



THE 2014-2017

STATEMENT OF INTENT



Presented to the House of Representatives Pursuant
to Section 39(4)(b) of the Public Finance Act 1989

New Zealand Government

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This Statement of Intent covers the period FY 2014/15 to FY 2017/18.

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FOREWORD: MINISTER OF DEFENCE

The coming four years, the period of this Statement of Intent 2014-2017, will be an exciting period for our Defence Force as it launches the next phase of its Future 35 Strategy, the Defence Force's response to the Defence White Paper 2010.

It does so from a solid platform with a number of key initiatives being realised, especially the Defence Mid-point Rebalancing Review (DMRR) process delivering funding certainty; the Defence Force having established and practiced its new Joint Task Force concept; and also the bringing into service of significant new and upgraded military equipment programmes.

The DMRR process has reconfirmed the value the Defence Force delivers to New Zealand and New Zealanders. The Government has agreed a sustainable long term funding approach for the Defence Force out to 2030. The decisions taken as a consequence of DMRR also send a clear signal to our international partners that New Zealand is committed to maintaining a modern, agile and effective military.

To this end, Budget 2014 announced new investment of \$100.9 million in operating funding for the Defence Force in 2014/15, the first stage of a total allocation of \$535.5 million in new operating funding over the next four years. This will allow the Defence Force to maintain and improve its current mix of capabilities, and sustain moderate growth of its uniformed people consistent with the planning decisions taken in DMRR.

The Government has also recently announced significant capability enhancements for the Defence Force, including the purchase of:

- an enlarged fleet of upgraded Seasprite helicopters;
- 200 new medium-heavy vehicles;
- a new pilot training system based on 11 Beechcraft T6 military pilot training aircraft;
- an ANZAC frigate systems upgrade;
- individual weapon replacement, the mainstay of our fighting forces; and
- Special Forces battle training facility.

Other capability decisions will be announced in the near future.

Regular Force attrition – those in uniform – is now sitting at around 11 percent, well below the long-term average.

At the same time, other indicators of organisational health are also strong, for example, 89 percent of Defence people currently rate their overall approval with their employment in the Defence Force as satisfactory, good or excellent, with morale having tracked consistently upwards over the past two years.

The platform is in place. Through greater certainty provided by the DMRR process and new funding delivered by the Government; strong leadership; and a Defence Force made up of dedicated people committed to their mission of keeping New Zealand secure, I know New Zealand's Defence Force is ideally placed to deliver on this Statement of Intent.

Hon Dr Jonathan Coleman
Minister of Defence



FOREWORD: MINISTER OF VETERANS' AFFAIRS

The role of veterans as defenders of peace, freedom and our way of life is acknowledged through the identification of veterans as a special group within New Zealand society. Veterans' Affairs New Zealand (VANZ) serves veterans by honouring their service and sacrifice, and being responsive to their changing needs. A key objective of the changing veteran's population is the provision of modern legislation to support service delivery to veterans.

I have agreed the following priorities for the Veterans' Affairs portfolio.

Modernise Veteran Legislation

The Veterans' Support Bill was introduced on 14 October 2013 and had its Second Reading on 10 April 2014. This is a keystone in modernising the War Pensions Act 1954 in response to the Law Commission's Report on the Review of the Act. At the time of writing, the Bill is being prepared for its Third Reading in the House. Concurrent work is being undertaken on a replacement IT system for VANZ.

Successfully Manage Significant Commemorations

VANZ working within the Defence Force, together with a number of other government agencies, continues to work to support veterans' attendance at 70th Anniversary commemorations of military significance. Planning also continues in association with the Ministry for Culture and Heritage in respect of events to mark the First World War Centenary. This includes the 100th Anniversary of the Gallipoli Landings in 2015 where significant planning progress continues to be made working closely with Australian and Turkish officials.

Support and Build Relationships between Veterans and their Respective Organisations and the Government

In order to build on and maintain the good relationship established by this Government, I intend to continue to actively engage with veterans and veterans' organisations on a regular basis in the coming years. In particular, the Veterans' Support Bill recently introduced will result in significant changes to the assistance provided to veterans in the future. It is important therefore that the perspectives of veterans are considered as the Bill progresses through the various committee stages to enactment.

Hon Michael Woodhouse
Minister of Veterans' Affairs



INTRODUCTION: CHIEF OF DEFENCE FORCE

The New Zealand Defence Force is first and foremost a force for New Zealand. We have a key role guaranteeing the freedoms enjoyed by all New Zealanders. This Statement of Intent outlines how the Defence Force will continue to do this, contributing to the Government's national security priorities and outcomes over the next four years.

A secure New Zealand is critical to our country's economic and social well-being. A strong economy and a prosperous workforce are predicated on protecting New Zealanders, securing our borders and our Exclusive Economic Zone. In partnership with the Ministry of Defence, we work with other agencies protecting our territory, our maritime domains and our resources; and by providing domestic security and disaster relief capabilities. New Zealand's present and future prosperity is also inextricably linked to a stable and peaceful international security environment, particularly in our immediate region. Free and open markets and the flow of global trade are essential elements of New Zealand's well-being. We must also be ready to answer the call from Government to join like-minded nations taking international action in response to threats to human security and well being.

To this end, the Defence White Paper 2010 retained the Defence Force's focus on being able to take action either alone, but most likely with our closest ally Australia, to any likely contingency in the South West Pacific. The Defence Force responded through its Future 35 Strategy with the establishment of a Joint Task Force (JTF) by 2015. The JTF concept is a significant reorganisation of our current frontline operational and support units from all three services into an integrated and coherent force capable of deploying and sustaining operations in New Zealand or the South Pacific. Considerable progress has been made with a significant exercise last year testing our force elements. Progress towards the JTF goal

will continue and in 2015 will be tested again in a major multi-agency multi-national exercise, Exercise Southern Katipo 15.

The second phase of our F35 Strategy, 2015 – 2020, has always been about enhancing our combat capability. With the JTF becoming a reality, the period of this Statement of Intent is the time for the Defence Force to clearly define what we mean by this and to commit to the pathway to achieving its delivery. The task is made easier with Budget 2014 providing increased operating expenditure allowing the Defence Force to deliver on the Government's expectations; a consequence of the Defence Mid-point Rebalancing Review (DMRR). Through the DMRR the Government has reconfirmed the Defence Force as a national asset, capable through its maintenance of a credible and effective armed force to serve New Zealand's defence and national security objectives.

