class 15.4 – 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 15.5 - Support to the Youth Development Scheme

This Output which commenced in December 2009 now includes the LSV Scheme at OE 15.3.

Overview

The NZDF continued to provide valuable training and technical assistance to counties within the Pacific and Asian regions under the Mutual Assistance Programme (MAP). The planned activities included assistance to MAP partners via Mutual Assistance Training Teams (MATT), technical advisers, NZDF study courses, tertiary study, provision of resources, and through a series of personnel exchanges and attachments.

This year the Government expanded the Defence Force's role to assist the Ministries of Social Development and Education in the development of New Zealand's young people through the Limited Service Volunteer (LSV) scheme, Service Academies in schools, and military-style activity camps.

Public satisfaction surveys continue to indicate positive opinions and feedback, and an increased public awareness and knowledge of the Navy, Army and Air Force through the services offered by the three Museums.

Contribution to Outcomes

Output 15.1 contributes to Intermediate Outcomes 1 and 2, while Outputs 15.2, 15.3, 15.4 and 15.5 contribute to the Government's initiatives on youth and preservation and archiving of the NZDF's history.

Performance

Output performance, in general, was measured by the degree of satisfaction expressed by the authorities requesting assistance - in accordance with their annual programmes. Performance was also assessed by the regular evaluation of significant issues, the capacity to react to requests for assistance and the provision of adequate support from the limited resources available.

Training and administrative support was provided in accordance with NZDF training quality standards as modified with senior staff from the requesting organisation.

- For MAP - 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. It included monitoring and analysis of MAP activities within each country programme through various processes, including post-activity reports and evaluation of the training outcomes against identified need.
- For NZCF
 - Meet the training, course and exercise objectives of the NZ Cadet Forces.
 - Conduct courses that meet the requirements of the NZQA framework, where appropriate.
 - Meet NZDF standards for the administrative support provided to NZCF units.
 - The effectiveness of the support provided to the NZCF is assessed from the reports of Area Coordinators, Cadet Unit Commanders, feedback from the public and overall evaluation by the Commandant NZCF.
- For LSV Scheme - Complete training courses to standards agreed in a Memorandum of Understanding (MOU) between the NZDF and the Ministry of Social Development (MSD). This included an analysis of the training objectives achieved, the reported post-course employment status of Scheme participants, and feedback from the public and the Ministry of Social Development (MSD).
- For Service Military Museums - 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. For Service Museums, an annual review against Service Museum benchmarks and periodic reviews against the New Zealand Museum Standards Scheme were conducted. Performance assessment was 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.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
<p>Generally for this MCOA:</p> <p>Training and administrative support will be provided in accordance with NZDF training quality standards as modified with senior staff from the requesting organisation:</p> <ul style="list-style-type: none"> • The degree of satisfaction expressed by the authorities requesting assistance - in accordance with their annual programmes. • Regular evaluation of significant issues, the capacity to react to requests for assistance and the provision of adequate support from the limited resources available. 	
<p>Support to Mutual Assistance Programme (MAP):</p> <ul style="list-style-type: none"> • 140 – 180 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. • 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. • Monitor and analyse MAP activities within each country programme through various processes, including post-activity reports, evaluation of the training outcomes against identified need and feedback from annual talks. 	<p>The MAP delivered 139 out of 188 planned activities which included assistance to MAP partners via Mutual Assistance Training Teams (MATT), technical advisors, NZDF courses, tertiary study, resource provision, exchanges and attachments. The gap between the planned target and actual target is largely attributable to MAP partner countries failing to nominate personnel for courses for which they requested and had reserved places. In some cases candidates were not accepted as they did not meet the required English language standard for courses.</p> <p>Of the total activities completed, about 70% that total was undertaken with Pacific MAP partners while the rest was conducted with South East Asian MAP partners. Approximately 80% of the MAP operating and personnel expenditure of \$2m was spent on Pacific MAP activities while the remainder was primarily expended on MAP activities conducted with South East Asian partners.</p> <p>Activities and assistance provided under MAP were reviewed and assessed at meetings held with partner nations and organisations, and from information provided in post activity reports as follows:</p> <p>MAP talks were conducted with the Cook Islands, Brunei, Malaysia, Philippines, Thailand, Papua New Guinea, Samoa, Timor-Leste, Tonga, Vanuatu and Vietnam.</p> <p>Annual talks were conducted with the Australian Defence Force Cooperation Programme (DCP)</p> <p>Talks were also held with other donors under the umbrella of the Quadrilateral Defence Coordinating Group (QUADs) [NZ, Australia, France and USA] to ensure better co-ordination between our respective military assistance programmes in the Pacific.</p> <p>Collaboration continues with NZ Police on the provision of training assistance to disciplined forces in the South Pacific. This is in specialised niche areas such as band training and physical training instruction.</p> <p>In October 2009 the NZDF Defence Attaché post in Manila concluded. MAP activities with the Philippines are now coordinated through the Defence Attaché in Jakarta. A good level of activity continued despite the administrative difficulties of co-ordinating nominations, travel arrangements, communication etc from a remote post.</p>

Performance Measures	Performance Achieved
	<p>Following a request from the Papua New Guinea Defence Force (PNGDF) the NZDF agreed to fill the position of Deputy Chief of Staff in the PNGDF HQ. A senior RNZAF officer commenced duty in the post from October 2009.</p> <p>A high level of assistance activity continues with 27 PNGDF personnel attending various NZDF courses.</p> <p>An increased level of MAP activity has occurred with Vietnam. Significantly this reporting period VPA personnel attended NZDF courses for the first time. One officer attended a NZ Army professional development course and one officer attended the NZDF Joint Junior Staff Course. In co-operation with the DCP a VPA officer received English training in Australia and is now attending the 2010 Senior Staff Course at the NZDF Command and Staff College. Another significant activity was a NZ Army officer attachment to a VPA English Language Training School for three months.</p> <p>Although interaction with Thailand remains at a low level there was some notable activity. This included a NZ Army officer attachment to a Royal Thai Armed Forces English Language Training School for three months and a Thai officer attending the NZ Army Grade III Staff and Tactics Course. Two Thai officers commenced an attachment to the RNZN and one officer completed the 2009 NZDF Senior Staff Course.</p> <p>HQNZDF continues to provide strategic overview of the five technical advisers assisting the F-FDTL (Armed Forces of Timor-Leste) under Task Group Kiahanga. During this reporting period one of the technical adviser positions was changed from a Logistics specialist to an English Language Instructor. This officer is based at the ADF English Unit at Metinaro. A limiting factor of F-FDTL personnel attending overseas courses, both in NZ and elsewhere, has been their English speaking levels. A special highlight of this reporting period is two F-FDTL soldiers commenced the NZ Army MAP Musician course.</p> <p>The high level of activity with Tonga continues. Thirty TDS personnel attended a range of NZDF courses. The Commander of the TDS led the TDS delegation for the MAP talks held in Wellington. The NZDF TA based in Tonga project managed the TDS Armoury Upgrade which was funded by the Pacific Security Fund.</p> <p>The MAP has sponsored the attendance of a police constable from Kiribati on the NZ Army 2010 MAP Musician course.</p>

Performance Measures	Performance Achieved
	<p>Nine Mutual Assistance Training Teams (MATT) were successfully completed as follows:</p> <p>Tonga A NZ Army team conducted report writing and written language training for the Tongan Defence Service.</p> <p>Papua New Guinea Two visits were conducted as part of the ongoing NZDF support to the PNGDF Commercial Support Programme. A NZ Army officer assisted the PNGDF in developing procedures for the selection of personnel for officer training. A NZ Army officer conducted an oral history project for the PNGDF. He interviewed one of the last surviving PNGDF soldiers to have served in World War II</p> <p>Vanuatu Two NZDF specialist personnel conducted middle tier band training. Two RNZN personnel conducted leadership training for the VPF/VMF. The training focused on decision making.</p> <p>Thailand A NZ Army officer was attached to the RTArF English Language School for three months as an instructor.</p> <p>Vietnam A NZ Army officer was attached to VPA Unit 871 (English Language School) for three months as an instructor.</p>
Support to New Zealand Cadet Forces (NZCF)	
General:	
<p>The NZCF comprises 401 NZCF officers and 3,855 cadets within 102 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 5 civilian administrative staff.</p>	<p>At year end support had been provided for 102 cadet units comprising 401 officers and 3,857 cadets. The permanent staff support during the year was maintained at a level slightly below the establishment of the 27 Regular Force (tri-Service) and five civilian staff.</p> <p>Note: Cadet Force personnel figures fluctuate from month to month, especially at the end of the school year.</p>
<ul style="list-style-type: none"> 37 courses conducted for NZCF officers / (representing 3,131 officer training days). <p>41 courses conducted for NZCF cadets / (representing 11,213 cadet training days). (Training days do not include community projects completed at the local level).</p>	<p>28 courses for NZCF Officers were conducted representing 2,665 training days.</p> <p>41 courses for Cadets were conducted representing 10,885 training days.</p>
<ul style="list-style-type: none"> All courses conducted will meet the requirements of the NZ Qualifications Authority (NZQA) framework, where appropriate. 	<p>The training delivered by the NZDF to the NZCF has been consistent throughout the organisation, has met the objectives of the NZCF, and where NZQA unit standards are included, met the requirements of the NZQA framework.</p>
<ul style="list-style-type: none"> Meet the training, course and exercise objectives of the NZ Cadet Forces. 	<p>Objectives met and courses are under regular review to ensure relevancy and currency. The support generally met the standards required although some units received lower than normal frequency of visits from Area Advisors due to lower staff numbers.</p>
<p>Positive feedback/reports from Area Coordinators, Cadet Unit Commanders and the public and overall evaluation by the Commandant NZCF.</p>	<p>Positive feedback and reports received. NZDF delivered training and support to the NZCF has been of a nature commensurate with the civilian and voluntary nature of the NZCF.</p>

Performance Measures	Performance Achieved
Support to Limited Service Volunteer Scheme:	
<ul style="list-style-type: none"> Five Limited Service Volunteer (LSV) Scheme training courses, each course of six weeks' duration, conducted per year for unemployed and/or disadvantaged youth, and conducted on behalf of the Ministry of Social Development (MSD). Up to 720 per year of unemployed and/or disadvantaged youth (selected by the MSD and between the ages of 17 and 25 years) trained. LSV training courses completed to standards agreed in a Memorandum of Understanding (MOU) between the NZDF and the MSD. This will include an analysis of the training objectives achieved, the reported post-course employment status of Scheme participants, and feedback from the public and the MSD. 	<p>Six courses have been conducted throughout the 09/10 training year with trainees from the seventh course due to graduate 4 Jul 10. Course statistics are as follows:</p> <p>01/10 07 Sep – 18 Oct 09</p> <p>193 Accepted 124 Commenced Training 102 Completed Training Completion Rate: 82%</p> <p>02/10 02 Nov – 12 Dec 09</p> <p>181 Accepted 123 Commenced Training 99 Completed Training Completion Rate: 80%</p> <p>C01/10 12 Apr – 23 May 10</p> <p>150 Accepted 104 Commenced Training 84 Completed Training Completion Rate: 81%</p> <p>S03/10 01 Feb – 13 Mar 10</p> <p>164 Accepted 100 Commenced Training 90 Completed Training Completion Rate: 90%</p> <p>Surge Cse 01 Mar – 10 Apr 10</p> <p>190 Accepted 139 Commenced Training 113 Completed Training Completion Rate: 81%</p> <p>S04/10 29 Apr – 08 May 10</p> <p>188 Accepted 131 Commenced Training 104 Completed Training Completion Rate 79%</p> <p>Summary TR 09/10: 721 commenced training 592 completed training Completion Rate 82%</p> <p>Trainees who graduate from a Limited Service Volunteers (LSV) Course have demonstrated attitudinal and behavioural traits desired by an employer and a level of commitment, motivation and competence. On completion, all trainees received a course report detailing the activities undertaken and their performance throughout the period.</p> <p>Graduated trainees also demonstrated varying degrees of increased motivation, self confidence, self discipline and initiative which was reported on weekly and visible throughout their period of training.</p> <p>Verbal feedback received from MSD departments, families and ex-trainees reflected a positive view on the benefits/outcomes of the LSV Course and of the training conducted.</p>

Performance Measures	Performance Achieved
Support to Service Military Museums:	
<ul style="list-style-type: none"> Maintain current Service Museums at Devonport (Navy), Waiouru (Army), and Wigram (Air Force). 	Service Museums were maintained at Devonport, Waiouru and Wigram
<ul style="list-style-type: none"> 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'). 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. Each museum is subject to an annual review against Service Museum benchmarks and periodic reviews against the New Zealand Museum Standards Scheme. Performance assessment will be based on feedback from the individual museum trust boards and NZDF command, 'public satisfaction' surveys, annual and periodic reviews, and the number of military and civilian visitors per financial year. 	<p>Navy Museum</p> <p>The current Navy Museum located at spring Street in Devonport Auckland closed to the public 1 May 10 in preparation for the relocation of the Museum to the historic Torpedo Bay site. The new Navy Museum at Torpedo bay opens to the public 11 October 2010. This new facility is a step change for the RNZN and will facilitate the ability to achieve NZ tourism accreditation in the future.</p> <p>Adequate staff, infrastructure and resources were provided to support the operation of the Navy Museum at Spring Street.</p> <p>During the period the Museum delivered an extensive range of educational programmes to school groups and naval personnel as well as other public support programmes including research, collection enquiries, outreach and publications. The Navy Museum delivered one major temporary exhibition commemorating the 70th anniversary of the battle of the River Plate. The exhibition opened in late November 2009 and ran until the Museum was closed to the public 1 May 2010. In addition, a number of minor exhibitions and displays were delivered both within the Museum and in outreach to schools and libraries. Many of the displays focussed on educating the public of the project to relocate the navy Museum to Torpedo Bay.</p> <p>The Navy Museum published editions Eight, Nine and Ten of the heritage journal "The White Ensign" during FY 2009 / 10. Approximately 12,000 copies of the Journal were included in the postal distribution of "Navy Today" while a further 2,000 copies have been distributed to visitors to the Museum and to a wider distribution list including all Museums in New Zealand and Museum stakeholders. Feedback on the journal has been both extensive and exceedingly positive.</p> <p>Visitor numbers, which include casual visitors, visitor groups, school groups and service groups, to the Museum for the period 1 July 2009 to 1 May 2010 totalled 10,867.</p> <p>Visitor feedback was gathered daily with the Visitor Satisfaction Index (VSI) indicating almost 90% found the Museum's exhibitions 'excellent' or 'very good' and 100 % of visitors rated their visit as either 'excellent' or 'very good'. The overall satisfaction rating for all visitors was 86.3 %.</p> <p>The Navy Museum monitors 14 Key Performance Indicators against annual targets and national and international benchmarks. The museum performs well to target and satisfactorily against the benchmarks.</p> <p>Overall the Navy Museum continues to perform well, and to the satisfaction of the Board of Trustees, against objectives and targets established in the 2009 / 2010 Annual Plan.</p> <p>Army Museum</p> <p>The National Army Museum's (NAM) operating budget for FY 09/10 remained unchanged from that of FY08/09. The Museum is staffed with NZDF personnel, NAM Trust employees and volunteers. Early in the year the NZDF contribution to the Museum was understaffed by three personnel due to the NZDF moratorium on civilian recruitment; however adequate staff levels were finally achieved in May 10.</p> <p>During the period, the Museum delivered an extensive range of educational programmes to school groups, service groups and tour parties, as well as other public support programmes including, archive, research, collection enquiries, genealogy and military service records.</p> <p>The Museum delivered one major exhibition – 'Last One Hundred Days' - featuring New Zealand's role in the last days of World War I, and two minor exhibitions: 'A Friend in Need' focusing on the US Marines in NZ during the War the Pacific; and 'Matt Gaudie – A Retrospective' depicting the Army artist's recent works. The Museum also provided exhibit and curatorial support to various Service organisations, including the 28 Maori Battalion Reunion, 2nd Health Services Battalion anniversary celebrations and the Duke of Gloucester's visit to the Logistic Regiment.</p>

Performance Measures	Performance Achieved
	<p>The NAM retained its Qualmark accreditation.</p> <p>Visitor feedback is gathered daily through written surveys. Overall 86.7% of visitors rated the National Army Museum's exhibitions and their visit as 'Excellent' or 'Very Good'.</p> <p>Overall visitor numbers, which includes school groups (7,463) totalled 53,826; an increase of 1,377 on the previous year.</p> <p>Overall the National Army Museum continues to perform well and to the satisfaction of the Museum's Executive Management Committee and Trust Board, against the targets and outcomes established in the 2009/2010 Business Plan and in accordance with the Army/MTB MOU.</p> <p>Air Force Museum</p> <p>The Air Force Museum operating budget was reduced for the 2009/10 financial year but was adequate to enable the Museum to continue to operate successfully. Staff levels remain unchanged.</p> <p>The Air Force Museum was a finalist in the Museums Aotearoa Award for Exhibition Excellence following the refurbished exhibition galleries project.</p> <p>The Air Force Museum retained its Qualmark accreditation with a score of 99%, up 2% on the previous year.</p> <p>Surveys returned an average 98% satisfied or greater rating for both general and education visitors.</p> <p>Services to the Air Force Museum have generally been provided in accordance with the RNZAF/MTB Memorandum of Understanding.</p> <p>Visitor numbers to the Air Force Museum were 92,992, up 37,265 on the 2008/2009 FY. This was the first full year of free admission and shows an increase of 66% on the previous year and is 254% the ten year average.</p>

Summary of MAP Activities by Country for 2009/2010

	South Pacific						South-East Asia								Sub-Total	Other	Grand Total
	Cook Is	PNG	Samoa	Solomon Is	Tonga	Vanuatu	Sub-Total	Brunei	Indonesia	Malaysia	Philippines	Thailand	Timor-Leste	Vietnam			
NZDF Defence College		2			2		4	1	1	1	1			2	6	4	14
Training (RNZN – both sea and shore based)		5			3		8				3				3		11
Training in NZ (NZ Army)		20	2		21	10	53	1			3	1	2	1	8	1	62
Training in NZ (RNZAF)					4		4			1	4				5		9
Attachments in NZ		1					1					2			2		3
NZDF Technical Advisers (TA) (1)	1	1 (3)		1		2	5						5 (4)		5		10
Mutual Assistance Training Teams visiting (2)		4			1	2	7					1		1	2		9
Sponsored Activities (2)		1	1		1		3							1	1	2	6
Resource Provision (6)	√	√															
MAP Talks	1	1			1	1	4	1		1	1	1	1	1	6	3 (5)	13
TOTAL	2	35	3	1	33	15	89	3	1	3	12	5	8	6	38	10	137

Notes:

1. Based in country for 2-3 year tours of duty. Timor-Leste TA serve for 12 months.
2. Denotes number of NZDF Teams or activities, not people.
3. New post established October 2009.
4. Output 16 activity, but under MAP for strategic and policy direction.
5. MAP-DCP x 2, QUADS x 1, MAP Co-ordination Conference x 1.
6. Denotes provision of equipment.