The strength of our military organisation is unquestionably the disciplined and professional men and women who serve in uniform, and the support they receive from our civilian staff. DMRR allows the Defence Force to effectively plan for the future: to integrate our people capability through effective training, with the equipment and technologies that will allow our people to succeed in the battlespace. It sets out investment not only in our people, and the military hardware and platforms they require, but also the vital infrastructure that underpins everything we do, especially the Defence estate, and communications and information systems.

It is clear that the confidence expressed in the Defence Force by the Government through DMRR is a consequence of reforms the Defence Force has made to itself over recent years to be a smarter and more effective organisation. We have been successful in identifying resources that were able to be reprioritised internally toward more important ends.

The commitment and hard work of our people made this happen, and though at times this transition was difficult, it was vital that we lived within our means, especially during the period when New Zealand as a whole was under immense pressure from the global financial crisis.

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

In addition, I have directed that two further initiatives be undertaken that will fundamentally shape our Defence Force over the coming four years and beyond. The first is an external review of the Defence Force operating model and organisational arrangements of Defence Force Headquarters. This is seeking to ensure that the Defence Force is appropriately structured to meet the contemporary security demands of an often unpredictable and changing external environment. The second is a review of our strategic human resource management capability. It will be focused on providing the Defence Force with a stable and sustainable growth path, focused on protecting core capabilities, retaining experienced staff and developing personnel for the future.

Therefore, in the period covered by this Statement of Intent, the Defence Force will know it is being successful when we have created the JTF and are well down the path to delivering the next phase of our Future 35 Strategy – enhanced combat capability. We will have seen moderate growth in the size of our uniformed force, in line with DMRR planning, and set about integrating a wave of new and updated weapons and military platforms into the delivery of our military effects. We will have modernised key aspects of our estate, and be better utilising communications and information systems to enhance all aspects of organisational success, but especially the command and control of our operational force elements. We will have reformed our Headquarters and the way we attract, support and retain the people we need; and

“Through the DMRR the Government has reconfirmed the Defence Force as a national asset, capable through its maintenance of a credible and effective armed force to serve New Zealand’s defence and national security objectives.”

we will have a culture of excellence underpinning decision-making at all levels of the organisation.

To ensure we are successful and that everyone in the Defence Force understands the direction we are taking, I have set five broad priorities that align with the Government’s priorities for the Defence Force.

These priorities are:

- a single Plan for the Defence Force: Implementing the DMRR – investing in smart capability, focused on excellence;
- focusing on the delivery of our core military skills towards the tasks expected of us by Government and the people of New Zealand;
- growing the people we need and better supporting our military families;
- greater partnering with other agencies and other militaries; and
- stronger leadership; better governance; and improved management.

Nonetheless, despite the organisational improvements we will be realising, the core mission of the Defence Force does not change – securing New Zealand against external threat, protecting our sovereign interests, including in New Zealand’s EEZ, and being able to take action to meet likely contingencies in our strategic area of interest. We are undaunted by this mission because the Defence Force is a highly professional force with good people at its heart. In achieving this mission, the Defence Force will be underpinned by a set of core values that are lived by all those who serve: courage, commitment and comradeship. Together we stand ready to answer the call to respond in support of New Zealand’s interests.



T.J. Keating
Lieutenant General
Chief of Defence Force

STATEMENTS OF RESPONSIBILITY

Ministerial Statement of Responsibility

I am satisfied that the information on strategic intentions prepared by the New Zealand Defence Force is consistent with the policies and performance expectations of the Government.



Hon Dr Jonathan Coleman
Minister of Defence
July 2014

Chief of Defence Force Statement of Responsibility

In signing this statement, I acknowledge that I am responsible for the information on strategic intentions for the New Zealand Defence Force, including Veterans' Affairs New Zealand. This information has been prepared in accordance with section 38 and section 40 of the Public Finance Act 1989.



T.J. Keating
Lieutenant General
Chief of Defence Force
July 2014

NATURE AND SCOPE

This section explains the purpose of the Defence Force, including Veterans' Affairs New Zealand, and respective Legislation. The functions of the Defence Force are mandated by the Defence Act 1990 and the Veterans' Affairs Act 1999.



DEFENCE FORCE FUNCTIONS

Protecting and Securing New Zealand's Interests

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

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

Security is achieved through the application of all the Instruments of National Power available to the Government (diplomatic, economic and military all underpinned by information). Military power is the ultimate instrument and expression of national power, in circumstances ranging from coercion through to the deliberate application of force to neutralise a specific threat. It is the principal means of defence.

The Chief of Defence Force (CDF) is the Government's principal military adviser and is responsible for the conduct of the military operations. Under CDF's command, the Armed Forces provide the Government with the option to exert such influence and is dependant on maintaining a balanced, credible conventional military capability, at readiness levels consistent with the Government's direction.

The primary objective for the Defence Force concerns the preparation and availability of a credible and effective Armed Force, capable of serving the government's defence and national security policy objectives. These objectives, together with the principal tasks expected of the Defence Force and military capabilities, have been established in a number of documents over time.

Supporting Veterans

The nation has an obligation to serve those who have served us. Our support for those Servicemen and Servicewomen is the responsibility of Veterans' Affairs New Zealand (VANZ), an operational unit of the Defence Force. VANZ provides veterans and their families with professional services that recognise our veterans' service to the nation, their sacrifices, their diversity, and their individual needs.

VANZ's role in support of Government's outcomes and priorities is to ensure that veterans are able to access the services they need to support them in their everyday lives.

The VANZ portfolio covers the provision of a wide range of government funded services to veterans. The main areas of activity cover:

- the administration, management and processing of a range of statutory entitlements;
- facilitating the delivery of a range of services to individual veterans and their families, in recognition of the needs generated as a result of their service;
- providing opportunities for veterans to have their service acknowledged so that they are recognised as special New Zealanders; and
- providing advice to Government on veterans' issues

Defence Act 1990

The Defence Act 1990 is the key legislation concerning the raising and maintaining of New Zealand's Armed Forces. The Defence Act 1990 includes provisions that set out the broad legislative framework for the command and administration of the New Zealand Defence Force and its three Services; the Navy, the Army and the Air Force¹.

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

Under the Defence Act 1990, New Zealand's Armed Forces are raised and maintained for:

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

The Defence Act 1990 also allows the Armed Forces to be made available for the performance of public services and assistance to the civil power in time of emergency, either in New Zealand or elsewhere.

Veterans' Affairs Act 1999

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

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

STRATEGIC DIRECTION

This section explains Defence Force strategic direction and strategy.



GOVERNMENT'S DIRECTION TO THE DEFENCE FORCE

The Government provides direction to the Defence Force in a number of forms. The Defence White Paper is the topmost policy direction to Defence; the latest iteration is the Defence White Paper (2010). The White Paper sets out the long-term priorities for Defence and is the paramount strategic guidance within the Defence Force. From time-to-time the Government also produces other policy statements that provide supplementary direction to the Defence Force.

Defence White Paper 2010

The White Paper provided overarching direction with respect to New Zealand's security interests and the role of the Defence Force:

- The core task of the Defence Force is to conduct military operations.
- Given our interests and obligations, operations in New Zealand's maritime zone and the South Pacific are the starting point for choosing military capabilities.
- New Zealand's forces must be interoperable with those of our principal partners.

The context for the Defence Force *raison d'être* and responsibilities is encompassed in the contributions the Defence Force makes to the national security interests. The Government expects that acting in a lead or supporting role, the Defence Force will contribute to the following national security interests²:

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

In furthering New Zealand's national security interests the principal tasks which the Government expects the Defence Force to be able to conduct over the next 25 years are:

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

² Defence White Paper 2010.

DEFENCE FORCE STRATEGY

The Context for Strategic Guidance

The White Paper, and supplementary policy direction, describes the Government's expectations of the Defence Force preparation for the conduct of military operations and other directed tasks. This direction is the primary vehicle that facilitates all other planning within the Defence Force.

Strategy development in the Defence Force involves analysing trends and developments in New Zealand's strategic environment and formulating military policy and plans. These policies and plans guide subordinate planning and actions within the Defence Force to meet the Government's current and future national security objectives.

Strategy has a decisive role in ensuring that threats and opportunities are identified and prioritised and that the Defence Force is structured, equipped and prepared to respond to future challenges to New Zealand's security environment in accordance with the Government's policy settings.

The security environment and strategic outlook New Zealand faces today and into the future is increasingly uncertain, characterised by a fluid mix of continuing and emergent threats, challenges and opportunities. While New Zealand's security interests remain relatively constant and enduring the Defence Force needs a conceptual basis to enable the Armed Forces to prepare for and respond to the challenges it is likely to experience in the period out to 2035; this being the Defence Force's future operating environment.

Future Joint Operating Concept

This need is addressed through the development of the Future Joint Operating Concept (FJOC); a guide that describes the generic ways the Defence Force will deliver on the Government's expectations. In the first instance our military doctrine provides the strategic approach to warfare at all levels, offers strategic guidance for the development and employment of military capabilities and, in-turn, informs the FJOC.

The FJOC informs environmental operating concepts and builds a shared understanding of how the Defence Force will conduct operations in the future.

It also informs future assessments and leads planning and capability development for the future Defence Force. The FJOC provides the necessary direction for developing the Defence Force illustrative planning scenarios; a classified collection of scenarios, linked to likely security events that reflect plausible circumstances where the Government may employ joint military forces.

Future 35 Strategy

The Defence Force Strategy, Future 35, provides a road map for the modernisation of the Defence Force, building on the Government's Defence policy goals as set out in the White Paper. The strategy will deliver a relevant Defence Force that is well trained, well equipped and ready to deal with the challenges of an increasingly uncertain security environment.

This strategy is based on the Government's direction to Defence as well as an assessment of the risks and threats facing the nation in the years to come. Starting from the Government's clearly defined roles and tasks for the Defence Force, the strategy identifies the ways and means to meet the Defence Force's strategic objectives, which in turn determine the priorities for investment.

Future 35 reflects the Defence Force commitment to meet the Government's expectations of having an effective and affordable military, capable of providing enhanced security for New Zealanders. It balances the requirements of today, and the likely need in the future to address different security challenges.

Recognising that the global security environment and the capabilities required to deal effectively with it will continue to evolve and that resource levels may change, the Defence Force is committed to reviewing this comprehensive plan on a regular basis to ensure that it continues to meet the needs of the Government and New Zealanders.

Future 35 articulates three time-bound strategic end-states out to 2035:

NZDF 2015 – The Joint Task Force

The focus of capability development to 2015 has been on orienting Navy, Army and Air Force units and capabilities into a Joint Taskforce (JTF). "Jointness" remains central, expressing the collective sum of the deployable NZDF capabilities formed to meet the requirements of a specific mission or task. The JTF capitalises on the unique capabilities of each force element and provides the flexibility to tailor the

size and makeup of an expeditionary military force to accomplish specific tasks in peace, crisis and war.

A JTF is formed, undertakes a mission to achieve defined objectives, and then is repatriated and disestablished. The adoption of the JTF does not preclude the employment of discrete capabilities for regional or global operations. It is intended to serve as a vehicle to ensure greater interoperability within the NZDF, while also providing a model for the formation of cohesive Task Forces. But the JTF is not only a means by which to achieve military effects. It will also better enable other government agencies to undertake a range of New Zealand all-of-government tasks.

NZDF 2020 – Enhanced Combat Capability

Realising the capability intentions will mean that by 2020 the NZDF will have enhanced its combat and combat support capabilities on maritime, land, air and joint warfare operations, including the capabilities in the evolving information environment. The NZDF will also have enhanced its ability to:

- support other New Zealand government agencies, both domestically and as part of all-of-government operations overseas; and
- operate credibly alongside our international partners in the contemporary environment.

The NZDF will remain an expeditionary force able to project and operate on its own or as part of a coalition. By 2020 the NZDF will have further developed its Command, Control, Computers and Communications/Intelligence Reconnaissance and Surveillance (C4ISR) and littoral capability. These capabilities will enhance its ability to conduct reconnaissance and environmental assessment. Combined with a new Maritime Sustainment Capability, and an upgraded Air Mobility Capability, forces will be better able to be deployed and sustained in the South Pacific.

As 2025 approaches, and the security context becomes more complex, links between military and civil agencies will need to be strengthened. The new joint force, supported by the capabilities will better integrate civil and military capabilities to allow for an effective all-of-government response to situations that arise.

NZDF 2035 – An integrated Defence Force Tailored for Future Security Challenges

Founded on the capabilities developed in the mid-2020s, the NZDF of 2035 will continue to demonstrate expertise in the Maritime, Land, Air and Information domains delivering operational effects in innovative ways.