Costs for Output Expense 15 (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
	Expenditure			
8.322	Personnel	9.802	10.529	10.479
5.552	Operating	5.322	8.547	8.364
0.589	Depreciation	0.522	0.810	0.678
1.715	Capital Charge	1.696	1.826	1.826
16.178	Total Expenses	17.342	21.712	21.347
	Income			
14.031	Revenue Crown	15.630	14.731	14.731
2.362	Revenue Department	1.712	6.981	6.926
0.095	Gains on Property Plant and Equipment			0.000
16.488	Total Income	17.342	21.712	21.657
0.310	Net Surplus (Deficit)			0.310
	Cost by Output			
1.668	Output 15.1	1.893	2.046	1.942
3.177	Output 15.2	3.833	3.586	3.458
3.969	Output 15.3	4.267	1.691	1.690
7.364	Output 15.4	7.349	7.297	7.240
0.000	Output 15.5	0.000	7.092	7.017

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2009/10 for this output expense was \$21.962 million and the total expenditure excluding remeasurements was \$21.347 million. There was no unappropriated expenditure for this output expense.

Output Expense 16: Operationally Deployed Forces

Description

The provision of deployed force elements on military tasks, including the commitments agreed by Government under which the NZDF contributes to peace support and other operations conducted in support of the United Nations and other international agencies. It includes the provision of individuals, observers, advisers, instructors, headquarters staff, and complete force elements and contingents.

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 pages). HQ JFNZ facilitates the planning, command and conduct of these operations, along with the provision of operational support to other government departments such as The Ministry of Civil Defence and Emergency Management, Customs, the Department of Conservation, NZ Police, and the Ministry of Fisheries.

At the start of the reporting period 409 NZDF personnel were posted overseas on operations. By year end this number had increased primarily due to the addition of a Special Forces (SF) contribution to ISAF.

Contribution to Outcomes

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

Output Performance Measures and Standards

Performance Measures	Performance Achieved
<p>The performance of NZDF Force Elements deployed on government-approved operational missions is assessed against the following:</p> <ul style="list-style-type: none"> • Individuals and the Force Element, as applicable, to meet the Operational Level of Capability (OLOC) requirements for the applicable operational mission prior to deployment. • Mission tasks, however generated (assigned or implied), are met to the satisfaction of the force commander. • 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. • Timely replacement of individuals, force elements or units when requested, as specified, and as approved by the NZ Government. • Maintain the ability to sustain the contributions to deployments in accordance with the government's requirements. • Financial and logistic controls and accountabilities meet the standards required for reliable reporting. 	<p>Formed contingents all underwent pre-deployment training to achieve the OLOC requirements prior to deployment. On occasion reinforcements and surge deployments were required to deploy within the response time and were unable to achieve OLOC in the time available. These risks were known and managed.</p> <p>Mission tasks were met to the satisfaction of the Force Commanders.</p> <p>During the reporting period the following visits took place:</p> <ul style="list-style-type: none"> • The Prime Minister and CDF visited TG Crib and NZDF teams in Kabul, Afghanistan. • The Minister of Foreign Affairs and Trade visited TG Crib in Afghanistan. • Chief of Army, accompanied by the Sergeant-Major of the Army, visited the contingents deployed to the Solomon Islands and Timor-Leste. <p>A number of personnel were awarded honours, citations and certificates of merit from various missions and other nations.</p> <p>Personnel, force elements and units were replaced or deployed in a timely manner, as specified and approved by the NZ Government.</p> <p>Operations were sustained in line with direction received from the NZ Government and in many theatres relations were improved in this respect. Current commitments are being sustained; however, difficulty is being experienced in sustaining specialist employment trades e.g. medical, intelligence, logistics and communications.</p> <p>Financial and logistic controls and accountabilities meet the standards required and as gaps in reporting and compliance were identified they were addressed appropriately.</p>
<p>Operational Commitments:</p>	
<p>Maintain the Government-approved deployments / operational commitments (number of personnel deployed), as at 1 April 2009, as shown below.</p>	
<p>The numbers of personnel operationally deployed fluctuate from month to month during the year. These fluctuations result from missions closing and opening, short term deployments (such as ship deployments), seasonal variations to the numbers involved in specific missions (such as in Afghanistan in winter and summer), 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. However, a year on year comparison provides an indicator on the trend of personnel deployed (more or less), but still does not capture short-term deployments that at the start of the year were not known.</p>	

Performance Measures	Performance Achieved
<ul style="list-style-type: none"> • OP KORU (Timor-Leste) All Task Groups) - 155 	<p>The NZDF has 70 personnel deployed to Timor-Leste, primarily undertaking security, surveillance and logistical tasks. They are under the command of an Australian Defence Force (ADF) led Combined Joint Task Force (CJTF). The Senior National Officer (SNO) is the Deputy Commander of CJTF 631. A National Support Element (NSE) of four personnel is additionally based in Darwin, Australia.</p> <p>Five NZDF personnel under OP KAIHANGA are employed as Military Advisers (two Logistics, one Personnel, one Small Arms Instructor and one 'English as a Second Language' Instructor) as part of the Office of Defence Force Development in Timor-Leste, embedded within the F-FDTL.</p> <p>The NZDF has an officer under OP TOA currently deployed to Dili as a UN Military Liaison Officer, as part of the UN Integrated Mission in Timor-Leste (UNMIT)</p>
<ul style="list-style-type: none"> • UNTSO (Middle East) [OP SCORIA] - 8 	<p>The NZDF currently has seven personnel committed to this mission located in UNTSO HQ, Jerusalem; Observer Group Golan – Damascus and Tiberias (OGG-D and OGG-T); and Observer Group Lebanon (OGL).</p>
<ul style="list-style-type: none"> • MFO (Sinai) [OP FARAD] - 29 	<p>The NZDF contribution consists of a 28 person contingent, providing driver tasking, courses and training along with monitoring the operation of the Egyptian Border Guard Force. An additional Major (E) and driver deployed in support of the Force Commander in Feb 10.</p> <p>One NZDF officer deployed in Feb 10 as Force Commander of MFO on the staff of MFO HQ Rome</p>
<ul style="list-style-type: none"> • UNAMI (Iraq) [OP HAVEN, Task Group IRON] - 1 	<p>The NZDF currently has one Military Liaison Officer based in Baghdad.</p>
<ul style="list-style-type: none"> • OP ARIKI (Afghanistan) [Task Group CRIB]. (In mid-2008 the Government approved an increase in the number of personnel deployed on this Task Group to assist in raising the level of force protection/security – 139 • TF 81 (OP WĀTEA). The deployment of NZDF personnel to Kabul, Afghanistan, assisting the International Security Assistance Force special operations forces. A total of 82 NZ SAS and NZDF support personnel are deployed in support of this operation for 12 months with the GoNZ to consider a further six month extension of this deployment in 2010; 	<p>The current Government mandate is for 128 personnel posted on TG ARIKI (this includes minor missions but excludes TU TROY).</p> <p>The NZDF maintains a presence of 107 personnel as a Provincial Reconstruction Team (PRT) in Bamyān Province, Afghanistan. Ten personnel are based in Bagram and one Movements Operator in Kandahar as the PRT NSE (Forward).</p> <p>A total of 82 Special Forces and NZDF support personnel deployed to Kabul, Afghanistan in Sep 09.</p> <p>Twice a year a RNZAF C-130 Hercules and approximately 30 NZDF personnel deploy to the Middle East in support of TG CRIB rotations in Afghanistan. A RNZAF Boeing 757 (12 personnel) conducts the strategic movement of personnel between NZ and TU Troy. A C-130 detachment supported ISAF and NZDF tasking in theatre for two weeks during Apr 10.</p>
<ul style="list-style-type: none"> • OP ARIKI (Afghanistan) [Task Group KEA] - 5 	<p>Five NZDF personnel are employed with the International Security Assistance Force (ISAF) HQ in Kabul. One Staff Officer, one Liaison Officer, and one driver, are located at HQ ISAF in KABUL. One communications specialist is employed with CJTF 82 and is located at Bagram Airbase. One Counter-IED exploitation and analysis Officer is attached to a specialist Coalition Unit.</p>
<ul style="list-style-type: none"> • OP ARIKI (Tampa, Florida, USA) [Task Group SPEAK] - 3 	<p>Three NZDF personnel are based at HQ Central Command to provide liaison.</p>

Performance Measures	Performance Achieved
<ul style="list-style-type: none"> • OP ARIKI (Afghanistan) [Task Group AFFIRM] - 1 	The NZDF contributes one officer deployed as a Military Advisor in the Military Advisory Unit (MAU) of the UN Assistance Mission Afghanistan (UNAMA). The officer is currently based at Kabul.
<ul style="list-style-type: none"> • OP ARIKI (Afghanistan) [Task Group RUA] - 2 	Two Army Senior Non-Commissioned Officers are attached to a British battalion as part of the United Kingdom Leadership Training Team (UKLTT-A) with the Office of Military Cooperation in Afghanistan.
<ul style="list-style-type: none"> • OP ARIKI (Afghanistan) [Task Group MANAAKI] - 2 	A two person NZDF medical team RTNZ in Oct 09 and were not replaced.
<ul style="list-style-type: none"> • OP ARIKI (Arabian Sea area) [Task Group TROY] - 6 	<p>Six NZDF personnel are deployed to Camp Mirage as a NSE for NZDF FE deployed to the Gulf Region/Afghanistan and to assist co-located coalition partners.</p> <p><u>OP CORVUS</u>: An RNZN officer is attached onboard an RN Frigate as part of CTF 150 located in the Northern Arabian Gulf.</p> <p><u>OP BARBARY</u>: An RNZN officer was attached to CTF 151 (Republic of Singapore Navy) onboard USS Farragut for anti-piracy operations, operating in the Indian Ocean/Horn of Africa between Jan and Apr 10.</p>
<ul style="list-style-type: none"> • UNMIS [OP SUDDEN] (Sudan) - 3 	The NZDF currently has three Officers deployed to UNMIS. One is employed as a Staff Officer at UNMIS Headquarters in Khartoum and two UN military Observers are based in the south west in the Melut and Bentiu district.
<ul style="list-style-type: none"> • OP RATA II (Solomon Islands) - 44 	Until March 2010 an NZDF Territorial Force platoon plus support staff, totalling 44 personnel, were in theatre operating under the command of CTF 635. The provision of a TF platoon is now on a rotational basis with the ADF. A platoon will subsequently return to theatre in Nov 10. Currently 8 (NZDF) CTF Staff remain in theatre. An NZDF Officer is the Deputy Commander of CTF 635.
<ul style="list-style-type: none"> • UNCMAC (Republic of Korea) [OP MONITOR] - 3 	Three NZDF officers are deployed to the United Nations Command Military Armistice Commission (UNCMAC) in South Korea. These personnel are employed in Operations, Corridor Control and Joint Duties tasks.
<ul style="list-style-type: none"> • USCENTCOM Staff Officer - 1 	One staff officer is posted to the Coalition Planning Group in HQ Central Command, Tampa USA
	Total NZDF personnel deployed: 430

Costs for Output Expense 16 (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/10 (\$ million)
	Expenditure			
24.172	Personnel	23.250	26.289	23.179
50.925	Operating	58.335	62.970	49.089
0.040	Losses on Foreign Exchange			0.001
2.363	Depreciation		6.153	5.282
0.000	Capital Charge	0.000	0.214	0.214
77.500	Total Expenses	81.585	95.626	77.765
	Income			
78.049	Revenue Crown	81.000	95.041	95.041
0.800	Revenue Other	0.585	0.585	0.332
0.000	Gains on Foreign Exchange	0.000	0.000	0.000
0.000	Other Gains			0.004
78.849	Total Income	81.585	95.626	95.377
1.349	Net Surplus (Deficit)			17.612

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are foreign exchange gains and losses. The total approved appropriation in 2009/10 for this output expense was \$95.626 million and the total expenditure excluding remeasurements was \$77.765 million. There was no unappropriated expenditure for this output expense.

The final result for the year was a surplus of \$17.612 million. The main factors causing this surplus are:

- A decrease in operating expenditure of \$13.881 million due to lower sustainment costs of personnel on missions and rate changes for Australian Defence Force health services;
- A decrease in personnel expenditure of \$3.110 million due to reduced mission personnel numbers;
- A decrease in depreciation of \$0.871 million due to delays in equipment becoming operational.

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

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

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

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

Performance

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

Elements Available for Emergency Tasks

Service	Performance Achieved – Elements Available [with Degree of Notice (DON) where applicable]
Navy <ul style="list-style-type: none"> One frigate (or alternative vessel) at 8 hours' DON for emergency tasks, including Search and Rescue (SAR) and Medical Assistance/Evacuation. 	One frigate or alternative vessel was available throughout the period for tasking at 8 hours DON.
<ul style="list-style-type: none"> One Inshore Patrol Vessel (IPV), once in service, at 8 hours' DON for emergency tasks, including SAR. 	One IPV was available at 8 hours DON from September 2009 and available for emergency and SAR tasking in addition to the frigate requirement identified above.
<ul style="list-style-type: none"> One Diving Team at 12 hours' DON for emergency tasks, including under-water search and Explosive Ordnance Disposal (EOD). <p>Note: EOD only. Improvised Explosive Device Disposal (IEDD) resides in Output Expense 10 - Special Operations Forces.</p>	Required capability available at 12 hours DON throughout the period.
<ul style="list-style-type: none"> One 25-person Civil Defence Response Group. 	One 25 person Civil Defence Response Group was available throughout the period at Devonport Naval Base.
<ul style="list-style-type: none"> On-shore personnel for fire fighting, as available. 	Personnel were available throughout the period.
Army <ul style="list-style-type: none"> 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.
<ul style="list-style-type: none"> HQ elements on call for Civil Defence in the North Island and South Island to support a Civil Defence HQ. 	HQ elements on call and available through HQ JFNZ
<ul style="list-style-type: none"> Four 25-person Civil Defence Response Groups. 	Designated personnel were available at Waiouru, Linton, Trentham and Burnham
<ul style="list-style-type: none"> Two 100-person Civil Defence Response National Reserve Groups. 	Personnel were available from 2 and 3 Land Force Groups.
<ul style="list-style-type: none"> One 500-person Reserve for Civil Defence. 	Personnel were available from 2 and 3 Land Force Groups.
<ul style="list-style-type: none"> EOD Teams in North Island and South Island at 12 hours' DON. <p>Note: EOD only. Improvised Explosive Device Disposal (IEDD) resides in Output Expense 10 - Special Operations Forces.</p>	EOD Teams were available at the designated DON
<ul style="list-style-type: none"> In-camp personnel for fire fighting, as available. 	Personnel were available throughout the period.
Air Force <ul style="list-style-type: none"> One Iroquois helicopter at 2 hours' DON for emergency tasks, including SAR, Fire Fighting and Casualty Evacuation. 	One Iroquois was available throughout the period for emergency tasking at 2 hours DON.

Service	Performance Achieved – Elements Available [with Degree of Notice (DON) where applicable]
<ul style="list-style-type: none"> One Orion (or one Hercules if an Orion is not available) at 2 hours' DON for emergency tasks, including SAR and Aeromedical Evacuation. <p>(Note: Aeromedical Evacuation (AE) under OE 13.1/13.2 covers B757 and C130 aircraft only. AE is not identified as a core capability under OE 12 for the P3)</p>	One aircraft (Orion/Hercules) was available at 2 hours notice for tasking. On occasion the DON was extended for short periods due to aircraft serviceability/availability.
<ul style="list-style-type: none"> One Hercules at 14 hours' DON for emergency tasks. 	One Hercules aircraft was available at 14 hours notice for emergency tasks. On occasion the DON was extended for short periods due to aircraft serviceability/availability.
<ul style="list-style-type: none"> One EOD Team at 12 hours' DON. <p>Note: EOD only. Improvised Explosive Device Disposal (IEDD) resides in Output Expense 10 - Special Operations Forces.</p>	An EOD Team was available at the designated DON.
<ul style="list-style-type: none"> 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 air bases. Liaison Officers to support Civil Defence HQ available through HQ JFNZ.
<ul style="list-style-type: none"> On-base personnel for fire fighting, as available. 	Personnel were available throughout the period.

Multi-Agency Operations and Tasks (MAO&T)

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

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

The NZDF will continue to work closely with other government departments and agencies to plan formal arrangements for these requirements. It needs to be noted that, while existing formal support to other government departments and agencies will continue during 2009/10, significant increase in this support cannot be guaranteed until new/replacement/upgraded vessels and aircraft are introduced into service.

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

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

NZDF Support to:	Support Provided
<p>NZ Police (excluding Search and Rescue) Includes Explosive Ordnance Disposal (EOD). Typically involves the provision of specialist EOD Team/s to render stray military ordnance safe. Requests for assistance are normally channelled through Regional or Local police direct to appropriate NZDF agencies (see Note 1).</p>	<p>RNZAF 3, 5 and 40 Squadrons contributed 504.5 flying hours in support of the NZ Police for both training and operations during which 4,195kg of freight and 164 passengers were carried.</p> <p>RNZN, NZ Army and RNZAF units provided a variety of military support to the NZ Police for both training and operations. This involved 303 personnel for a total of 339 man days travelling 26,899km.</p>
<p>Land, Sea and Air SAR (in support of NZ Police, Rescue Coordination Centre New Zealand (RCCNZ), Nadi RCC, Suva MCC, or other requesting agency) (see Note 2).</p>	<p>RNZN, NZ Army and RNZAF units provided 32 personnel for a total of 44 man days, travelling 322km in support of SAR exercises and operations.</p> <p>RNZAF 3, 5, 6, and 40 Squadrons contributed 297.8 flying hours carrying 42 passengers and 4,300kg of freight in support of SAR exercises and operations.</p> <p>The RNZN provided 16 sea days in support of SAR exercises and operations.</p>
<p>Ministry of Civil Defence and Emergency Management</p>	<p>The NZ Army provided 24 personnel for a total of 11 man days and 1575 km travelled in support of Tsunami warnings, the Wairoa floods and closure of Napier/Taupo road by snow.</p>
<p>Department of Conservation (DOC)</p>	<p>HMNZS <i>Canterbury</i> conducted Raoul Island re-supply totalling 2 sea days. HMNZ Ships <i>Hawea</i> and <i>Rotoiti</i> conducted 17 maritime patrol sea days in support of DOC activities.</p> <p>RNZAF 3 Squadron contributed 29.4 flying hours assisting with the movement of personnel and equipment in the St. Arnaud and Nelson Lakes National Park regions.</p> <p>The NZ Army provided support in assisting with maintenance and laying of bait for feral pest eradication in Peel Forest, the St. Arnaud Ranges and at the Ardmore Range.</p> <p>The Operational Support Wing Woodbourne provided assistance with clean-up activities at Whites Bay, Blenheim.</p> <p>These activities totalled 379 man days and 476km travelled.</p>
<p>Department of Corrections</p>	<p>Nil activity recorded.</p>
<p>Environmental Risk Management Authority</p>	<p>Nil activity recorded.</p>
<p>NZ Fire Service and National Rural Fire Authority</p>	<p>NZ Army and RNZAF personnel attended callouts covering motor vehicle accidents, rural, domestic and structural fires, training and alarm activations. 1097 personnel provided a total of 139 man days and 6137km travelled.</p>
<p>Ministry of Fisheries</p>	<p>HMNZ Ships <i>Hawea</i>, <i>Pukaki</i>, <i>Rotoiti</i> and <i>Taupo</i> conducted 101 sea days of patrols off the NZ coast.</p> <p>RNZAF 5 Squadron P-3K aircraft contributed standard EEZ fisheries patrols totalling 144.6 flying hours. Operational, intelligence and communications support was also provided to surveillance flights.</p>
<p>Ministry of Foreign Affairs and Trade (MFAT)</p>	<p>HMNZ Ships <i>Te Mana</i>, <i>Te Kaha</i>, <i>Canterbury</i>, <i>Endeavour</i>, <i>Resolution</i>, <i>Wellington</i>, <i>Otago</i> and <i>Manawanui</i> conducted good will/diplomacy visits to foreign ports totalling 297 days during the reporting period.</p> <p>RNZAF 5 Squadron P3-K aircraft conducted Southern Ocean/Ross Sea and Pacific Island patrols. 40 Squadron B757 and C130 aircraft transported a total of 32 passengers and 5268kg of freight. A total of 382.1 flying hours was flown in support of these activities.</p>
<p>Government House</p>	<p>NZDF personnel and vehicles provided support to Government House ceremonies totalling 573 man days and travelling 1509km.</p> <p>RNZAF 3 and 42 Squadrons contributed 13.3 flying hours of VIP flights in support of the Governor General carrying 16 passengers.</p>
<p>Ministry of Health</p>	<p>Nil activity recorded.</p>
<p>Department of Internal Affairs</p>	<p>NZDF personnel provided ceremonial and logistical support (guards, wreath layers, bands, door openers, transport, crowd control, saluting batteries etc) for foreign royalty, dignitaries and state occasions. Other support was accorded to Waitangi celebrations, ANZAC and Commonwealth Day ceremonies. 976 personnel provided a total of 1505 man days and 31,472km travelled.</p> <p>RNZAF 3 and 40 Squadrons contributed 20.9 flying hours carrying 55 passengers and 890kg of freight in support of these activities.</p>

NZDF Support to:	Support Provided
Maritime New Zealand (MNZ) (includes detection of pollution.)	HMNZS <i>Resolution</i> conducted 12 sea days of in support of MNZ. RNZAF 5 and 40 Squadrons contributed 16.3 flying hours carrying 5 passengers and 8894 kg of freight primarily in support of Samoan oil spill.
New Zealand Customs Service	HMNZ Ships <i>Hawea</i> , <i>Pukaki</i> , <i>Rotoiti</i> and <i>Taupo</i> conducted 125 sea days of patrols in support of Customs activities. RNZAF 5 Squadron P3-K aircraft contributed 114.3 flying hours of standard patrols and surveillance.
Department of the Prime Minister and Cabinet (DPMC)	RNZN and NZ Army units provided 31 personnel for a total of 7.7 man days and 12km travelled in support of DPMC activities. RNZAF 3, 40, and 42 Squadrons contributed 82.4 flying hours carrying 229 passengers and 307kg of freight in support of DPMC activities.
Support to the NZ Antarctic Programme (NZAP)	RNZAF 40 Squadron aircraft contributed 131.8 flying hours (included a medical evacuation) carrying 146 passengers and 81,742kg of freight in support of the NZAP.
Disaster Relief (South Pacific)	The NZDF contributed medical, engineering, diving and hydrographic units to support Humanitarian and Disaster Relief (HADR) efforts in Samoa, Tonga and Fiji totalling 3164 man days. HMNZS <i>Canterbury</i> deployed to Tonga and Samoa for 18 sea days carrying HADR supplies, equipment, plant and personnel. RNZAF 3 and 40 Squadrons contributed 111.3 flying hours carrying 314 passengers and 107,380kg of freight in support of these activities.
Other Agency Support, as applicable	Nil activity recorded.
General Medical Assistance/Support	The RNZN Hyperbaric Chamber treated 31 civilian personnel. The NZ Army (Army Training Group Waiouru) attended to 86 civilian personnel. These activities involved 422 personnel for a total of 221man days.
General Community Support	The NZDF continued to provide a wide range of support throughout the year to communities and organisations across New Zealand such as Rotary, Lions, Red Cross, RSA' and other Service clubs, schools, Mayoral receptions, parades, concerts, youth organisations, expos, displays, marae etc. Activities included ceremonial, band performances, logistics support, Base visits, provision of personnel, transport and facilities, funeral support for ex-service personnel and training. 4,527 personnel provided a total of 4685 man days and travelled 60,446km. RNZAF 3, 6 and 40 Squadrons contributed 92.6 flying hours carrying 324 passengers and 10,103kg of freight in support of these activities.
General Training Courses	The NZ Army provided facilities, vehicles and personnel for pre-deployment training in high threat environments to the Red Cross. This involved 20 personnel for a total of 16 man days and 20km travelled. RNZAF 6 Squadron contributed 3 flying hours carrying 2 passengers in support of this activity.

Notes:

1. This does not include CBRE / IEDD that comes under Output Expense 10 - Special Operations Forces.
2. For planning purposes flying hours are provided for SAR: 150 Orion hours, 16 Hercules hours, and 60 Iroquois hours.

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

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

Section Four

Veterans' Affairs New Zealand

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. Veterans' Affairs New Zealand is subject to the accountability and monitoring frameworks under that Act.

Primary Legislation

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

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

Links with the Government's Policy and Themes

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

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

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

Contracts for Service

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

Outcomes

Outcome: *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 FY 2009/10 are reported below.

Veteran Affairs administered and managed the commemorations programme which included:

- The co-ordination of the yearly participation of the ANZAC Day commemorations at Gallipoli. This includes, in 2010, the 95th Anniversary of the Gallipoli Landings.
- A review of the cost effectiveness of the expenditure on the commemorations at Gallipoli.
- The co-ordination of veterans' participation in any government sponsored commemorations.

Gallipoli 2010

The 95th anniversary of the Gallipoli landings was a significant anniversary and veterans and students were included in the official party that participated in the commemorations. A ballot was held to select the veterans to be part of the official party. The veterans were chosen from the following groupings.

- World War II; or
- 2NZEJ Japan (J Force); or
- Korea (K Force); or
- the Malaya/Borneo/Indonesia campaigns; or
- Vietnam; or
- Operation Grapple and Mururoa; or
- Peacekeeping operations up to the 1970s.

The selection of students who were part of the official party to Gallipoli was made based on entries made to a multi media competition. To enter students needed to submit an entry on the following theme: "Using Gallipoli as a case study, illustrate the impact of World War I on New Zealand Society". Entries were able to be presented in the following forms:

- Artistic representations
- Written Format (essay, diary, letters)
- Music
- Poetry
- A Short Film
- Web Features

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

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

The inclusion of a representative group of veterans who had links to the Gallipoli Campaign and Secondary School students who were the age of many of those that died on the peninsula added to

the significance of the event. This worked well and is something that will be considered for inclusion in planning for 2015.

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

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

The administration of the Minister's Commemorations Discretionary Fund to provide funding to veterans to enable them to attend commemorations of events related to their service.

The Minister's Commemorations Discretionary Fund has made 126 grants. Of these grants 110 have been made to assist veterans to attend overseas commemorations and 16 have been made to assist with reunions.

The provision of veterans' Certificates of Appreciation.

The programme to provide Certificates of Appreciation was initially implemented in 2006 for the 'Year of the Veteran'. This initiative has proven to be a successful means of acknowledging Service and has been continued. VANZ are currently producing approximately 20 certificates a month.

Review the five year capital works plan for the maintenance and development of services cemeteries. This involved a review of the cost effectiveness of the spend on cemeteries undertaken in consultation with local authorities.

This has been completed and is to provide a basis for scheduling major capital works over the next five years.

Outcome: 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 2009/10 were:

Streamline current service delivery to ensure that service delivery is responsive to the needs of veterans. This included:

- Establishing effective systems to monitor the effectiveness and efficiency of service delivery.
- Establishing training to ensure that staff has comprehensive knowledge of the services and supports available to veterans and their families so that all available services can be maximised for the benefit of the veteran and the veteran's family.

As a result of the integrated of the War Pensions Unit of MSD into VANZ the War Disablement Pension process has been integrated into the VANZ case management model.

Work has being undertaken to look at the way that decisions around the intervention packages delivered around case management are decided on. This has identified that more emphasis needs to be placed on needs assessment prior to deciding the services that are provided. Action is being taken to address this. A survey seeking views on the services provided through case management will be rolled out through the case management in the community initiative in the 2010/11 year.

VANZ is involved in research being undertaken by Waikato University into the effectiveness of the interface between seniors and government agencies. As the majority of the case management clients are over 65 the outcomes of this research will help with the way case managers interact with their veterans.

A comprehensive case management manual that documents best practice for this new way of working has been introduced and an on going training and coaching programme put in place. This will ensure consistency of decision making across all the case managers.

Ensuring that the primary level decision making is clear and consistent and that veterans understand processes and how they apply to them.

On going training has been established for the War Pensions Claims Panellists to ensure consistency of approach and decision making.

A comprehensive manual that documents the decision making process has been introduced and training implemented.

A 10% quality check of all decisions is undertaken. Any issues identified in the quality check form part of the planning process.

Establish registration databases for various veteran cohorts to allow for the monitoring of the on going health and wellbeing.

A database of Vietnam Veterans and their families is in place. This was used to implement the ongoing Vietnam Veterans Medical Assessment.

The establishment of other registration databases has not been progressed and is waiting the outcome of the Law Commission report into the War Pensions Act 1954.

Ensuring that services are provided in a cost effective way.

A review of the provision of services and costs of providing additional services has been undertaken. Hourly rates for the provision of commonly funded services have been established. The intent is to ensure that veterans are accessing available public funding and that there is a level of funding available to meet unforeseen need.

Review the information provided to veterans and the way that information is provided, to ensure that the communication mechanisms used are appropriate and reach all veterans. This included:

- Improving the quality of the information provided in existing publications, developing new publications on specific issues, regularly reviewing material to make sure it remains relevant.
- Seeking alternative ways to disseminate information.
- Providing information and training to, and working with, veterans' groups and community agencies to raise awareness of the services available to support veterans who live in the community.

An extensive review, in consultation with veterans and veterans groups, of all forms and information sheets was undertaken.

As a consequence VANZ introduced a newsletter that is mailed out to every veteran. This ensures that veterans get clear information from VANZ about the services available. Both of these are very popular and welcomed by the veteran community.

To ensure VANZ has a profile in the veteran community and understands the needs, the Minister of Veterans' Affairs instigated a new initiative Case Management in the Community in 2009. Case Managers travel out into the towns and cities across New Zealand to meet with veterans.

This initiative promotes more face to face contact between veterans and their case managers. Case managers are able to discuss needs with veterans and ensure that they fully understand what support is available. This will lead to better communication and openness over time.

Implementation of the programme of free annual medical checks for Vietnam veterans.

The programme of free annual medical checks for Vietnam veterans has been implemented. Every veteran on the Vietnam Veterans Register has been mailed an Annual Medical Assessment form for completion.

Working with the Expert Panel on Veterans Health to:

- Ensure that international research relating to the impacts of service on the health of veterans is taken into account in primary level decision making.
- Establish of a centre excellence that provides access to information and expertise in issues relating to the health and care of veterans. The purpose of the centre excellence will be to provide access to this information for groups within the community who deal with veterans care but who do not have access to specific expertise in this field.

The Ministerial Advisory Group on Veterans Health (the Expert Panel) is working its way through issues related to the Nuclear Test Veterans and Vietnam veterans. Once the Ministerial Advisory Group has reported to the Minister of Veterans' Affairs, the Minister will provide VANZ with direction on the use of this information.

After VANZ completed initial work on Centres of Excellence the veterans representatives involved in the Joint Implementation Group indicated that they were no longer in favour of the proposed concept and wanted to put a new concept to the Minister.

Outcome: 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 2008/09 were:

Review the current information that is collected about the veteran population and the way that information is collected and managed. This included:

- Monitoring key indicators to assist with the development of a profile of the veteran community.
- Restoring questions relating to war service to the Census.

Work is being undertaken with Statistics NZ to find ways of quantifying the number of veterans in the community. The intent is to find a mechanism that allows for the cross match of the veteran population with other social indicators. This would enable VANZ to assess social and economic impacts of disability and the health impacts on the veteran population.

Host veterans' administrations Ministerial Forum and Senior International Forum. This provides an opportunity at both Ministerial and senior officials level to discuss issues of interest to all veterans' administrations.

The Veterans Ministers International Forum (MIF) was held in Wellington from 4-5 February 2010 hosted by the Minister of Veterans' Affairs, the Hon Judith Collins. It was attended by the Australian Minister for Veterans' Affairs, the Hon Alan Griffin MP, Canadian Minister of Veterans Affairs, the Hon Jean-Pierre Blackburn and Robert A. Petzel, M.D. the US Veterans' Affairs Acting Principal Deputy Under Secretary for Health.

The Theme of the Ministerial Forum was 'Modernising Veterans Legislation. The challenge of developing legislation that bridges the generation gap and meets the needs of an ageing veteran population and the needs of modern day veterans.'