The NZDF will play a key role in a larger national security system able to pre-empt, or react to, both contemporary and emerging threats. It will be adept at leveraging emerging technologies to augment traditional capabilities, particularly Information Technology. It will need to be able to operate in complexity not readily understood at the moment; therefore, previously discrete capabilities will need to be part of an integrated system that is readily adaptable to unforeseen challenges.

Strategic Themes

Future 35 sets out **five strategic themes** to bring about the strategic end-states and mitigate identified strategic challenges.

1

Focusing operational capabilities to create a Joint Task Force (JTF) – to create a JTF by 2015 by bringing together and integrating all our current single Service strengths. The JTF will be able to conduct a wide range of tasks and meet the key requirements expected of New Zealand in the South West Pacific, and ensure that government can respond to the most likely next contingency in a coherent manner.

2

Developing our People, their health and wellbeing – to recruit and retain the right personnel, and improve the sustainability of force elements through a flexible 'Total Defence Workforce' approach.

3

Sustaining and preparing for Operations – to sustain operations, recover and regenerate from the three larger recent land deployments (Afghanistan, Solomon Islands, Timor-Leste) and be prepared for the next likely contingency and provide military force options to meet New Zealand Government requests.

4

Reinvesting in Defence – recent funding decisions by the Government provides greater levels of certainty in ensuring the Defence Force has the right mix of capability and resourcing to meet government policy expectations. This reinvestment through replacement, upgrade of existing and introduction of new capabilities, also requires the continual application of efficiency and economy gains which have been built into forecasts from the outset.

5

Integrating and enabling support to operations – to support the development and delivery of core military capabilities and where there are clear benefits, adopt an integrated approach from initial training through to force element integration.

Delivery of these themes will ensure the Defence Force has the elements of the capability required to train and develop a JTF, build combat capability and set the Defence Force firmly on the path to greater integration of the Defence Force.

More detail on Future 35 can be found on the Defence Force's website at www.nzdf.mil.nz.

OPERATING ENVIRONMENT

This section explains:

- key expectations of the Defence Force;
- key challenges the Defence Force faces and,
- how the Defence Force monitors the operating environment and manages risks.



KEY EXPECTATIONS OF THE DEFENCE FORCE

The Government wants a Defence Force that is well-equipped, well-trained and well-motivated; capable of undertaking a range of tasks independently or in combination with other security partners and is capable of contributing to the realisation of New Zealand's foreign policy and security objectives.

Key expectations of the Defence Force:

- Generating on demand mission-capable, prepared military forces to conduct specified military and national support missions that contribute to New Zealand's national security objectives;
- Providing clear and timely strategic direction to Government on the employment of the Armed Forces with minimum risk;
- Integrating fully capable naval, land and air components into coherent, interoperable, joint or combined forces under unified command;
- In partnership with the Ministry of Defence, as civilian advisor, providing high quality professional military advice to the Government; and
- Supporting our Veterans through Veterans' Affairs New Zealand (VANZ).

General expectations:

- With the Ministry of Defence, supporting Ministers' decision making to develop defence policies and operational advice, which meets New Zealand's national security requirements, interests and obligations;
- Provide effective and efficient performance, direction, planning, management and accounting for the Defence Force's resources;
- Be a good employer of New Zealanders with high standards of personnel management and fairness; and
- Sustain high standards of compliance, transparency, integrity, prudence, professional capability, and public communications.

External Sector

The Defence Force is part of the External Sector, which is administered by four departments – the 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 Defence Force's relationship within the External Sector and other departments and agencies is shown on the following page.

DEFENCE FORCE'S RELATIONSHIP WITH OTHER DEPARTMENTS AND AGENCIES



* External Sector for Estimates of Appropriation.

KEY OPERATING ENVIRONMENT CHALLENGES

The Next 25 Years

The next 25 years are likely to be more challenging than the previous. An uncertain environment will see the development of new military technologies and tactics, the establishment of cyber warfare, on-going use of non-state actors, generating greater potential for direct and deniable attacks on New Zealand's interests.

It is likely there will be a growing strain on the resilience of Pacific Island states and increased pressure on our ocean resources. We will need to be aware of what is happening in the South West Pacific and be able to respond effectively and appropriately, and with little warning.

Some of our neighbours may need our help to develop their capacity to respond to natural disasters and security issues. This will require long-term commitment and cultural understanding. If the desire for a secure, peaceful and stable South West Pacific is under threat, New Zealand will need to be able to act alone if necessary, but most likely in partnership with Australia. New Zealand may also need to act further afield with other coalition forces.

The added challenge is that we may be called on to provide more support to protect New Zealand's economic and territorial interests. While our primary focus is the South West Pacific, we must also be able to work in partnership with others in the South East Asian region and beyond. Therefore, credible capability and interoperability remain vitally important.

Concurrently, New Zealand must develop new military capabilities to meet future security challenges. The spiralling costs of modern military capability will challenge the Defence Force's ability to remain relevant and able to operate with military partners.

The international developments that have most affected the overall strategic environment since the White Paper are:

- the continuing, and longer-than-anticipated, effects of the global financial crisis;

- the development of new political and security structures in the Asia-Pacific region, in a security environment characterised by both cooperation and competition;
- the risk posed by nuclear proliferation; and
- conflict in Syria and other tensions in the Middle East.

The Results of Military Operations and the Changing Characteristics of our Veterans

The term veteran has, in the public eye, come to mean a veteran of a specific conflict or location. The changing nature of deployments means that the term veteran will come to describe someone who has service in the Armed Forces in a variety of operational environments.

The veteran population ranges in age from 19 year old veterans of current deployments, to the remaining Second World War veterans, who range in age from late 80s to 100 years plus. The Second World War population still makes up the largest group of the veteran community, but this is rapidly changing.

Given the age profile of the veteran community, this demographic is changing. The overall number of veterans will naturally decline in future. It is expected that the rate of this decline will increase over the next three to five years. This significant change in the veteran demographic will mean that over time, the largest group of veterans will be those that have taken part in the deployments that have taken place within the last 30 years.

The types of deployments that New Zealand Service personnel have been involved in have changed since the Second World War. The most significant change is the fact that there have been no deployments of an entire generation, as was the case in the World Wars. The deployments that have taken place have been of individuals within each generation who have made a conscious choice of the military as a career.

The duration of deployments has also changed. Service personnel are not deployed for years to one

conflict, as was the case with the World Wars. Over the course of their military careers, Service personnel may be deployed for short tours of duty to different war and emergency situations. The experience of younger veterans is of a number of deployments to different locations for a variety of different reasons.

New Zealand exists within a global environment that shapes the experience of veterans and challenges the way the New Zealand Government and New Zealand society responds to the experiences of veterans.

VANZ has working relationships with veterans administrations in other countries and is able to share information and learn from their experiences.

It is essential that VANZ remains abreast of international research into the effects of military operations on defence personnel. This is primarily achieved by participation in the allied Ministerial and senior officials fora.

There is no parallel social service framework for the provision of health and social assistance for veterans in New Zealand. The services and entitlements provided to veterans are, in the main, provided through the publicly funded health and disability systems and the social assistance framework. It is important that the interface with these services is managed in a way that is responsive to veterans' needs.

Changes to the Defence Force Operating Model

The Defence Force monitors its operating environment through its operating model. This model has been deliberately changed in recent years to better support the Defence Force strategic direction and delivery of outputs. These changes have occurred to meet the demands of the changing operating environment and challenges described above.

As a result, there is far greater integration of supporting and enabling (back and middle office) functions that were previously delivered separately by each Service. These include the core functions of personnel policy management and workforce planning, logistics and business support, capability management, Communication Information Systems (CIS), estate and infrastructure management.

The primary benefit of the changes to the operating model has been greater efficiency and standardisation achieved through integration and consolidation of people, process and technology. This has enabled the redistribution of personnel resources to improve other

key processes. As part of efficiency and effectiveness measures, the Defence Force continues to focus on cost-effective initiatives to improve the sustainability of its business practices.

Further changes to the Defence Force operating model are being pursued to capture opportunities from integrating other operational enablers including the functions of intelligence, health, service police, operational communications and information systems, and logistics. Corporate functions, such as finance, have also been reviewed to ensure they are best structured to support the Defence Force.

Assisting the Defence Force to achieve these outcomes are significant investments in Information and Communication Technology (ICT) in particular in the delivery of a new Human Resources Management Information System (HRMIS), which was introduced in April 2014. This system improves business performance through the introduction of standardised HR processes. It will also ensure timely recapitalisation of the Defence Force's personnel management ICT increasing reliability. Reduction in annual costs of managing and administering personnel as a result of its deployment have been anticipated and built into forecasts. These changes have been key drivers to support the strategy of focusing operational capabilities to create a Joint Task Force by 2015 and integrating and enabling support to operations.

Effectively managing risk is a part of the Defence Force's culture. Our risk management governance, policy, accountabilities, principles and approach are detailed in the NZDF Risk Management Framework document, which is available to all Defence personnel.

OPERATING INTENTIONS

This section explains:

- how the Defence Force outputs and outcomes contribute to the Government's primary security objective;
- Defence Force outcomes and contributions to the Government's key priorities;
- the priorities for the Defence Force; and
- how output delivery performance is assured.



GOVERNMENT'S PRIMARY SECURITY OBJECTIVE

The Government's primary security objective is to ensure the security and territorial integrity of the nation, including protecting the institutions that sustain confidence, good governance and prosperity. It encompasses; the preparedness, protection and preservation of people, property and information.

The principal role of the Defence Force is to defend the nation's sovereign territory and those areas for which New Zealand is responsible, delivering security for New Zealanders including against terrorism and related asymmetric threats. Offshore and under the Government's direction, the Defence Force contributes to collective security initiatives and efforts to strengthen a rules-based international order that serves the nation's wider interests.

Defence Force Outcomes

As approved by Cabinet, the Defence Force performance framework establishes three Defence Force outcomes to the Government, which set out the intended results of the Defence Force's activities for New Zealanders. These are:

Outcome One – New Zealand's National Interests are Secured

A secure New Zealand, including its people, land, territorial waters, Exclusive Economic Zone, natural resources and critical infrastructure.

This outcome contributes to the protection of New Zealand and our offshore territories and the capacity to deter and defeat military threats or incursions. It encompasses the integrity of New Zealand, its territorial waters and airspace, and provision of support to other government departments in matters of safety of life, security and law enforcement. Assistance may also involve limited manpower to assist local authorities during an emergency and resources to assist the civil power in countering acts of terrorism or similar threats to public safety.

The Defence Force contributes to the integrity of the nation and the safety of our citizens through the delivery of two key results:

- New Zealand is protected from military threats and illegal or unauthorised intrusions of our sovereign and economic borders; and
- The safety and wellbeing of New Zealand citizens is enhanced and national resilience improved.

The Defence Force participates in all-of-government endeavours to protect our territory and people from major risks:

- Informing the Government's decision-making processes to counter threats to the nation's sovereignty through surveillance operations to detect and report on activity in the maritime zone, along the coastline and across the landmass;
- Providing the Government with situational awareness through the systematic monitoring of the maritime domain and information from the fusion and analysis of all-source intelligence;
- Informing the Government of foreign defence matters and contributing to the compilation of national security assessments;
- Informing the Government's decision-making processes relating to the employment of the Armed Forces;
- Protecting New Zealand, and the Realm of New Zealand, from military threats through the maintenance of combat capabilities in the maritime, land and air environments that can detect and deter threats to our sovereign territory and citizens;
- Working with lead agencies, sharing resources and information for the conduct of interagency operations to detect and respond to potential or actual non-compliance with relevant laws within the territorial waters, Contiguous Zone, EEZ out to the limits of the Continental Shelf and in other areas of national interest; and
- Supporting all-of-government efforts to maintain an active permanent presence in the Ross Dependency.

We will know that the Defence Force has contributed to safeguarding of our maritime domain and landmass when:

- Defence Force capabilities necessary to deter military threats have maintained their peacetime readiness levels;

- The reports of surveillance missions across the maritime zones have enabled the compilation of a comprehensive maritime picture;
- The Government's decision-making is informed by the provision of intelligence and contributions to national assessments relating to defence matters; and
- Agencies supported by Defence Force capabilities have been able to meet their mandated duties and ensure compliance with relevant laws.

We will know that our assistance has enhanced the safety of the population when:

- We have met the civil power's requests to respond to search and rescue tasks, security events and other emergencies in a timely manner;
- The combined planning efforts have achieved a satisfactory level of contingency planning for likely events or incidents and that these plans have a high likelihood of securing the safety of the population and protecting the nation's infrastructure;
- We have assisted the civil power to plan, prepare and exercise all-of-government response in times of crisis;
- The safety of New Zealand citizens has been achieved when the Government has called on the Defence Force to assist; and
- There is public trust and confidence in the combined civil power and Defence Force response capability.