The Veterans Administrations Senior International Forum (SIF) was held in Wellington from 8 – 10 February 2010 hosted by Veterans' Affairs New Zealand. It was attended by delegates from the Australian Department of Veterans' Affairs, Veterans' Affairs Canada, the US Department of Veterans' Affairs and Veterans' Affairs New Zealand.

The theme for the Officials Forum was '*the transition from the traditional veteran population to the new veterans of modern day deployments*'.

Statement of Objectives and Service Performance

Intended Impacts, Outcomes and Objectives

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

Departmental Output Expenses

Departmental Output Expense D1:

Policy and Administration

Description

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

Output Performance Measures and Standards

Performance Measures	Performance Achieved
Provide policy advice to the Minister of Veterans' Affairs on veterans' entitlements, care and recognition	
95% of replies to requests within 20 days of receipt of requests, if not otherwise specified.	32 briefings and Cabinet Papers were provided. 100% were completed within 20 days of receipt of requests where this was required.
95% of drafts of policy papers presented to the Minister will be accepted on their first presentation.	100% were accepted on their first presentation.
Policy papers will meet defined characteristics of quality advice (purpose, logic, accuracy, options, consultation, practicality and presentation). (Refer to Note)	Met
90% of responses to submissions, other than policy papers, accepted without amendment.	99% were accepted without amendment.
Provide Ministerial Servicing and Support	
95% of replies to requests within 20 days of receipt of requests, if not otherwise specified.	330 Ministerial; 50 Parliamentary Questions and 45 OIA requests 84% were completed within 20 days of receipt of requests. The volume of Ministerials and PQ's was greater than anticipated making it difficult to meet the timeframe within current resourcing.
95% of responses accepted without amendment.	99% were accepted without amendment.
Provide Administration for War Pensions Appeal Board and War Pensions Advisory Board	
Arrangements and actions meet Boards requirements.	Met
95% of actions defined by Boards will be completed within 20 working days after decisions made, unless otherwise specified.	100% of actions defined by Boards were completed within 20 working days after decisions were made.

Performance Measures	Performance Achieved
Management of Rehabilitation Loan Scheme	
Provide information to MSD in a timely manner to enable them to make payments.	100% of schedules were completed within 7 days after the end of the month.
Administration of maintenance agreements and contracts for service relating to the maintenance and development of Services Cemeteries	
Contracts to be current, legally correct and clearly specify maintenance and development requirements.	Met
No breaches of contract by Veterans' Affairs New Zealand.	This was not met in July when one of the contracts for installation that was in place was not valid. This was the only breach. All contracts were compliant August 2009 – June 2010.
Breaches of contracts by contractors will be managed as per the conditions in the contract.	There were no breaches of contract
Services Cemeteries will have maintenance agreement specifying the maintenance standards in place.	100% of Services Cemeteries have maintenance agreements in place.
Quality Audits of Services Cemeteries	
Specifications outlined in contracts for service have been met.	100% of the specifications outlined in contracts for service were met
Coordinate New Zealand's participation in the commemoration of significant military anniversaries	
Participation to be delivered in accordance with agreed parameters and budget.	Met

Note: **Characteristics of 'quality advice':**

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

Costs of Output Expense D1: Policy and Administration (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 200/10 (\$ million)
	Expenditure			
0.572	Personnel	0.666	0.669	0.518
1.259	Operating	1.678	1.625	1.771
0.028	Capital Charge	0.056	0.056	0.056
1.859	Total Expenses	2.400	2.350	2.345
	Income			
2.269	Revenue Crown	2.400	2.350	2.350
-	Revenue Other			
2.269	Total Income	2.400	2.350	2.350
0.410	Net Surplus (Deficit)			0.005

Departmental Output Expense D2:

Services and Payments to Veterans

Description

This appropriation is limited to the assessment, review and payment of entitlements and benefits (War Disablement Pensions and related concessions and allowances, 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.

Overview

Most performance targets were met.

A staffing issue meant the target for review and re-openings of pensions by the War Pensions Claims Panel was not achieved. This issue has now been resolved.

Due to the increase in the number of claims to the War Pensions Appeal Board, only 4% of appeals were heard within three months. Action has now been taken to have the Appeal Board meet more frequently.

There have been some difficulties with completion rates for the manufacture and installation of ex-Service memorials. This issue is being addressed.

Because of restructuring, the case management survey was not completed during the reporting period.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
Assess and Review Entitlements to War Disablement Pension	
Assessments and Reviews will be conducted against extant policy.	Met
85% of War Disablement Pension Claims will be resolved within two months of receipt where all the required documentation has been provided with the application.	<p>The War Pensions Claims Panels made decisions on 10871 applications for disabilities for War Disablement Pensions from 3969 veterans.</p> <p>In the 2009/10 year there has been a reduction in the number of claims made for War Disablement Pension</p> <p>When correct documentation was supplied 56% of War Disablement Pensions were resolved within two months of receipt.</p> <p>This measure was introduced in the 2009/10 year as a way of giving some surety around the time taken to resolve War Disablement Pension claims. The failure to meet the 85% target is due to the effort made to reduce the claims backlog that VANZ inherited when the War Pensions Unit of MSD was merged with VANZ.</p>
95% of reviews and re-openings will be completed within three months of receipt by the National Review Officer.	<p>The National Review Officer considered 1339 reviews and the re-opening of 287 claims for re-consideration by the War Pensions Claims Panel at the request of the veteran concerned.</p> <p>7% of reviews and re-openings were completed within three months of receipt.</p> <p>There has been a 300% increase in the number of requests for review to the National Review Officer. Additional resource has been added to this area.</p>

Performance Measures	Performance Achieved
95% of reviews will be completed within three months of receipt by the Secretary for War Pensions.	The Secretary for War Pensions undertook 553 administrative reviews of War Disablement Pension claims. 93% of reviews of were completed within three months of receipt
95% of appeals will be heard within three months of receipt by the War Pensions Appeal Board.	The War Pensions Appeal Board considered 81 appeals. None of Appeals were heard within 3 months of receipt. Additional sitting days have been introduced to speed the clearance of claims.
Provide Ex-Service Memorial Plaques and Headstones for Eligible Veterans	
99.5% of ex-service memorials will be factually correct, meet technical specifications as contracted and be correctly installed.	1970 orders for ex-service memorial plaques and headstones were assessed for eligibility, ordered from the manufacturer and had their installation arranged. 100% were factually and technically correct and correctly installed.
Decisions on eligibility for ex-service memorials will be made within legislative parameters.	Met
Where correct documentation has been supplied with the application, 75% of ex-Service memorials will be manufactured and installed within four months of receipt of the order.	When correct documentation was supplied 71% of all ex-service memorials were manufactured and installed within four months of receipt.
Provide Case Management	
95% of new referrals to case management will be assigned a case manager within five working days.	98% of all new referrals to case management were assigned a case manager within five working days.
100% of 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.	4374 veterans and their family members were case managed. 100% of all active cases were contacted.
85% of intervention packages that are put in place by case management will meet the identified need of the veteran.	Research was undertaken into the intervention packages that are put in place in case management. The intent was to assess whether the outcomes delivered met the need assessed upon intake. The research found that 84% of the veterans received the services they sought when they came into case management and that of that 84%, 81% had their need for the intervention confirmed by a needs assessment.
Deal with Enquiries	
80% of calls will be resolved on first contact.	98% of all calls were resolved on first contact
100% of calls will be resolved within five working days.	100% of all calls were resolved within 5 working days
95% of resolutions provided by the enquiry line will meet the identified need of the caller.	Met

Conditions on Use of Appropriation

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

Costs of Output Expense D2: Services and Payments to Veterans (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
	Expenditure			
3.389	Personnel	3.334	4.107	3.913
1.663	Operating	2.643	1.868	1.768
	Depreciation		0.002	0.010
5.052	Total Expenses	5.977	5.977	5.691
	Income			
5.036	Revenue Crown	5.500	5.500	5.500
0.386	Revenue Other	0.477	0.477	0.387
5.422	Total Income	5.977	5.977	5.887
0.370	Net Surplus (Deficit)			0.196

Non-Departmental Output Expenses*Development and Maintenance of Services Cemeteries***Intended Impacts, Outcomes and Objectives**

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

Description

The purchase, development and maintenance of Services Cemeteries.

Output Performance Measures and Standards

Performance Measures	Performance Achieved
Develop and Maintain Services Cemeteries	
90% of works carried out under contract will comply with agreed contract standards.	100% of all work carried out under contracts complied with agreed contract standards
100% of Services Cemeteries will be maintained to specified standards.	100% of all Services Cemeteries were maintained to specified standards
Works in Services Cemeteries will be managed in accordance with an agreed annual programme.	Met
Service Cemeteries will be maintained to the satisfaction of Local Authorities, the RSA and veterans' representative organisations.	During the 139 Quality Audits of Services Cemeteries that were carried out no issues were identified.

Conditions on Use of Appropriation

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.

Development and Maintenance of Services Cemeteries (GST Inclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
0.605	Total Expenses	0.746	0.746	0.720

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	Performance Achieved
Support for Veterans and Their Families	
The services provided will be to the satisfaction of the veteran and/or the veteran's family.	Met. A new initiative, Case Management in the Community has been put in place which goes and meets with veterans in the community to assess veterans' issues and any concerns with the services provided by Veterans' Affairs New Zealand. The feedback has been positive. The intent is to formalise the provision of this feedback.
95% of works carried out under contract will comply with agreed contract standards.	100% of all work carried out under contracts complied with agreed contract standards.

Conditions on Use of Appropriations

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

Support for Veterans and their Families (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
1.544	Total Expenses	1.877	1.877	1.722

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.	Medical Treatment Support for Veterans and their Families War Disablement Pensions

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.

War Disablement Pensions (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
124.956	Total Expenses	149.820	137.469	137.193

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.

Medical Treatment (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
19.181	Total Expenses	21.309	23.452	21.126

Interest Concessions: Land and Buildings

Description

This appropriation is limited to provision for grand-parented 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 (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
0.037	Total Expenses	0.010	0.024	0.014

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.

Special Annuities (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
0.000	Total Expenses	0.000	0.028	0.021

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

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

Output Performance Measures and Standards

Performance Measures	Performance Achieved
The provision of up to 2,000 annual medical checks for Vietnam veterans	1492 medical checks were provided.
Up to 13 ex gratia payments likely to be made to Vietnam veterans and/or members of their family with accepted conditions.	8 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.

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

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
0.598	Total Expenses	2.000	2.000	0.376

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).

Debt Write-Down for Benefits and Other Unrequited Expenses (GST Exclusive)

Actual 2008/09 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2009/10 (\$ million)
0.015	Total Expenses	0.250	0.250	0.036

Section Six

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 2010.

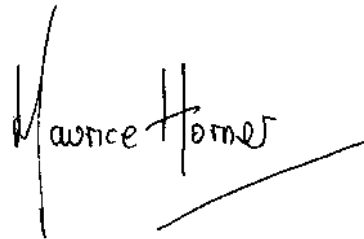
Signed by:

Countersigned by:



J. MATEPARAE
Lieutenant General
Chief of Defence

25 August 2010



M. HORNER
Chief Financial Officer

25 August 2010

**Audit Report
 To the readers of the
 New Zealand Defence Force's
 Financial Statements and Statement of Service Performance
 for the year ended 30 June 2010**

The Auditor-General is the auditor of the New Zealand Defence Force. The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf. The audit covers the financial statements, the schedules of non-departmental activities and statement of service performance included in the annual report of the New Zealand Defence Force, for the year ended 30 June 2010.

Unqualified opinion

In our opinion:

- The financial statements of the New Zealand Defence Force on pages 134 to 172:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the New Zealand Defence Force's financial position as at 30 June 2010;
 - the results of its operations and cash flows for the year ended on that date;
 - its expenses and capital expenditure incurred against each appropriation administered by the New Zealand Defence Force and each class of outputs included in each output expense appropriation for the year ended 30 June 2010; and
 - its unappropriated expenses and capital expenditure for the year ended 30 June 2010.
- The schedules of non-departmental activities on pages 173 to 179 fairly reflect the assets, liabilities, expenses and trust monies managed by the New Zealand Defence Force on behalf of the Crown for the year ended 30 June 2010.
- The statement of service performance of the New Zealand Defence Force on pages 29 to 115 and 121 to 129
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs:
 - its standards of delivery performance achieved, as compared with the forecast standards included in the statement of forecast service performance adopted at the start of the financial year; and
 - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses included in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 27 August 2010, and 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 the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

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

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Chief of Defence Force;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Chief of Defence Force and the Auditor

The Chief of Defence Force is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the New Zealand Defence Force as at 30 June 2010 and the results of its operations and cash flows for the year ended on that date.

The financial statements must also fairly reflect the expenses and capital expenditure incurred against each appropriation administered by the New Zealand Defence Force and each class of outputs included in each output expense appropriation for the year ended 30 June 2010. The financial statements must also fairly reflect the New Zealand Defence Force's unappropriated expenses and capital expenditure for the year ended on that date.

In addition, the Chief of Defence Force is responsible for preparing schedules of non-departmental activities, in accordance with the Treasury Instructions 2009, that must fairly reflect the assets, liabilities, expenses and trust monies managed by the New Zealand Defence Force on behalf of the Crown for the year ended 30 June 2010.

The statement of service performance must fairly reflect, for each class of outputs, the New Zealand Defence Force's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year.


The Chief of Defence Force's responsibilities arise from sections 45A and 45B of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45D(2) of the Public Finance Act 1989.

Independence

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

In addition to the audit we have carried out assignments in the areas of tendering and contract management reviews, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the New Zealand Defence Force.



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

Matters relating to the electronic presentation of the audited financial statements, statement of service performance and schedules of non-departmental activities

This audit report relates to the financial statements, statement of service performance and schedules of non-departmental activities of the New Zealand Defence Force for the year ended 30 June 2010 included on the New Zealand Defence Force's website. The New Zealand Defence Force's Chief of Defence Force is responsible for the maintenance and integrity of the New Zealand Defence Force's website. We have not been engaged to report on the integrity of the New Zealand Defence Force's website. We accept no responsibility for any changes that may have occurred to the financial statements, statement of service performance and schedules of non-departmental activities since they were initially presented on the website.

The audit report refers only to the financial statements, statement of service performance and schedules of non-departmental activities named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements, statement of service performance and schedules of non-departmental activities. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements, statement of service performance and schedules of non-departmental activities and related audit report dated 27 August 2010 to confirm the information included in the audited financial statements, statement of service performance and schedules of non-departmental activities presented on this website.

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

NZDF Financial Statements

Statement of Financial Performance for the Year Ended 30 June 2010

30 June 09			30 June 10	30 June 10	30 June 10
Actual		Note	Actual	Main Estimates	Supplementary Estimates
(\$000)			(\$000)	(\$000)	(\$000)
	Income				
2,083,494	Crown	3	2,201,375	2,133,981	2,201,375
13,579	Departmental	4	15,344	15,442	20,542
6,837	Other revenue		6,694	8,777	8,777
45,281	Gains	5	15,915	-	-
49	Interest		14	100	100
2,149,240	Total Income		2,239,342	2,158,300	2,230,794
	Expenditure				
816,443	Personnel costs	6	837,276	818,493	846,850
611,639	Operating costs	7	597,389	609,880	616,528
-	Finance costs	8	41	-	-
306,200	Depreciation and amortisation	9	342,306	332,733	338,452
400,428	Capital charge	10	428,864	397,094	428,864
2,134,710	Total Output Expenditure		2,205,876	2,158,200	2,230,694
2,819	Other operating expenses	11	2,485	-	93,300
2,137,529	Total Expenditure		2,208,361	2,158,200	2,323,994
11,711	Net Surplus/(Deficit)		30,981	100	(93,200)

Statement of Comprehensive Income

30 June 09			30 June 10	30 June 10	30 June 10
Actual		Note	Actual	Main Estimates	Supplementary Estimates
(\$000)			(\$000)	(\$000)	(\$000)
11,711	Net Surplus/(Deficit)		30,981	100	(93,200)
487,476	Gains/(Losses) on revaluation	12	(79,447)	-	-
(32,591)	Loss on impairment	12	(75,335)	-	-
466,596	Total Comprehensive Income		(123,801)	100	(93,200)

Statement of Movements in Taxpayers' Funds for the Year Ended 30 June 2010

30 June 09			30 June 10	30 June 10	30 June 10
Actual		Note	Actual	Main Estimates	Supplementary Estimates
(\$000)			(\$000)	(\$000)	(\$000)
	Balance at 1 July				
3,655,619	General funds	12	3,618,986	3,658,016	3,618,986
1,647,789	Revaluation reserve	12	2,101,943	1,647,675	2,101,943
5,303,408			5,720,929	5,305,691	5,720,929
11,711	Net surplus for the year		30,981	100	(93,200)
487,476	Total revaluation gains/(losses)	12	(79,447)	-	-
(32,591)	Total impairment losses	12	(75,335)	-	-
466,596	Total Comprehensive Income for the Year		(123,801)	100	(93,200)
(24,005)	Repayment of surplus	18	(38,615)	(100)	(100)
54,930	Capital contribution		94,384	80,000	94,384
(80,000)	Capital withdrawal		(171)	(171)	(171)
5,720,929	Balance as at 30 June		5,652,726	5,385,520	5,721,842
3,618,986	General funds	12	3,713,286	3,737,845	3,619,899
2,101,943	Revaluation reserve	12	1,939,440	1,647,675	2,101,943

Reconciliation of Changes in Taxpayers' Funds

30 June 09			30 June 10	30 June 10	30 June 10
Actual		Note	Actual	Main Estimates	Supplementary Estimates
(\$000)			(\$000)	(\$000)	(\$000)
	General Funds				
3,655,619	Balance as at 1 July		3,618,986	3,658,016	3,618,986
11,711	Net surplus/(deficit)		30,981	100	(93,200)
(24,005)	Provision for the repayment of surplus		(38,615)	(100)	(100)
54,930	Capital contribution		94,384	80,000	94,384
(80,000)	Capital withdrawal		(171)	(171)	(171)
731	Transfer from revaluation reserves on disposal	12	7,721	-	0
3,618,986	Balance as at 30 June		3,713,286	3,737,845	3,619,899
	Revaluation Reserve				
1,647,789	Balance as at 1 July		2,101,943	1,647,675	2,101,943
487,476	Revaluation gains/(losses)	12	(79,447)	-	-
(32,591)	Loss on impairment	12	(75,335)	-	-
(731)	Transfer to General Funds on Disposal	12	(7,721)	-	-
2,101,943	Balance as at 30 June		1,939,440	1,647,675	2,101,943
5,720,929	Total Taxpayers' Funds		5,652,726	5,385,520	5,721,842

Statement of Financial Position as at 30 June 2010

30 June 09			30 June 10	30 June 10	30 June 10
Actual		Notes	Actual	Main Estimates	Supplementary Estimates
(\$000)			(\$000)	(\$000)	(\$000)
	Assets				
	Current Assets				
13,099	Cash and cash equivalents		93,031	10,000	35,146
28,617	Debtors and other receivables	13	13,759	4,300	15,800
161,244	Debtor - Crown		213,407	3,138	163,407
38,150	Prepayments		39,573	35,000	35,000
95,178	Inventories	14	88,216	105,063	101,513
3,746	Derivatives in gain	25	607	-	-
340,034	Total Current Assets		448,593	157,501	350,866
	Non - Current Assets				
5,482,912	Property, plant and equipment	15	5,297,308	5,232,195	5,442,872
14,213	Intangible assets	16	11,973	16,517	15,025
175,300	Inventories	14	199,030	195,117	182,125
46	Derivatives in gain	25	243	-	-
5,672,471	Total Non - Current Assets		5,508,554	5,443,829	5,640,022
6,012,505	Total Assets		5,957,147	5,601,330	5,990,888
	Liabilities				
	Current Liabilities				
175,623	Creditors and other payables	17	169,623	138,698	180,915
24,005	Surplus repayable to the Crown	18	38,615	100	100
4,031	Provisions	19	4,374	4,029	4,031
31,074	Employee entitlements	20	35,196	29,000	33,000
-	Finance lease	21	200	-	-
3,492	Derivatives in loss	25	9,349	-	-
238,225	Total Current Liabilities		257,357	171,827	218,046
	Non - Current Liabilities				
49,079	Employee entitlements	20	43,706	43,983	51,000
-	Finance lease	21	2,691	-	-
4,272	Derivatives in loss	25	667	-	-
53,351	Total Non - Current Liabilities		47,064	43,983	51,000
291,576	Total Liabilities		304,421	215,810	269,046
5,720,929	Net Assets		5,652,726	5,385,520	5,721,842
	Taxpayers' Funds				
3,618,986	General funds	12	3,713,286	3,737,845	3,619,899
2,101,943	Revaluation reserve	12	1,939,440	1,647,675	2,101,943
5,720,929	Total Taxpayers' Funds		5,652,726	5,385,520	5,721,842
6,012,505	Total Liabilities and Taxpayers' Funds		5,957,147	5,601,330	5,990,888

Statement of Cash Flows for the Year Ended 30 June 2010

30 June 09			30 June 10	30 June 10	30 June 10
Actual		Notes	Actual	Main Estimates	Supplementary Estimates
(\$000)			(\$000)	(\$000)	(\$000)
	Cash Flow – Operating Activities				
2,119,988	Receipts from Crown		2,149,212	2,332,088	2,199,212
16,377	Receipts from departments		15,086	15,442	35,193
12,110	Receipts from other		5,922	8,877	7,043
(809,139)	Payments to employees		(834,591)	(819,859)	(837,312)
(605,986)	Payments to suppliers		(591,179)	(617,130)	(633,929)
(400,428)	Payments for capital charge		(428,864)	(397,094)	(428,864)
(3,056)	Goods and services tax (net)		4,792	(8,793)	(1,051)
329,866	Net Cash Flow from Operating Activities	28	320,378	513,531	340,292
	Cash Flows – Investing Activities				
28,929	Receipts from sale of property, plant and equipment		16,579	-	1,377
(391,132)	Purchase of property, plant and equipment		(323,926)	(598,725)	(384,830)
(2,955)	Purchase of intangible assets		(3,307)	(5,999)	(5,000)
(365,158)	Net Cash Flow from Investing Activities		(310,654)	(604,724)	(388,453)
	Cash Flows from Financing Activities				
54,930	Capital contribution		94,384	80,000	94,384
(80,000)	Capital withdrawal		(171)	(171)	(171)
(7,069)	Repayment of surplus		(24,005)	(20,100)	(24,005)
(32,139)	Net Cash Flow from Financing Activities		70,208	59,729	70,208
(67,431)	Net increase / (decrease) in cash		79,932	(31,464)	22,047
80,530	Cash at the beginning of the year		13,099	41,464	13,099
13,099	Cash and Cash Equivalents at the End of the Year		93,031	10,000	35,146

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

Statement of Commitments as at 30 June 2010

30 June 09		30 June 10
Actual (\$000)		Actual (\$000)
	Capital Commitments	
915,967	Property, plant and equipment	561,739
915,967		561,739
509,322	Not later than one year	335,680
406,645	Later than one year and not later than five years	226,059
915,967	Total Capital Commitments	561,739
	Non - Cancellable Operating Lease Commitments	
12,140	Not later than one year	14,981
29,710	Later than one year and not later than five years	34,722
62,343	Later than five years	131,784
104,193	Total Non - Cancellable Operating Lease Commitments	181,487
	Other Non - Cancellable Contracts	
75,347	Not later than one year	122,636
73,827	Later than one year and not later than five years	53,674
15,823	Later than five years	28,228
164,997	Total Other Non - Cancellable Contracts	204,538
1,185,157	Total Commitments	947,764

Capital Commitments

Capital commitments are mostly with the Ministry of Defence who manage the procurement of major military assets on behalf of the NZDF.

Non - Cancellable Operating Lease Commitments

The majority of these leases are for premises. These leases have a non - cancellable period ranging from 3 months to 26 years.

Other Non - Cancellable Contracts

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

Statement of Contingent Liabilities and Assets as at 30 June 2010**Unquantifiable Contingent Liabilities**

The NZDF has potential contingent liabilities relating to war exclusion clauses within life insurance policies held by members of the armed forces.

Quantifiable Contingent Liabilities

30 June 09		30 June 10
Actual (\$000)		Actual (\$000)
5,522	Potential claims from legal proceedings and disputes	1,627
6,180	Restructuring cost	3,205
11,702	Total quantifiable contingent liabilities	4,832

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

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

Contingent Assets

The NZDF has no contingent assets (2009: nil).

Statement of Indemnities for the Year Ended 30 June 2010

The Accident Compensation Corporation (ACC); against all claims, costs, liabilities and losses suffered by ACC in connection with a contract to provide surgical, clinical and hyperbaric oxygen treatment services at the Naval Hospital.

Airways Corporation; in respect of air traffic control services.

Auckland District Health Board (ADHB); against all claims, costs, liabilities and losses suffered by ADHB in connection with a contract to provide surgical services at the Naval Hospital.

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

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

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

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

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

Commonwealth of Australia for the loan of defence equipment; under an agreement between Commonwealth of Australia and the Royal New Zealand Air Force.

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

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

Hughes Global Services Inc; against any breach by the NZDF of the terms of a lease to access a satellite owned by the company.

The NZ Blood Services; in respect of blood products.

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

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

Statement of Departmental Expenses and Capital Expenditure against Appropriations for the Year Ended 30 June 2010

30 June 09			30 June 10	30 June 10	30 June 10	30 June 10		30 June 10	30 June 10	30 June 10
Actual Expenditure Including Remeasurements (\$000)			Main Estimates (\$000)	Supplementary Estimates (\$000)	Section 26A Changes (\$000)	Total Appropriation (\$000)		Actual Expenditure Excluding Remeasurements (\$000)	Remeasurements (\$000)	Actual Expenditure Including Remeasurements (\$000)
		Vote: Defence Force								
		Output Appropriations								
13,517	1	Military Policy Development, Coordination & Advice	13,014	14,340	200	14,540		14,348	-	14,348
406,789	2	Naval Combat Forces	384,715	406,876	(2,650)	404,226		397,561	4,747	402,308
105,168	3	Naval Support Forces	98,496	108,386	-	108,386		106,666	1,286	107,952
28,365	4	Mine Countermeasures (MCM) and MCM Diving Forces	25,511	26,491	300	26,791		26,105	207	26,312
81,532	5	Naval Patrol Forces	108,886	102,196	-	102,196		99,884	1,315	101,199
16,564	6	Military Hydrography and Hydrographic Data Collection and Processing for LINZ	16,336	16,628	-	16,628		16,563	65	16,628
365,424	7	Land Combat Forces	373,762	385,711	-	385,711		378,891	5,020	383,911
202,170	8	Land Combat Support Forces	201,694	207,441	-	207,441		204,877	2,667	207,544
154,142	9	Land Combat Service Support Forces	152,826	154,182	-	154,182		152,953	2,165	155,118
61,993	10	Special Operations Forces	63,184	67,114	300	67,414		67,101	1,281	68,382
85,209	11	Naval Helicopter Forces	82,637	83,921	600	84,521		83,379	792	84,171
169,073	12	Maritime Patrol Forces	167,876	173,995	(4,000)	169,995		167,733	1,475	169,208
214,373	13	Fixed Wing Transport Forces	226,490	228,014	7,000	235,014		233,023	1,661	234,684
129,465	14	Rotary Wing Transport Forces	135,469	129,734	(2,000)	127,734		126,220	743	126,963
1,668	15.1	Support to Mutual Assistance Programme	1,893	2,046	50	2,096		1,942	-	1,942
3,177	15.2	Support to New Zealand Cadet Forces	3,833	3,586	50	3,636		3,458	-	3,458
3,969	15.3	Support to Limited Service Volunteer Scheme	4,267	1,691	-	1,691		1,690	-	1,690
7,364	15.4	Support to Military Museums	7,349	7,297	150	7,447		7,240	-	7,240
-	15.5	Support to Youth Development	-	7,092	-	7,092		7,017	-	7,017
77,500	16	Operationally Deployed Forces	81,585	95,626	-	95,626		77,764	1	77,765
2,127,462		Total Vote: Defence Force Output Appropriations	2,149,823	2,222,367	-	2,222,367		2,174,415	23,425	2,197,840

30 June 09			30 June 10	30 June 10	30 June 10	30 June 10		30 June 10	30 June 10	30 June 10
Actual Expenditure Including Remeasurements (\$000)			Main Estimates (\$000)	Supplementary Estimates (\$000)	Section 26A Changes (\$000)	Total Appropriation (\$000)		Actual Expenditure Excluding Remeasurements (\$000)	Remeasurements (\$000)	Actual Expenditure Including Remeasurements (\$000)
		Other Expense Appropriations								
-		Project Protector Write-down	-	90,000	-	90,000		-	-	-
2,819		Asset Write Off	-	3,300	-	3,300		2,485	-	2,485
337		Loss on Sale of Physical Assets	-	-	-	-		-	-	-
3,156		Total Vote: Defence Force Other Expense Appropriations	-	93,300	-	93,300		2,485	-	2,485
2,130,618		Total Vote: Defence Force	2,149,823	2,315,667	-	2,315,667		2,176,900	23,425	2,200,325
		Vote: Veterans' Affairs - Defence Force								
1,859	1	Policy & Administration	2,400	2,350	-	2,350		2,345	-	2,345
5,052	2	Services & Payments to Veterans	5,977	5,977	-	5,977		5,691	-	5,691
6,911		Total Vote: Veterans' Affairs - Defence Force	8,377	8,327	-	8,327		8,036	-	8,036
2,137,529		Total Appropriations	2,158,200	2,323,994	-	2,323,994		2,184,936	23,425	2,208,361

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are defined under the Public Finance Act as a revision of a future obligation that changes the carrying amount of an asset or liability.

Statement of Capital Expenditure

30 June 09		30 June 10	30 June 10	30 June 10
Actual		Actual	Supplementary	Total
(\$000)		(\$000)	Estimates	Appropriation
	Capital Expenditure		(\$000)	(\$000)
365,530	Capital expenditure	326,752	520,000	520,000
365,530	Total Capital Expenditure	326,752	520,000	520,000

Statement of Departmental Unappropriated Expenditure for the Year Ended 30 June 2010**Vote: Defence Force**

		Unappropriated Expenditure (\$000)
Vote: Defence Force		
Asset Write-off	30 June 03	7,292
Asset Write-off	30 June 04	6,182
Asset Write-off	30 June 05	6,674
Asset Write-off	30 June 06	1,733
Asset Write-off	30 June 07	912
Asset Write-off	30 June 08	1,492
Asset Write-off	30 June 09	2,264
Asset Write-off	30 June 10	1,948

Air Combat Force Unappropriated Expenditure:

This is unappropriated expenditure due to a revised opinion on the accounting treatment of the costs incurred. Costs of maintaining the Air Combat Force in a saleable condition from 2003 were capitalised with the intention of recovering from the final proceeds of sale. Each year, once it became evident that a sale would not proceed within that year, the costs were approved through the Supplementary Estimates.

This treatment was agreed by Audit New Zealand at the time and continued to 2010 when the opinion on the accounting process was reviewed. The outcome of this review is that the costs incurred up to date of the approval, through the Supplementary Estimates, were technically unappropriated.

Vote: Veterans' Affairs – Defence Force

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

Notes to the Financial Statements

Note 1: Statement of Accounting Policies for the Year Ended 30 June 2010

Reporting Entity

The New Zealand Defence Force is a Government Department as defined by Section 2 of the Public Finance Act 1989 and is domiciled in New Zealand.

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

The financial statements of the New Zealand Defence Force are for the year ended 30 June 2010. The financial statements were authorised for issue by the Chief of Defence Force on 25 August 2010.

In addition the financial statements include information on the Crown activities that the 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.

Basis of Preparation

The financial statements of the New Zealand Defence Force 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).

These financial statements have been prepared in accordance with, and comply with, NZ IFRS as appropriate for public benefit entities.

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.

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

Changes in Accounting Policies

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

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.

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

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

a. NZ IAS 24 *Related Party Disclosures (Revised 2009)*. This standard replaces NZ IAS 24 *Related Party Disclosures (Issued 2004)* and is effective for reporting periods commencing on or after 1 January 2011. The revised standard:

(i) removes the previous disclosure concessions applied by the NZDF for arms length transactions between the Ministry and entities controlled or significantly influenced by the Crown. The effect of the revised standard is that more information is required to be disclosed about transactions between the NZDF and entities controlled or significantly influenced by the Crown;

(ii) provides clarity on the disclosure of related party transactions with Ministers of the Crown. Further, with the exception of the Minister of Defence, the NZDF will be provided with an exemption from certain disclosure requirements relating to transactions with other Ministers of the Crown. The clarification could result in additional disclosures should there be any related party transactions with the Ministers of the Crown; and

(iii) clarifies that related party transactions include commitments with related parties.

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

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

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

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

Revenue

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

Interest

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

Operating Leases

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

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

Finance Leases

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

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

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

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

Maintenance Costs

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

Borrowing Costs

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

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

Goods and Services Tax (GST)

The financial statements and schedules are prepared on a GST exclusive basis except for Debtors and Receivables and Creditors and 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.

Cash and Cash Equivalents

Cash means cash balances on hand and funds on deposit with banks.

Debtors and 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.

Property, Plant and Equipment

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

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

Individual assets, or groups of assets, are capitalised if their cost is greater than \$5,000. The value of an individual asset that is less than \$5,000 and is part of a group of similar assets is capitalised.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential will flow to the NZDF and the cost of the item can be measured reliably.

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

Disposals

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

Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the NZDF and the cost of the item can be measured reliably.

Revaluation

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

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

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

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

Specialist military equipment (SME) with a net carrying value of \$2 million or more, or groups of like assets with a total carrying value of \$4 million or more are revalued annually using an internally assessed valuation.

The internally assessed valuation for SME is reviewed by an independent registered valuer.

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

Depreciation

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

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

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

Intangible Assets

Computer application software with a finite useful 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.

Employee Entitlements

A provision is made in respect of the NZDF's liability for annual, long service, incentive leave, civilian sick 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 Treasury.