Outcome Two – International Order is Supported

New Zealand's military contributions to prevent, manage, resolve conflict and maintain international order are valued.

The Armed Forces may be employed to promote national interests across a range of activities including supporting diplomacy, humanitarian intervention and peace support operations, through to major warfighting. This engagement is discretionary. Mindful of New Zealand's global interests and critical dependence on a stable, secure international environment for trade, it is likely that threats to international order would also represent a threat to national interests.

The international rule-based order is continually being challenged and violence in its many forms pervades many parts of the world. The core task of the Defence Force is to conduct military operations and it is likely that the Government would consider the use of military force to restore and maintain international order in the following circumstances⁴:

- In response to a direct threat to New Zealand and its territories;
- In response to a direct threat to Australia;
- As part of a collective action in support of a member of the Pacific Island Forum facing a direct threat;
- As part of New Zealand's contribution to the FPDA; or
- If requested or mandated by the United Nations, especially in support of peace and security in the Asia-Pacific region.

New Zealand's interests are global but have a distinct focus on the South-West Pacific, where New Zealand contributes to stability, capacity-building and economic development, regional maritime surveillance, search and rescue, humanitarian aid and disaster relief when required⁵.

In peacetime our military operations and related activities in the wider international arena contribute to collective security, support humanitarian objectives, enhance security in regions of strategic or economic interest and enhance our multilateral or bilateral relationships.

As a maritime trading nation in an interconnected world, New Zealand's prosperity and economic security relies on stability abroad. As the international community deals with numerous security events, New Zealand needs to address challenges to the nation's security at their source before they impact our wellbeing and economic prosperity.

New Zealand also relies heavily on its ability to maintain access to global markets and it is important that our trade routes are not impeded by the actions of states, or non-state actors, who disregard international law and claim excessive geographical jurisdiction, denying nations freedom of navigation on the high seas or transit through designated international airspace.

⁴ Defence White Paper (2010) para 2.6.

⁵ Defence White Paper (2010) para 3.44.

We will know that this has been achieved when:

- New Zealand's standing as a dependable and informed security partner is maintained or enhanced through a coherent international engagement programme that involves capacity building activities, military exercises, senior officer visits, maritime deployments and ship visits, exercises and representation by the Defence Attaché community;
- Combined New Zealand and Australian forces are capable of deploying seamlessly, at short notice on military and non-military operations in the immediate region;
- The Defence Force demonstrates that it is able to exercise and operate effectively with other defence partners;
- The Defence Force continues to be recognised for the constructive role it plays in security relations and our efforts to lessen the risks of instability and conflict in the region and elsewhere is valued by our security partners;
- The Defence Force's contributions to international humanitarian and disaster relief efforts assists host nations provide immediate humanitarian aid, undertake emergency reconstruction and restore a safe and secure environment for the affected population; and
- The Government and New Zealand public value the contributions the Defence Force makes to global security.

Outcome Three – Veterans' Service is Honoured

The service of our people is recognised, respected and honoured.

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

- Respecting veterans;
- Strengthening communities; and
- 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 nation.

We will know when the Government's intent has been met when:

- Veterans are acknowledged and recognised for their service and sacrifice and the community is aware of the role veterans have played and continue to play in developing New Zealand as a nation;
- Working in partnership with the Defence Force, the impacts of service on eligible veterans and their dependants is monitored and they have information about, and access to, services and support that promote wellbeing; and
- The veterans' perspectives are considered as part of government decision-making on issues that impact on their lives.

DEFENCE FORCE OUTPUTS

The Core Task of the Defence Force is to Conduct Military Operations

Readiness for military operations is the most significant output that the Defence Force delivers to the Government in return for the resources provided to the Defence Force. The CDF ensures the efficient and effective use of resources to maintain a state of readiness that enables the Defence Force to respond to the Government's direction to employ the Armed Forces in support of New Zealand's national interests.

The Defence Force's readiness posture delivers a credible and capable force that can respond to changes in New Zealand's security environment. It provides an effective hedge against uncertainty facilitating the generation of relevant military responses for given circumstances. The Defence Force peacetime readiness reflects risk management decisions and the inherent value of maintaining a baseline level of military skills, knowledge and capability as the foundation for the conduct of military operations should the strategic circumstances deteriorate.

Defence is a complex business, characterised by high levels of uncertainty. The organisation as a whole must be prepared to deal with a range of security events. Accordingly the Government establishes the level of operational readiness to ensure that the Defence Force has the capacity to conduct a range of tasks, potentially simultaneously or in sequence, over longer periods of time and within the limits of available resources.

The Defence Force operates in three geographic environments as follows:

Domestically

- Maintaining enduring situational awareness of the maritime approaches to New Zealand and contributing to the national wide-area surveillance capabilities for resource and border protection operations;
- Assisting the civil power protect and secure offshore maritime zones, including operations in relation to fisheries protection, illegal immigration, terrorism, smuggling, quarantine evasion, protection of offshore territories, security of offshore installations, protection of resource exploration activities and other border security tasks;
- Supporting search and rescue operations across the mainland and breadth and depth of the New Zealand Maritime Search and Rescue Region;
- Supporting emergency response efforts by the civil power in the event of a major disaster and when the scale of the disaster exceeds the capacity of other agencies;
- Maintaining high-readiness forces to support domestic counter-terrorist operations and deal with other asymmetric security events; and
- Maintaining high-readiness capabilities to deal with explosive ordnance disposal, improvised explosive devices and biological, chemical and radiological incidents.

Regionally

- Providing humanitarian assistance and disaster relief assistance to regional nations when necessary;
- Being responsive to short-notice, limited warning tasks such as the evacuation of nationals by air and by sea from high-risk environments offshore;
- Having the capacity to assist regional nations manage their marine resources and deter illegal and unauthorised activities within their EEZ; and
- Remaining prepared to project and sustain New Zealand forces operating in the near region by air and sea, at short notice.

Globally

- Being ready to deploy within an agreed response time and sustain New Zealand military forces in different areas of operations; and
- Contributing military capabilities for extended periods to international operations in support of New Zealand's wider strategic interests.