Inflation has been assumed to be 3.5% and a discount rate between 3.48% and 6.00% has been used for future years.

ACC Partnership Programme

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

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

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

Inflation has been assumed to be 3.5% and a discount rate between 3.48% and 6.00% has been used for future years.

Superannuation

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

Foreign Currency

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

Monetary assets and liabilities in foreign currencies at balance 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.

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

Critical Accounting Estimates and Assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future economic and operating environment. 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. Recent costings from local suppliers and manufacturer catalogues were used for small SME items. Similar military variants were used for the valuation of the aircraft based on purchase information made available.

Critical Judgments in Applying Accounting Policies**Finance Lease**

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 one lease arrangement to be a finance lease.

Statement of Cost Accounting Policies

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

Vote: Defence Force

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

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

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

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

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

Vote: Veterans' Affairs – Defence Force

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

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

Commitments

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

Cancellable commitments that have a penalty or exit cost explicit in the agreement on exercising that option to cancel are included in the Statement of Commitments at the value of that penalty or exit cost.

Contingent Liabilities

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

Capital Management Plan

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 Defence Capital Development Plan.

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

Note 2: Budget Composition

	Main Estimates (\$000)	Supplementary Estimates Changes (\$000)	Supplementary Estimates (\$000)
Income			
Crown	2,133,981	67,394	2,201,375
Departmental	15,442	5,100	20,542
Other	8,777	-	8,777
Gains	-	-	-
Interest	100	-	100
Total Revenue	2,158,300	72,494	2,230,794
Expenditure			
Personnel	818,493	28,357	846,850
Operating	609,880	6,648	616,528
Depreciation and amortisation	332,733	5,719	338,452
Capital charge	397,094	31,770	428,864
Total Output Expenses	2,158,200	72,494	2,230,694
Other expenses	-	93,300	93,300
Total Expenses	2,158,200	165,794	2,323,994

The main contributors to the Supplementary Estimates changes were:

		(\$000)
	Vote: Defence Force	
Personnel expenses	The change was a result of falling personnel attrition rates, increased overseas deployments and base pay market adjustments.	28,357
Operating expenses	The increase was due to the anticipated rise in deployments overseas.	6,698
Depreciation	Depreciation increased as a result of a change in accounting treatment for major airframe engine overhauls.	5,719
Capital charge	This reflects the impact of the June 2009 asset revaluation on Taxpayers' Funds.	31,770
Other Expenses	This reflects the impairment of the Project Protector fleet as a result of reduced capability and the Air Combat Force disposal costs.	93,300
	Total	165,844

		(\$000)
	Vote: Veterans' Affairs - Defence Force	
Operating expenses	The reduction is a result of an expense transfer to 2010/11.	(50)
	Total	(50)

Variations from Budget

The final result for the year was a surplus of \$30.981 million, compared with a budget deficit of \$93.200 million. The main factors causing this surplus are:

- An increase in gains of \$15.915 million due to foreign exchange gains;
- A decrease in personnel expenditure of \$9.574 million due to the reduction in personnel numbers on current overseas deployments;
- A decrease in operating expenditure of \$19.139 million due to a Treasury approved expense transfer to 2010/11;
- An increase in depreciation of \$3.854 million due to a change in accounting treatment for major airframe engine overhauls offset by delays in delivery of specialist military equipment; and
- A decrease in other operating expenses of \$90.815 million due to the write down of the Project Protector fleet being recorded against the Revaluation Reserve.

The Net Assets financial position at 30 June 2010 was \$5,643.696 million compared to the budget of \$5,721.842 million. The main factors causing this decrease are:

- An increase in Current Assets of \$97.727 million due to an improved liquidity position resulting from lower than forecast payments on operating expenditure, delays in delivery and payment of capital projects and cash funding received from the Crown being utilised in 2010/11;
- A decrease in Non-Current Assets of \$149.498 million due to the revaluation of specialist military equipment offset by an increase in the valuation of land, buildings, housing and infrastructure;
- An increase in Current Liabilities of \$39.311 million due to an improved surplus repayable to the Crown;
- A decrease in Non-Current Liabilities of \$3.936 million due to the actuarial calculation of the provision for retirement, incentive and long service leave.

Note 3: Crown Revenue

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

Note 4: Departmental Revenue

30 June 09		30 June 10	30 June 10
Actual		Actual	Supplementary
(\$000)		(\$000)	Estimates
			(\$000)
1,498	Inland Revenue Department	-	-
6,332	Land Information New Zealand	5,778	6,181
1,050	Ministry of Defence	350	5,045
-	Ministry of Justice	57	-
2,362	Ministry of Social Development	6,926	6,981
-	NZ Customs Service	9	-
2,337	State Services Commission	2,224	2,335
13,579	Total Departmental Revenue	15,344	20,542

Note 5: Gains

30 June 09		30 June 10	30 June 10
Actual		Actual	Supplementary
(\$000)		(\$000)	Estimates
			(\$000)
22,701	Gain on realised foreign exchange	9,414	-
11,225	Gain on unrealised foreign exchange	-	-
11,355	Gain on sale of property, plant and equipment	-	-
-	Gain on liability reduction to Australian Defence Force	6,501	-
45,281	Total Gains	15,915	-

Note 6: Personnel Costs

30 June 09		30 June 10	30 June 10
Actual		Actual	Supplementary
(\$000)		(\$000)	Estimates
			(\$000)
754,467	Salaries and wages	792,458	778,304
54,662	Superannuation contributions to defined contribution schemes	41,075	60,140
1,991	Retirement and accumulated leave adjustment	(1,252)	2,755
5,323	Accident Compensation Corporation (ACC) levies	4,995	5,651
816,443	Total Personnel Costs	837,276	846,850

Note 7: Operating Costs

30 June 09		30 June 10	30 June 10
Actual		Actual	Supplementary
(\$000)		(\$000)	Estimates
			(\$000)
199,879	Materials	188,409	216,733
74,071	Premises cost	63,978	63,114
80,072	Repairs and maintenance	97,922	91,548
62,568	Training and travel	57,082	60,970
45,656	Operating lease rentals	47,061	48,162
3,251	Consultancy	5,596	6,636
360	Audit fees for financial statements audit: Audit NZ	414	360
33	Fees for other services: Audit NZ	9	-
29	Fees to auditors other than Audit NZ	-	-
206	Increase/(decrease) in provision for doubtful debts	(355)	-
5,462	Realised foreign exchange losses	13,605	-
20,700	Unrealised foreign exchange losses	9,820	-
2,671	Loss on sale of property, plant and equipment	889	-
116,681	Other operating costs	112,959	129,005
611,639	Total Operating Costs	597,389	616,528

Note 8: Finance Costs

30 June 09		30 June 10	30 June 10
Actual		Actual	Supplementary Estimates
(\$000)		(\$000)	(\$000)
-	Interest on finance leases	41	-
-	Total Finance Costs	41	-

Note 9: Depreciation and Amortisation

30 June 09		30 June 10	30 June 10
Actual		Actual	Supplementary Estimates
(\$000)		(\$000)	(\$000)
31,674	Buildings	29,949	44,504
250,294	Specialist military equipment	285,545	267,427
8,580	Plant and equipment	8,903	9,509
5,132	Office and computer equipment	6,830	6,423
5,498	Computer application software	5,547	5,000
5,022	Motor vehicles	5,532	5,589
306,200	Total Depreciation and Amortisation	342,306	338,452

Note 10: Capital Charge

The NZDF pays a capital charge to the Crown on its average Taxpayers' Funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2010 was 7.5% (2009: 7.5%).

Note 11: Other Operating Expenses

30 June 09		30 June 10	30 June 10
Actual		Actual	Supplementary Estimates
(\$000)		(\$000)	(\$000)
2,819	Air Combat Force disposal costs	2,485	3,300
-	Project Protector write-down for reduced capability	-	90,000
2,819	Total Other Operating Expenses	2,485	93,300

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

30 June 09		30 June 10
Actual		Actual
(\$000)		(\$000)
3,655,619	Opening Balance	3,618,986
11,711	Net surplus for the year	30,981
731	Transfers from revaluation reserve on disposal of assets	7,721
54,930	Capital contribution	94,384
(80,000)	Capital withdrawal	(171)
(24,005)	Repayment of surplus	(38,615)
3,618,986	Closing Balance	3,713,286

Revaluation Reserve for Property, Plant and Equipment

30 June 09		30 June 10	30 June 10	30 June 10	30 June 10
Total		Land	Buildings	Specialist Military Equipment	Total
(\$000)		(\$000)	(\$000)	(\$000)	(\$000)
1,647,789	Opening Balance	425,276	651,849	1,024,818	2,101,943
487,476	Revaluation gains/(losses)	201,709	61,082	(342,238)	(79,447)
(32,591)	Impairment losses	-	(4,818)	(70,517)	(75,335)
(731)	(Gains)/losses on revaluation realised and transferred to general funds for assets disposed	(4,913)	(956)	(1,852)	(7,721)
2,101,943	Closing Balance	622,072	707,157	610,211	1,939,440

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

Revaluation gains/(losses)

30 June 09		30 June 10	30 June 10	30 June 10	30 June 10
Total		Land	Buildings	Specialist Military Equipment	Total
(\$000)		(\$000)	(\$000)	(\$000)	(\$000)
255,740	Revaluation	201,709	(3,890)	(587,120)	(389,301)
231,736	Accumulated depreciation eliminated on revaluation	-	45,619	244,882	290,501
-	Reversal of impairment	-	19,353	-	19,353
487,476	Revaluation gains/(losses)	201,709	61,082	(342,238)	(79,447)

Note 13: Debtors and Other Receivables

30 June 09		30 June 10
Actual		Actual
(\$000)		(\$000)
19,651	Trade debtors: departments	4,007
9,822	Trade debtors: non departments	10,089
(856)	Less: provision for doubtful debts	(337)
28,617	Total Debtors and Receivables	13,759

As at 30 June 2010 and 2009, all overdue receivables have been assessed for impairment and appropriate provisions have been applied, as detailed below.

30 June 09				30 June 10		
Gross	Impairment	Net		Gross	Impairment	Net
(\$000)	(\$000)	(\$000)		(\$000)	(\$000)	(\$000)
12,665	-	12,665	Past due to 30 days	13,307	-	13,307
388	-	388	Past due 31 - 60 days	142	-	142
1,264	-	1,264	Past due 61 - 90 days	63	(43)	20
15,156	(856)	14,300	Past due >91 days	584	(294)	290
29,473	(856)	28,617	Total	14,096	(337)	13,759

Movements in the provision for doubtful debt

30 June 09		30 June 10
Actual (\$000)		Actual (\$000)
866	Opening Balance	856
206	Additional provisions made during the year	(355)
(216)	Charged against provision for the year	(164)
856	Closing Doubtful Debt Provision	337

Note 14: Inventories

30 June 09		30 June 10
Actual (\$000)		Actual (\$000)
123,948	Inventories: current	119,425
(28,770)	Obsolescence	(31,209)
95,178	Total Current Inventories	88,216
264,501	Inventories : non - current	284,977
(89,201)	Obsolescence	(85,947)
175,300	Total Non - Current Inventories	199,030
270,478	Total Inventories	287,246

The carrying amount of inventory held for distribution is at current replacement cost as at 30 June 2010 of \$287.246 million.

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

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

No inventory has been pledged as security for liabilities (2009 nil). Some inventory is subject to retention of title clauses.

Inventories by Category

30 June 09		30 June 10
Actual (\$000)		Actual (\$000)
186,671	Equipment and spares	189,065
132,063	Ammunition	131,155
37,938	General materials and consumables	39,155
15,400	Stock on board ships	16,198
16,377	Fuel, clothing and other inventories	28,829
(117,971)	Obsolescence	(117,156)
270,478	Total Inventories	287,246

Note 15: Property, Plant and Equipment

	Land	Buildings	Specialist Military Equipment	Plant & Equipment	Office & Computer Equipment	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Cost or Valuation						
Balance at 1 July 2008	579,020	1,062,628	3,652,213	246,434	63,052	5,603,347
Additions	-	19,982	265,755	12,499	4,930	303,166
Impairment loss	-	(32,591)	-	-	-	(32,591)
Revaluation	(57,458)	(20,491)	333,689	-	-	255,740
Disposal	(337)	(4,304)	(16,393)	(6,976)	(4,505)	(32,515)
Transfers	-	(2,218)	6,993	(2,448)	(2,151)	176
Work in progress movement	-	19,149	41,741	1,254	3,599	65,743
Balance at 30 June 2009	521,225	1,042,155	4,283,998	250,763	64,925	6,163,066
Accumulated Depreciation						
Balance at 1 July 2008	-	(7,674)	(463,381)	(136,755)	(38,455)	(646,265)
Depreciation expense	-	(31,674)	(250,295)	(13,601)	(5,132)	(300,702)
Eliminated on disposal	-	210	24,633	5,845	4,499	35,187
Eliminated on revaluation	-	6,528	225,208	-	-	231,736
Transfers	-	36	(2,903)	857	1,900	(110)
Balance at 30 June 2009	-	(32,574)	(466,738)	(143,654)	(37,188)	(680,154)
Net PPE at 30 June 2009	521,225	1,009,581	3,817,260	107,109	27,737	5,482,912

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

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.

In the event of any NZDF land being proposed for sale under the Government sale processes, potentially contaminated sites would be restored to normal before sale was considered.

Revaluation

Land, buildings, housing and infrastructure were valued at fair value as at 30 June 2010. Infrastructure at Waiouru, Trentham, Ohakea and Woodbourne has been independently revalued using detailed condition survey plans. The infrastructure at the remaining camps and bases is shown at book value. This revaluation was completed by an independent registered valuer, Kerry Stewart Val Prof Urb, PG Dip Env Audit, MBA, FNZIV, FPINZ from Darroch Valuations.

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

Work in Progress

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

Total work in progress as at 30 June 2010 was \$987.498 million (2009: \$1,022.197 million). This included \$872.805 million for work in progress for capital projects managed by the Ministry of Defence (2009: \$894.061 million).

30 June 09		30 June 10
Actual (\$000)		Actual (\$000)
60,586	Buildings	70,681
944,412	Specialist military equipment	907,491
5,135	Plant and equipment	4,943
12,065	Office and computer equipment	4,383
1,022,198	Total Work in Progress	987,498

Note 16: Intangible Assets

30 June 09		30 June 10
Actual (\$000)		Actual (\$000)
	Cost or Valuation	
31,602	Opening balance	34,299
3,021	Additions	3,309
(148)	Disposals	(3,516)
(176)	Transfers	-
34,299	Closing Balance	34,092
	Accumulated Amortisation	
(14,846)	Opening balance	(20,086)
(5,498)	Less amortisation	(5,547)
148	Eliminated on disposal	3,514
110	Transfers	-
(20,086)	Balance	(22,119)
14,213	Net Intangible Assets	11,973

There are no restrictions over the title of the NZDF's intangible assets, nor are any intangible assets pledged as security for liabilities.

Note 17: Creditors and Other Payables

30 June 09		30 June 10
Actual (\$000)		Actual (\$000)
2,751	Trade creditors: departments	86
21,889	Trade creditors: non departments	27,194
100,878	Accrued expenses	98,947
28,695	Payroll liabilities	17,167
4,594	Other short term liabilities	4,621
158,807	Total Trade Creditors and Accruals	148,015
16,816	GST payable	21,608
175,623	Total Creditors and Payables	169,623

Creditors and other payables are non-interest bearing and are normally settled within 30 day terms, therefore the carrying value of creditors and other payables approximates their fair value.

Note 18: Surplus Repayable to the Crown

30 June 09		30 June 10
Actual (\$000)		Actual (\$000)
11,711	Net operating surplus	30,981
2,819	Add: other expenses	2,485
9,475	Add: unrealised foreign exchange losses on derivative financial instruments	5,149
24,005	Net Surplus from Delivery of Outputs	38,615
24,005	Total Provision for Repayment of Surplus	38,615

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

Note 19: Provisions

30 June 09		30 June 10
Actual (\$000)		Actual (\$000)
5,586	Opening Balance	4,031
120	Additional provisions made during the year	1,613
(1,675)	Charges against provision during the year	(1,270)
4,031	Closing Balance	4,374

This provision relates to environmental liabilities arising from the requirement to address issues identified under the Resource Management Act. This is expected to be utilised within the next 12 months.

Note 20: Employee Entitlements

30 June 09		30 June 10
Actual (\$000)		Actual (\$000)
	Current Entitlement	
2,173	Retirement, incentive and long service leave	2,268
28,901	Accrued and annual leave	32,928
31,074	Total Current Entitlement	35,196
	Non – Current Entitlement	
34,948	Retirement, incentive and long service leave	29,912
11,503	Accrued leave	10,185
391	Sick leave	391
2,237	ACC Accredited Employer Programme	3,218
49,079	Total Non – Current Entitlement	43,706
80,153	Total Provision for Employee Entitlements	78,902

Annual leave is calculated using the number of days owing as at the end of June 2010. Incentive and long leave are actuarially calculated by the NZDF based on inflation and discount rates advised by Treasury to reflect the likelihood of a liability being incurred. Accumulated leave and terminal benefits are paid out on release and their values are actuarially calculated using predicted terminal dates.