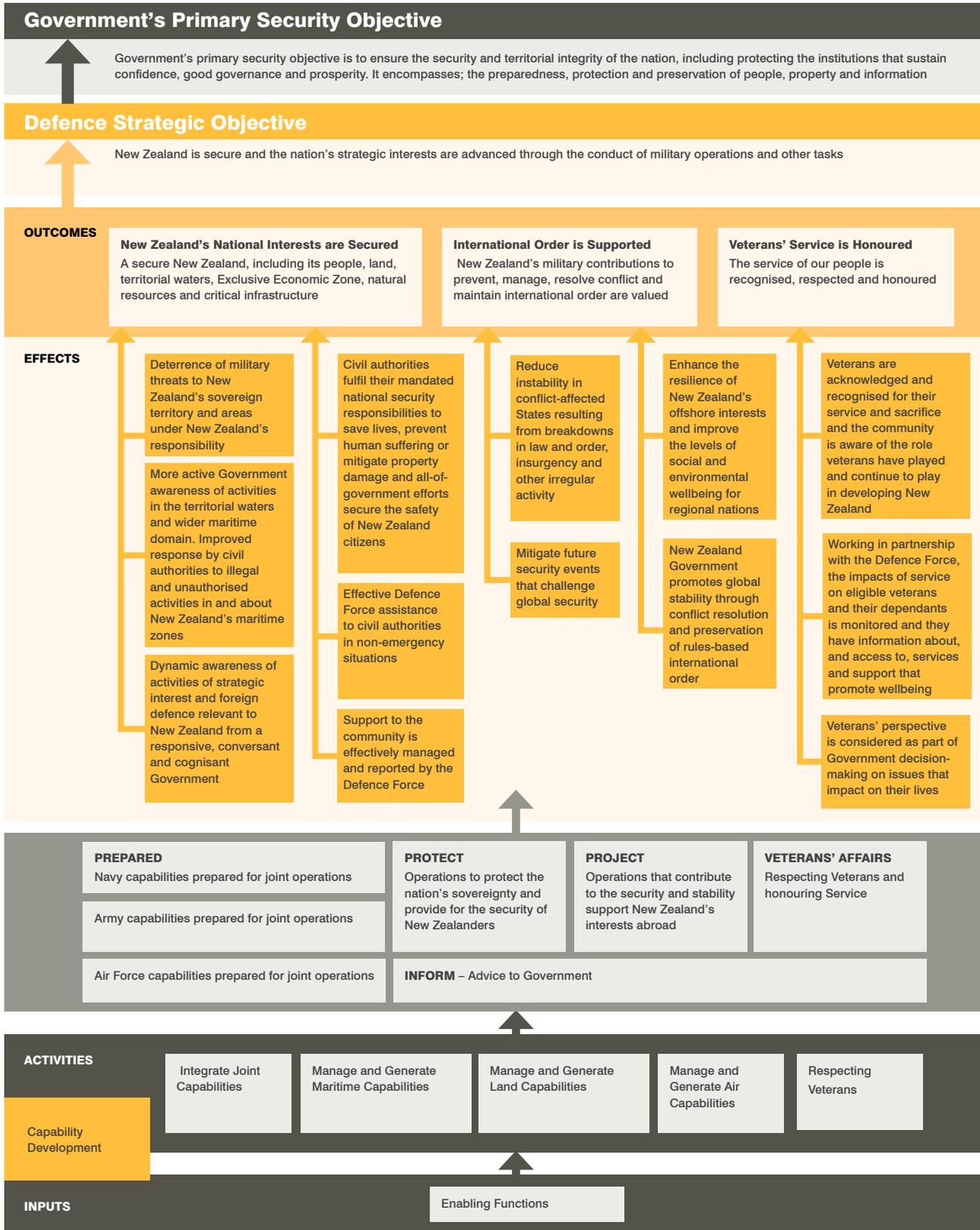
Defence Force Outputs

As approved by Cabinet the Defence Force is now administered through seven output expenses under Vote Defence Force and delivers outcomes to the Government by producing five main output categories:

- **Prepared** - The preparedness of military forces from the Navy, Army and the Air Force that can be deployed, sustained, recovered and regenerated at the scales of effort required to meet the Government's strategic objectives.
- **Protect** - Operations to protect New Zealand and New Zealanders.
- **Project** - Operations contributing to New Zealand's security, stability and interests.
- **Inform** - Advice to the Government.
- **Veterans' Affairs** - Supporting our veterans through VANZ.

LINKS BETWEEN DEFENCE FORCE'S ACTIVITIES, OUTPUTS, OUTCOMES AND GOVERNMENT OBJECTIVES

The diagram below shows how the day to day activities of the Defence Force contributes to Government's primary security objective.



KEY PRIORITIES FOR DEFENCE FORCE

Contribution to Government's Key Priorities

The Defence Force continues to contribute to the Government's key priorities, primarily through:

- responsibly managing the Government's finances;
- building a more productive and competitive economy; and
- delivering better public services within tight fiscal constraints.

Key Priorities for Defence Force

Respective Ministers have clearly outlined key priorities for Defence Force being:

Minister of Defence

- Addressing affordability issues;
- Organisational improvements; and
- Maintaining momentum in key relationships

Minister of Veterans' Affairs

- Modernise the War Pensions Act 1954 in response to the Law Commission's Report on the review of the Act;
- Successfully manage significant commemorations; and
- Support and build relationships between veterans and their respective organisations and the Government.

Chief of Defence Force's Priorities

Delivering on the Government's priorities, the Chief of Defence Force has directed:

- A single plan for the Defence Force: implementing the outcome of the Defence Mid-point Rebalancing Review (DMRR) through investing in smart capability and a focus on excellence;
- Focusing on the delivery of our core military skills and meeting the expectations of the Government and the people of New Zealand – our priority must be the delivery of our frontline capabilities to ensure Government is provided with credible military response options;
- Growing the people we need, including building a sustainable force generation model, and better supporting our military families;
- Greater partnering with agencies from across Government and other militaries; and
- Stronger leadership; better governance; and improved management, including development opportunities and competitive selection processes for succession planning to ensure a pool of talented future leaders are available to meet organisational leadership.

DEFENCE FORCE PERFORMANCE

This section explains how the Defence Force measures performance.



HOW SUCCESS IS MEASURED

The fundamental purpose of performance reporting is to strengthen public accountability for the responsible use of taxpayer funded resources and regulatory powers, including demonstrating that the outputs have been delivered as specified, effectively and efficiently.

The Defence Force, like all central government agencies and some entities, is required by law⁶ to report annually on the department's operational performance and how well the department is managing the resources it controls. Performance reports are an essential component of departmental accountability. Accountability documents, such as the Annual Report, ensure that government departments can be held accountable to Parliament and the public.