Inflation has been assumed to be 3.5% and a discount rate between 3.48% and 6.00% has been used for future years.

ACC Accredited Employer Programme

The liability for the ACC Partnership Programme has been actuarially calculated by the NZDF based on expected treatment costs, rehabilitation entitlements, income compensation and historical claims information. Claims management practices focus on limiting liability without compromising care and entitlements.

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

Inflation has been assumed to be 3.5% and a discount rate between 3.48% and 6.00% has been used for future years.

The claims management provision allows for the future cost of managing claims applying the ACC standard basis of 7.5% of the total liability.

The value of the liability is not material for the NZDF's financial statements, therefore any changes in assumptions will not have a material impact on the financial statements.

The NZDF has purchased high cost claim cover to limit liability for any one event to \$1.000 million. The NZDF has a stop loss limit since joining the Accredited Employer Programme set at \$10.022 million which is 220% of the risk.

Note 21: Finance Lease

30 June 09		30 June 10
Actual (\$000)		Actual (\$000)
	Total Minimum Lease Payments Payable	
-	Not later than one year	438
-	Later than one year and not later than five years	1,751
-	Later than five years	2,079
-	Total Minimum Lease Payments	4,268
-	Future finance charges	(1,377)
-	Present Value of Minimum Lease Payments	2,891
-		-
	Present Value of Minimum Lease Payments Payable	
-	Not later than one year	200
-	Later than one year and not later than five years	992
-	Later than five years	1,699
-	Total Present Value of Minimum Lease Payments Payable	2,891
	Represented by:	
-	Current finance lease liabilities	200
-	Non-current finance lease liabilities	2,691
-	Total Finance Lease Liabilities	2,891

Description of Leasing Arrangements

The NZDF has entered into a finance lease for various items of computer equipment. The net carrying amount is shown in the Office and Computer Equipment class of property, plant and equipment in note 15.

The finance lease can be extended at the NZDF's option. The NZDF does not have the option to purchase the assets at the end of the lease term. There are no restrictions placed on the NZDF by the finance lease arrangement. Finance lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default in payment.

Note 22: Events after Balance Date

There have been no significant events after the Balance date.

Note 23: Financial Instruments

The NZDF's activities expose it to a variety of financial instrument risks. The NZDF has a series of policies to manage the associated risks and seeks to minimise exposure from financial instruments.

Credit Risk

Credit risk is the risk that a third party will default on its obligations to the NZDF, causing the NZDF to incur a loss.

In the normal course of its business, the NZDF incurs credit risk from trade debtors, transactions with various approved financial institutions, largely *Westpac* (a registered bank), 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.

There was a letter of credit with *Barclays Bank PLC* for GBP132,000 at 30 June 2010 (2009: nil).

Fair Value

With the exception of foreign currency forward contracts noted below, the fair value of all financial instruments is an approximation of the fair value 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 \$9.166 million (2009 net unrealised loss of \$3.972 million).

Currency Risk

Currency risk is the risk that balances denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The NZDF has a Treasury Management Policy approved by Treasury.

The NZDF uses foreign exchange forward contracts to manage foreign exchange exposures. The notional principal amount outstanding at balance date on hedged purchase and sale commitments was \$147.916 million (2009: \$155.303 million).

Sensitivity Analysis – Cash and Cash Equivalents

At 30 June 2010, if the NZ dollar strengthened by 5% against the major currencies with all other variables held constant, the unrealised loss for the year would have been \$0.497 million higher. Conversely, if the NZ dollar weakened by 5% against all the major currencies with all other variables held constant, the unrealised loss for the year would have been \$0.549 million lower. The movements are a result of the exchange gains or losses on translation of overseas currencies.

Sensitivity Analysis – Derivative financial instruments

At 30 June 2010, if the NZ dollar strengthened by 5% against all the hedged currencies with all other variables held constant, the unrealised loss for the year would have been \$6.607 million higher. Conversely, if the NZ dollar weakened by 5% against all the hedged currencies with all other variables held constant, the unrealised loss for the year would have been \$7.303 million lower. The movements are a result of the exchange gains or losses on translation of overseas currencies.

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate or the cash flows from a financial instrument will fluctuate due to changes in market interest rates.

The NZDF has no interest bearing financial instruments and accordingly has no exposure to interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the NZDF will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the NZDF closely monitors its forecast cash requirements with expected cash draw downs from the NZDMO. The NZDF maintains a target level of available cash to meet liquidity requirements.

The following tables analyse the NZDF's financial instruments that will be settled based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

30 June 09	Less than 6 Months	Between 6 Months and 1 Year	Between 1 Year and 5 Years	Over 5 Years
	(\$000)	(\$000)	(\$000)	(\$000)
Assets				
Current Assets				
Cash and cash equivalents	13,099	-	-	-
Debtors and other receivables	189,861	-	-	-
Derivative financial instruments	2,636	1,110	-	-
Total Current Assets	205,596	1,110	-	-
Non Current Assets				
Derivative financial instruments	-	-	46	-
Total Non Current Assets	-	-	46	-
Total Assets	205,596	1,110	46	-
Liabilities				
Current Liabilities				
Creditors and other payables	175,623	-	-	-
Derivative financial instruments	1,892	1,600	-	-
Total Current Liabilities	177,515	1,600	-	-
Non Current Liabilities				
Derivative financial instruments	-	-	4,272	-
Total Non Current Liabilities	-	-	4,272	-
Total Liabilities	177,515	1,600	4,272	-
Net Liquidity of Operations	28,081	(490)	(4,226)	-

30 June 10	Less than 6 Months	Between 6 Months and 1 Year	Between 1 Year and 5 Years	Over 5 Years
	(\$000)	(\$000)	(\$000)	(\$000)
Assets				
Current Assets				
Cash and cash equivalents	93,031	-	-	-
Debtors and other receivables	227,166	-	-	-
Derivative financial instruments	251	356	-	-
Total Current Assets	320,448	356	-	-
Non Current Assets				
Derivative financial instruments	-	-	243	-
Total Non Current Assets	-	-	243	-
Total Assets	320,448	356	243	-
Liabilities				
Current Liabilities				
Creditors and other payables	169,623	-	-	-
Finance leases	100	100	-	-
Derivative financial instruments	6,557	2,792	-	-
Total Current Liabilities	176,280	2,892	-	-
Non Current Liabilities				
Finance leases	-	-	992	1,699
Derivative financial instruments	-	-	667	-
Total Non Current Liabilities	-	-	1,659	1,699
Total Liabilities	176,280	2,892	1,659	1,699
Net Liquidity of Operations	144,168	(2,536)	(1,416)	(1,699)

Note 24: Fair Value Hierarchy Disclosures

For those instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

- (i) Quoted market price (Level 1) – Financial instruments with a quoted process for identical instruments in active markets;
- (ii) Valuation techniques using observable inputs (Level 2) – Financial instruments with a quoted process 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
- (iii) Valuation techniques with significant non-observable inputs (Level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

The following tables analyse the basis of the value of classes of the NZDF's financial instruments, measured at fair value in the Statement of Financial Position:

30 June 09	Quoted Market Price (\$000)	Observable Inputs (\$000)	Significant non Observable Inputs (\$000)	Total (\$000)
Assets				
Derivative financial instruments	-	3,792	-	3,792
Liabilities				
Derivative financial instruments	-	7,764	-	7,764

30 June 10	Quoted Market Price (\$000)	Observable Inputs (\$000)	Significant non Observable Inputs (\$000)	Total (\$000)
Assets				
Derivative financial instruments	-	850	-	850
Liabilities				
Derivative financial instruments	-	10,016	-	10,016

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

Note 25: Categories of Financial Instruments

30 June 09		30 June 10
Actual (\$000)		Actual (\$000)
	Loans and Receivables	
13,099	Cash and cash equivalents	93,031
189,861	Debtors and other receivables	227,166
202,960	Total Loans and Receivables	320,197
	Fair Value through Profit and Loss	
3,792	Derivative financial instrument assets	850
(7,764)	Derivative financial instrument liabilities	(10,016)
(3,972)	Total Fair Value through Profit and Loss	(9,166)
	Financial Liabilities Measured at Amortised Cost	
175,623	Creditors and other payables	169,623
175,623	Total Financial Liabilities Measured at Amortised Cost	169,623

Note 26: Derivative Financial Instruments

The notional principal amounts of outstanding forward exchange contracts as at 30 June 2010 and 30 June 2009. 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 09	30 June 10
AUD	\$18,300,000	\$21,100,000
CAD	\$2,058,200	\$1,270,000
EUR	\$2,688,295	\$2,290,000
GBP	\$11,310,330	\$9,700,000
USD	\$58,500,000	\$57,679,000

Note 27: Related Party Information

The NZDF is a wholly owned entity of the Crown. The Government significantly influences the roles of the NZDF as well as being its major source of revenue.

The NZDF enters into numerous transactions with other government departments, Crown agencies and state-owned enterprises on an arm's length basis. Where those parties are acting in the course of their normal dealings with the NZDF, related party disclosures have not been made for transactions of this nature.

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

Apart from those transactions described below, the NZDF has not entered into any related party transactions.

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

30 June 09		30 June 10
Actual (\$000)		Actual (\$000)
	Income	
3,899	Non public funds	3,875
1,674	Service museums	1,392
5,573	Total Income	5,267
	Expenditure	
2,131	Non public funds	2,825
1,339	Service museums	1,105
3,470	Total Expenditure	3,930
2,103	Total Net Surplus	1,337

Financial Position of Service Museums and Non Public Funds

30 June 09		30 June 10
Actual (\$000)		Actual (\$000)
	Assets	
22,814	Current assets - non public funds	15,894
3,454	Current assets - service museums	4,666
4,231	Property, plant and equipment - non public funds	4,057
4,601	Property, plant and equipment - service museums	5,361
12,637	Investments – non public funds	15,489
998	Investments – service museums	775
8,977	Property investment – non public funds	9,309
224	Museum collections – non public funds	224
37,310	Museum collections – service museums	37,310
95,246	Total Assets	93,085
	Liabilities	
4,761	Liabilities – non public funds	626
170	Liabilities – museums	633
4,931	Total Liabilities	1,259
90,315	Total Equity	91,826

Service Museums

The Service Museums are independent entities established by Trust Deed. The Boards have been updating the Trust Deeds to reflect the current operating rules and processes that will reinforce trustees' independence. The NZDF is represented on the governing bodies of these entities.

The NZDF provides support to Service Museums in the form of payment of some operating costs and provision of administrative support and facilities, for which no charge is made.

The Service Museums' collections have been valued at cost or market value as at 30 June 2008. The collections tend to have an indefinite life and are not of a depreciable nature, therefore depreciation is not applicable.

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

Non Public Funds

A number of non public funds (NPF) have been established under the Defence Act 1990 Section 58. These funds are established for the benefit of service personnel and are specifically defined as not being public money under the Public Finance Act 1989. Governance arrangements are generally established under Defence Force Orders issued by the Chief of Defence Force or Service Chiefs. The beneficiaries of these NPF are the service personnel who are the sole contributors to them. NPF include a wide range of entities such as sports and recreational funds, messes, unit funds, welfare funds, clubs for ranks, accommodation funds and benevolent funds.

The NZDF provides support to NPF in the form of administrative support and facilities, for which no charge is made. There are no other transactions with NPF.

Key Management Personnel

30 June 09 (\$000)		30 June 10 (\$000)
2,635	Salaries and short term employee benefits	2,640
10	Other long term benefits	4
2,645	Total Key Management Personnel	2,644

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, General Manager Organisational Support 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 Executive Leadership Team do not have military operational responsibilities.

Other

The Chief Financial Officer is a director of and, with a close family member, has a financial interest in two companies that deal with the NZDF and this relationship pre-dates his current term of employment. These relationships have been fully disclosed within the NZDF and conflicts managed where appropriate. The terms and conditions of all dealings are conducted on commercial terms and on an arms length basis. The outstanding amounts at 30 June 2010 were \$4,257 (2009: \$5,568).

The companies are Wright Technologies Ltd, who have supplied marine electronic services to the value of \$319,000 during the year (2009: \$470,000), and Wright Satellite Communications Ltd for mobile satellite communication to the value of \$399,000 during the year (2009: \$432,000).

There is a close family member of key management personnel employed by the NZDF. The terms and conditions of those arrangements are no more favourable than if the person was not related to management.

Note 28: Reconciliation of Net Surplus/ (Deficit) to Net Cash Flow from Operating Activities for the Year Ended 30 June 2010

30 June 09		30 June 10
Actual (\$000)		Actual (\$000)
11,711	Net Operating Surplus / (Deficit)	30,981
	Add / (less) Non – Cash Items	
306,200	Depreciation and amortisation expense	342,306
(4,719)	Inc / (Dec) in the provision for stock obsolescence	(815)
(10)	Inc / (Dec) in provision for doubtful debts	(519)
(1,447)	Inc / (Dec) in non - current employee entitlements	(5,373)
2,819	Write down of property, plant and equipment	2,485
(5,462)	Realised foreign exchange gain/(loss)	(13,605)
297,381	Total Non - Cash Items	324,479
	Add / (less) Items Classified as Investing Activities	
(8,684)	(Gains) / losses on disposal of property, plant and equipment	889
(8,684)	Total Investing Activity Items	889
	Add / (less) Movements in Working Capital Items	
43,891	(Inc) / Dec in debtors and receivables	(15,240)
(17,847)	(Inc) / Dec in inventories	(14,679)
(4,844)	(Inc) / Dec in prepayments	(1,423)
9,431	Inc / (Dec) in creditors and other payables	(13,886)
(3,056)	Inc / (Dec) in GST payable	4,792
(1,555)	Inc / (Dec) in provisions	343
3,438	Inc / (Dec) in current employee entitlements	4,122
29,458	Net Movements in Working Capital Items	(35,971)
329,866	Net Cash from Operating Activities	320,378

Note 29: Appropriation Movements

		(\$000)	(\$000)
Vote: Defence Force			
Main Estimates as at 1 July 2009			2,149,823
October Baseline Update – through Revenue Crown			
Expense Transfer from 2008/09	Joint Ministers	12,841	
Depreciation impact from the 30 June 2009 asset revaluation	Joint Ministers	19,941	
Capital Charge impact from the 30 June 2009 asset revaluation	Joint Ministers	31,970	
Vote Transfer	Joint Ministers	(500)	
Whole of Government Initiative	Joint Ministers	(52)	
Operationally Deployed Forces	CAB Minute	13,394	
			77,594
March Baseline Update – through Revenue Crown			
Vote Transfer	CAB Minute	(150)	
			(150)
March Baseline Update – through Revenue Department			
Youth Opportunities Package - Expansion of the Limited Service Volunteer and Youth Life Skills schemes	CAB Minute	4,600	
Extension of the existing Youth Life Skills contract	Joint Ministers	500	
			5,100
Budget Adjustments – through Revenue Crown			
Expense Transfer to 2010/11	CAB Minute	(10,000)	
			(10,000)
Budget Adjustments - Other Expense			
Project Protector Write-down	Joint Ministers	90,000	
Asset Write Off	Joint Ministers	3,300	
			93,300
Total Appropriation Changes			165,844
Total Supplementary Estimate of Appropriations			2,315,667

		(\$000)	(\$000)
Vote: Veterans' Affairs - Defence Force			
Main Estimates as at 1 July 2008			8,377
October Baseline Update – through Revenue Crown			
Expense Transfer from 2008/09	Joint Ministers	250	
			250
March Baseline Update – through Revenue Crown			
Expense Transfer to 2010/11	Joint Ministers	(300)	
			(300)
Total Appropriation Changes			(50)
Total Supplementary Estimate of Appropriations			8,327

NON-DEPARTMENTAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Statement of Non-Departmental Expenditure and Appropriations for the Year Ended 30 June 2010

Vote: Veterans' Affairs – Defence Force

30 June 09			30 June 10	30 June 10	30 June 10	30 June 10	30 June 10
Actual	Notes	Description	Main Estimates	Supplementary Estimates	Section 26B Changes	Total Appropriation	Actual
(\$000)			(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
		Non-Departmental Output Classes					
605	1	Development & Maintenance of Services Cemeteries	746	746	-	746	720
1,544	2	Support for Veterans and Their Families	1,877	1,877	-	1,877	1,723
2,149		Total Non-Departmental Output Appropriations	2,623	2,623	-	2,623	2,443
		Other Expenses to be Incurred by the Crown				-	
598		Ex Gratia Payments	2,000	2,000	-	2,000	376
15		Debt Write-down for Benefits and Other Unrequited Expenses	250	250	-	250	36
613		Total Other Expenses to be Incurred by the Crown	2,250	2,250	-	2,250	412
		Benefits and Other Unrequited Expenses to be Incurred by the Crown				-	
124,956		War Disablement Pensions	149,820	137,469	2,745	140,214	137,193
19,181		Medical Treatment	21,309	23,452	-	23,452	21,307
37		Interest Concessions for Land and Buildings	10	24	-	24	14
-		Special Annuities	-	28	-	28	21
144,174		Total Benefits and Other Unrequited Expenses to be Incurred by the Crown Appropriations	171,139	160,973	2,745	163,718	158,535
146,936		Total Non-Departmental Expenditure	176,012	165,846	2,745	168,591	161,390

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.

Statement of Non-Departmental Trust Monies for the Year Ended 30 June 2010

30 June 09			30 June 10
Opening Balance (\$000)	Deposits (\$000)	Distributions (\$000)	Closing Balance (\$000)
13	-	-	13

This is proceeds from the sale of pins from The Year of The Veteran and is to be distributed to the Veterans' Homes.

Schedule of Non-Departmental Expenditure for the Year Ended 30 June 2010

30 June 09		30 June 10
Actual (\$000)		Actual (\$000)
	Vote: Veterans Affairs - Defence Force	
144,174	Benefits and Other Unrequited Expenses	158,535
2,149	Classes of Outputs to be supplied by other parties	2,443
613	Other Expenses to be incurred by the Crown	412
146,936	Total Non-Departmental Expenditure	161,390

Schedule of Non-Departmental Assets as at 30 June 2010**Vote: Veterans' Affairs – Defence Force**

30 June 09			30 June 10
Actual (\$000)		Note	Actual (\$000)
	Current Non-Departmental Assets		
21,882	Cash and cash equivalents		9,067
-	Debtors and other receivables	2	675
21,882	Total Current Non-Departmental Assets		9,742
	Non - Current Non-Departmental Assets		
3,870	Debtors and other receivables	2	3,870
3,870	Total Non - Current Non-Departmental Assets		3,870
25,752	Total Non-Departmental Assets		13,612

Schedule of Non-Departmental Liabilities as at 30 June 2010**Vote: Veterans' Affairs – Defence Force**

30 June 09			30 June 10
Actual (\$000)		Note	Actual (\$000)
	Current Non-Departmental Liabilities		
4,066	Creditors and payables	3	4,840
4,066	Total Non-Departmental Liabilities		4,840

There are no non-departmental commitments, contingent assets or contingent liabilities at 30 June 2010 (2009: nil).

Statement of Non-Departmental Unappropriated Expenditure for the Year Ended 30 June 2010

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

Notes to the Financial Statements**Note 1: Statement of Accounting Policies for the Year Ended 30 June 2010****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 2010. 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, Treasury Instructions and Treasury Circulars.

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 Debtors and Receivables and Creditors and Payables, 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 the New Zealand currency exchange rate prevailing at the date of the transaction.

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

Gains and losses resulting from foreign currency transactions are recognised in the Statement of Non-Departmental Expenditure and Appropriations.

Financial Instruments

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

All financial instruments are recognised in the Schedule of Non-Departmental Assets and Liabilities. All revenue and expenses in relation to all financial instruments are recognised in the Statement of Non-Departmental Expenditure and Appropriations.

Budget Figures

The Budget figures are consistent with the financial information presented in Main Estimates. In addition, the financial statements also present the updated information from the Supplementary Estimates.

Note 2: Debtors and Other Receivables

30 June 09		30 June 10
Actual (\$000)		Actual (\$000)
2,725	Loan to Montecillo Trust	2,725
225	Loan to Rannerdale Trust	225
920	Loan to Vietnam Veterans' and their Families Trust	920
-	Other receivables	675
3,870	Total Debtors and Receivables	4,545

As at 30 June 2010 and 2009, all overdue receivables have been assessed for impairment and appropriate provisions have been applied, as detailed below.

30 June 09				30 June 10		
Gross (\$000)	Impairment (\$000)	Net (\$000)		Gross (\$000)	Impairment (\$000)	Net (\$000)
-	-	-	Past due to 30 days	138	-	138
-	-	-	Past due 31 - 60 days	38	-	38
-	-	-	Past due 61 - 90 days	23	-	23
-	-	-	Past due >91 days	476	-	476
-	-	-	Total	675	-	675

Note 3: Creditors and Other Payables

30 June 09		30 June 10
Actual (\$000)		Actual (\$000)
204	Trade creditors	75
3,862	Other short term liabilities	4,765
4,066	Total Creditors and Payables	4,840

Creditors and other payables are non-interest bearing and are normally settled on within 30 day terms, therefore the carrying value of creditors and other payables approximates their fair value.

Note 4: Financial Instruments

Credit Risk

Credit risk is the risk that a third party will default on its obligations, causing the Crown to incur a loss.

Credit risk arises from debtors and deposits with banks.

The maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents and net debtors. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired. The NZDF is only permitted to deposit funds with *Westpac*, a registered bank. Other than with *Westpac*, there is no significant concentration of credit 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 tables on the next page analyses the NZDF's financial instruments that will be settled based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

30 June 09	Less than 6 Months (\$000)	Between 6 Months and 1 Year (\$000)	Between 1 Year and 5 Years (\$000)	Over 5 Years (\$000)
Assets				
Current Assets				
Cash and cash equivalents	21,882	-	-	-
Debtors and other receivables	-	-	-	3,870
Total Current Assets	21,882	-	-	3,870
Total Assets	21,882	-	-	3,870
Liabilities				
Current Liabilities				
Creditors and other payables	4,066	-	-	-
Total Current Liabilities	4,066	-	-	-
Total Liabilities	4,066	-	-	-
Net Liquidity of Continuing Operations	17,816	-	-	3,870

30 June 10	Less than 6 Months (\$000)	Between 6 Months and 1 Year (\$000)	Between 1 Year and 5 Years (\$000)	Over 5 Years (\$000)
Assets				
Current Assets				
Cash and cash equivalents	9,067	-	-	-
Debtors and other receivables	675	-	-	3,870
Total Current Assets	9,742	-	-	3,870
Total Assets	9,742	-	-	3,870
Liabilities				
Current Liabilities				
Creditors and other payables	4,840	-	-	-
Total Current Liabilities	4,840	-	-	-
Total Liabilities	4,840	-	-	-
Net Liquidity of Continuing Operations	4,902	-	-	3,870

Note 5: Categories of Financial Instruments

30 June 09		30 June 10
Actual		Actual
(\$000)		(\$000)
	Loans and Receivables	
21,882	Cash and cash equivalents	9,067
3,870	Debtors and other receivables	4,545
25,752	Total Loans and Receivables	13,612
	Financial Liabilities Measured at Amortised Cost	
4,066	Creditors and other payables	4,840
4,066	Total Financial Liabilities Measured at Amortised Cost	4,840

Glossary of Terms Used

Aeromedical Evacuation (AE)

Transporting a patient to the nearest appropriate facility by air.

Amphibious Sealift Operations

An operation launched from the sea onto the land by naval and landing forces.

Attrition

The reduction in effectiveness of a force caused by loss of personnel and materiel. Within the context of this annual report, the term is mainly used in relation to personnel leaving the Services.

Basic Level of Operational Capability (BLOC)

BLOC is the minimum level at which an essential military capability has to be maintained if it is not to be lost over a period of time.

Battalion

A unit of infantry composed of several companies. In the case of the New Zealand Defence Force (NZDF), usually three infantry companies, a surveillance and reconnaissance company, and engineer, logistical and medical elements.

C4I

Command, Control, Communications, Computers and Intelligence

Capability Management Framework (CMF)

The CMF is Defence's (both the NZDF and Ministry of Defence) governance and management system that provides a transparent and robust process for ensuring long-term investments in defence capabilities. It provides guidance and tools for policy development, capability definition, acquisition, introduction into service and disposal of capabilities. The CMF is currently being revised and updated.

Capital Programmes (Major and Minor)

Defence capital expenditure undertaken in two programmes, known as "CP Major" and "CP Minor". CP Major, which requires Ministerial or Cabinet authority includes all capital expenditure items over \$7 million (incl GST). CP Minor, which is within the delegated authority of the Chief of Defence Force, includes all capital expenditure items under \$7 million (incl GST).

Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal (CBRE IEDD)

The full capability to render safe improvised chemical, biological, explosive and radiological devices.

Combat Viability

The ability of a force element to achieve its operational task using current resources.

Combined Joint Task Force (CJTF)

A multinational, multi-service task force.

Command and Control

The exercise of authority and direction by a properly designated commander over assigned forces in the accomplishment of a mission.

Command Post Exercise (CPX)

An exercise in which deployment of forces is simulated but involves the Commander, his or her staff, and communications within and between headquarters to practice military operations.

Company

A subdivision of a battalion comprised of normally three platoons (each consisting of between 30 and 40 personnel)

Contingency

An emergency (involving military forces) caused by natural disasters, terrorists, subversives, or by required military operations. Due to the uncertainty of the situation, contingencies require plans, rapid response, and special procedures to ensure safety and readiness of personnel, installations and equipment.

Contingency Reserve Stock (CRS)

Stores and equipment held to enable a force element to deploy on operations. These reserves need to be held by the NZDF because they don't normally lend themselves to "just-in-time" purchasing.

Collective Training

Training involving soldiers and force units exercising within a large group, rather than individually, usually at company or higher level.

Defence Performance Management System (DPMS)

A performance management system incorporating OPRES, corporate performance and measures of progress for strategic initiatives.

Defence Sustainability Initiative (DSI)

The ten-year programme of work as part of the DFP arising from the DCARR recommendations.

Defence Transformation Programme (DTP)

A NZDF-wide programme to preserve and enhance military capability and align the NZDF with the key strategic themes of agility, resource efficiency and being a valued partner.

Defence Review 2009

This review is developing Defence policy priorities and strategies, and options for aligning Defence policy, force structure/capability and funding. The review will also provide advice on improving organisational/operational capability and value for money of the NZDF and MoD. The review will culminate in a Defence White Paper.

Degree of Notice (DON)

The time period (e.g., two hours) at which force elements are held within the NZDF for tasks that support the community, other government departments and foreign and defence policy objectives. They are specified for civil defence, search and rescue, fire fighting, casualty and medical evacuation, and explosive disposal.

Deployability

The capacity of a force element to move to a fully prepared state, complete final preparations, and assemble for deployment within a specified response time.

Deployment

The relocation of forces and materiel to desired operational areas. Deployment encompasses all activities from origin through to destination.

Directed Level of Capability (DLOC)

A level of capability lower than that required to be deployed and commence operations. When directed by government, force elements have a specified amount of time (known as response time) to increase their level of preparedness from DLOC to OLOC. Force elements are maintained at DLOC because it is not efficient to constantly maintain a broad range of force elements at a fully operational level. In purchasing this Directed Level of Capability, the Government retains in the NZDF the essential minimum capacity from which operationally effective forces may be generated within agreed response times (and adjusted when the preparedness state of the force is less than fully prepared)

Doctrine

The fundamental principles by which military forces guide their actions in support of objectives. It is authoritative, but requires judgement in application.

Employment Contexts (EC)

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 the events occur.

Exclusive Economic Zone (EEZ)

The zone of sea around a state over which it has exclusive rights under international law to exploit economic resources. In relation to New Zealand, this is an area extending out to 200 miles beyond the shore.

Exercise and Activity Schedule (EAS)

The NZDF EAS incorporates major exercise and training programmes and other activities associated with generation and maintenance of operational capability, the conduct of training activities, interoperability within and outside the NZDF and doctrine development.

Executive Leadership Team

A group comprised of the Chief of Defence Force, the Vice-Chief of Defence Force, the three Service Chiefs (of Navy, Army and Air Force), Commander Joint Forces, General Manager Organisational Support and the Chief Financial Officer.

Explosive Ordnance Disposal (EOD)

The disposal of unexploded ordnance and munitions.

Five Power Defence Arrangements (FPDA)

A series of defence relationships between the United Kingdom, Australia, New Zealand, Malaysia and Singapore signed in 1971.

Force Element

A unit that directly contributes to the delivery a NZDF output expense, e.g., a Navy frigate, Army infantry company or Air Force squadron.

Headquarters Joint Forces New Zealand

The organisation responsible for all aspects of planning and conducting NZDF contributions to deployed operations.

Improvised Explosive Device Disposal (IEDD)

The disposal of improvised explosive devices.

Interoperability

The ability of systems, units or forces to operate effectively together.

Introduction into Service

The introduction into service phase consists of: the transfer of deliverables, spares, services and initial training; operational testing and evaluation, organising force structure requirements; operational and logistic support requirements, including infrastructure; training requirements to achieve DLOC; and the management and administration of any warranties and guarantees.

Long-Term Development Plan (LTDP)

A regularly updated ten year plan (2002-2012) for the acquisition of new and replacement capability. Defence Review 2009 will consider the development of a new defence capital acquisition plan.

Multi-Agency Operations and Tasks (MAO&T)

Formal support provided by the NZDF to specific government departments and agencies, including the Ministry of Fisheries, NZ Customs Service, NZ Police, Department of Conservation and Maritime New Zealand.

MAP

The Defence Mutual Assistance Programme (MAP) aims to contribute in practical terms to the achievement of the NZDF's mission to promote secure and stable neighbourhoods through the provision of training, technical and other support to selected South Pacific and South-East Asian defence forces.

Materiel

Equipment and supplies needed to complete a military mission.

Military Capability

The ability to achieve a specified military objective. The major components of military capability are force structure and preparedness. Force structure comprises the personnel and equipment assembled in force elements for military tasks.

Mission-Essential Tasks (METLs)

Tasks which are fundamental for the performance or accomplishment of the force element's mission within the given employment context.

Maritime Operational Evaluation Team (MOET)

A RNZN unit that provides guidance and assistance for ships' Commanding Officers to generate and maintain operational capability by regular sea checks and evaluation of safety and operational capability.

Operational Command

The authority granted to a commander to assign missions or tasks to subordinate commanders.

Operational Control

The authority delegated to a commander to direct forces assigned to accomplish specific missions or tasks.

Operation Enduring Freedom (OEF)

The name applied to US-led operations in Afghanistan in December 2001. The term OEF has since expanded to encompass several US-led missions in that region in support of the international campaign against terrorism.

Operational Level of Capability (OLOC)

The state of preparedness where a force element is ready, combat viable, deployable and sustainable. When a force element is at OLOC, it is able to be deployed and commence operations. To bring a force element from DLOC to OLOC requires additional training and resources.

Operational Preparedness Reporting System (OPRES)

The mechanism the NZDF uses to assess and report the operational preparedness of force elements - also see preparedness below. The system takes into account factors such as personnel levels, trained state of personnel, equipment availability, and equipment condition. When these factors are put in the context of readiness, deployability, combat viability and sustainability, a full picture of preparedness is obtained.

Operational Release Period

The period during which a new capability is advanced to achieve a defined level of operational preparedness.

Operational Tempo

The pace of military operations including, but not confined to, deployments outside New Zealand territory and EEZ.

Operational Test and Evaluation

The process of field testing and evaluating new capability as it is brought into service to ensure it performs as expected.

Operational Viability Period (OVP)

The OVP is that period of time for which designated forces must be able to operate independently from the start of operations until guaranteed lines of supply are established.

Ocean Survey 20/20

A multi-agency programme that aims to survey New Zealand's ocean and coastal resources to describe resource potential and develop tools for ocean management.

Output Expenses

The military capabilities provided by force elements of the NZDF to provide options for particular military tasks to achieve government policy, e.g., Naval Combat Forces, Land Combat Forces, Maritime Patrol Forces.

Output Plan

The Output Plan (an internal NZDF publication) establishes the level of capability and preparedness at which the Government expects the Chief of Defence Force to hold the different components of the NZDF. Schedule 4 to the Output Plan contains classified information on force element operational preparedness criteria statements for NZDF output expenses.

Preparedness

A measure of the ability of force elements to be employed on military tasks. Force elements must be held at a level of capability from which they can be raised to an operational status within a specified time, then deployed for the conduct of a particular type of military task and be sustained for a specified period while engaged on that task. The state of preparedness for a particular military task is specified in terms of readiness, combat viability, deployability and sustainability.

Proliferation Security Initiative (PSI)

The PSI aims to foster cooperation among nations to deter, prevent or intercept the trafficking of weapons of mass destruction.

Q-Route Survey

Seabed surveys conducted along sealanes, approaches to harbours and ship berth areas to compare current seabed conditions with previous survey results to identify differences and detect possible mine-like-object or IED contamination.

Readiness

The current proficiency and effectiveness of a force element or force to conduct a range of activities. Force element readiness comprises personnel, trained state, equipment held, and equipment condition. Units described as being at a high level of readiness will normally be available for combat operations after reasonably short preparation. Units described as being at a low level of readiness will normally need additional training, personnel, equipment, and/or stores and supplies and will take a considerable period to be ready for combat.

Readiness Training Activities (RTA)

RTA are those annually funded activities undertaken by force elements to achieve/maintain the Directed Level Of Capability, set by reducing OLOC requirements by the time available in the designated Response Time.

Response Time

The time available, once committed by Government, to prepare a force for deployment to a particular area of operations.

Standardisation

The degree of practical cooperation that can be achieved between the various components of the NZDF, other agencies and between the NZDF and other armed forces in combination or coalition.

Sustainability

The ability to support a force at operating tempo through the duration of an operation. Sustainability includes the availability of replacement personnel, equipment maintenance, and the ability to keep elements supplied with necessary logistic support.

Whole of Government

Involves government departments and public service agencies working across portfolio boundaries to achieve a shared outcome and an integrated government response to particular issues or situations.