While outcomes are the rationale for output delivery and demonstrating the linkages between outcomes and outputs is important, the delivery of outputs is the central focus of performance reporting. From 2014 onwards departmental reporting will include an assessment of the organisation's progress in relation to its strategic intentions and information about the management of its organisational health and capability.

The principal Defence Force output purchased by the Government is contingent military capability at the agreed peacetime levels of readiness – Outputs One, Two and Three (Prepared). Government also purchases a range of other services from the Defence Force that allow government departments to collectively achieve the Government's objectives. These are delivered under Output Category Four (Protect).

While the readiness of military capabilities is delivered in the three principal outputs the operational preparation and actual employment of military forces on operations and response to regional crises is delivered under Output Category Five (Project).

The Defence Force internal performance management system is designed to assess the preparation of the Armed Forces for future operations and to give an account of the capacity to sustain current operational

demands. Performance assessments emanating from this internal reporting system are the basis for routine reports to Ministers and inform the annual Parliamentary reporting process.

Operational Preparedness Reporting Evaluation System (OPRES)

The Defence Force has developed a sophisticated system for defining and measuring military capability and, in particular, the readiness of specific force elements or the readiness of the Armed Forces as a whole. This system is best known by the acronym OPRES - the Operational Preparedness Reporting and Evaluation System. For peacetime readiness requirements the Defence Force sets specific parameters for the key elements of readiness which will allow components of the Joint Task Force to deploy for their primary role within the set period (Response Time). Assessments of output performance are made against this known baseline and the specifications set out in the classified annex to the Defence Force Annual Plan.

Under OPRES, individual Force Elements periodically report their levels of readiness against Key Measurement Areas that have a range of specific criteria (Key Performance Indicators) in the fields of personnel levels, equipment, trained state and sustainability (personnel capability and logistic support). Other lesser defined assessments are also made of the ability to deploy, be sustained and then recovered from operations.

The reporting system is able to provide a snapshot of performance and has the capacity to forecast the future readiness of component military capabilities and the Defence Force as a whole. The system also indicates trends which enable action to be taken to mitigate risks and address deficiencies in a timely manner.

These reports are aggregated as they proceed through the command chain, feeding into the quarterly operational reporting process, for use by the senior leadership when considering options affecting resourcing and decisions on future readiness. These same reports are also the basis for keeping the Minister informed of the capacity of the Defence Force to sustain existing operations and readiness for future missions.

Because of the diverse nature of potential operations, the readiness of the Defence Force is measured

6 Public Finance Amendment Act 2013.

against a generic set of operational scenarios (Military Response Options). For actual operations, a particular joint task group's required capabilities may well differ. For example, additional theatre-specific equipment and pre-deployment training may well be required to prepare forces for operations. Therefore, success or failure to achieve peacetime readiness targets does not necessarily measure the capability of various Force Elements to undertake an actual operation.

Reporting Performance to External Stakeholders

Reporting readiness to those outside of the Defence Force is difficult, not least because readiness is a complex subject and for the reason of security. The primary assessment of readiness is the ability of designated force elements and joint forces to move from a peacetime readiness state to immediate readiness and deploy on operations without serious or critical weaknesses. This assessment also includes an estimate of the capacity of the Defence Force to take on additional personnel, conduct extra training and garner the logistic support that might be required to deploy and sustain operations.

The Defence Force external performance reporting is a continuation of the internal management and decision-making processes used to measure the readiness of military capabilities – OPRES. The Defence Force reports on the most meaningful measures of performance; for example, outputs and services delivered, impacts, contribution to outcomes, capability provided or some combination of these that best demonstrates what is intended to be and has been achieved.

While the Defence Force Leadership Board regularly assesses strategic direction and operational readiness, the primary focus of external reporting is centred on the accountability for the expenditure of public funds, an assessment of the organisation's progress in relation to its strategic intentions, delivery of outputs, achievement of effects and demonstrating how they contribute to the achievement of outcomes.

The Defence Force measures output performance throughout the year and reports to Parliament on the readiness state of the Armed Forces, averaged over the previous four quarters, and the financial expenditure as at 30 June each year. Included in this annual report is a summary of the assistance provided to the civil power, civil authorities and

the community, and an assessment of current operational commitments. As the assistance provided to civil power and civil authorities is demand driven, the range of operations and assistance offered may vary from year-to-year so reports beyond the immediate performance statement are not necessarily comparable.

Assessing and Reporting Service Performance

Owing to the diverse nature of Defence's business and the comprehensive range of military and non-military tasks that the Defence Force undertakes, the performance of each output is assessed differently.

For Outputs One, Two and Three – Prepared for Joint Operations, the top level OPRES Key Measurement Areas (KMA) of personnel, equipment, training and sustainment, are used to inform external reporting. The assessment of success in each KMA is gauged by the achievement of Key Performance Indicators (KPI) and compliance with the standards described in the classified annex to the Defence Force Annual Plan. The measurements are evaluated against the relevant Military Response Options and subject to review by those with a high level of expertise to ensure that the information that informs the assessment is robust. These KMA are centred on the capacity of the Defence Force to:

- maintain personnel capability at the required strength and have contingency plans to generate additional capability when military capabilities or Force Elements are directed to higher readiness levels;
- retain adequate levels of equipment for training, current operations and contingencies, and have confidence that any resource gaps can be mitigated within the likely response time;
- complete the stipulated training activities and ensure that Force Elements are able to correctly and safely operate state-of-the-art equipment to be used in military operations across the scope of security events; and
- provide personnel, logistic and other support necessary to maintain and prolong operations until successful accomplishment of the mission or achievement of the national objective(s).

The KMA; Personnel, Equipment, Trained State and Sustainability, are aggregated and reported at one of two assessment levels:

- **Achieved** – the output was achieved across the four KMA within the parameters set down in the Defence Force Annual Plan. The Defence Force assessment is that the Force Element could be fully prepared for operations within the required timescale and the assigned forces deployed, sustained and recovered safely.

- **Not Achieved** – the output was not delivered and the Defence Force assessment of its ability to generate the military capability, or deploy, sustain and recover the Force Elements consistently fell significantly short of the requirement during the reporting period. Employing these forces on operations would attract risk or it would not be possible to deploy these specific Force Elements in the time available and without additional resources.

As a general principle, these assessments are normally amplified by a short narrative to provide additional information that is helpful in explaining the nature of the performance assessment.

When forces are committed to operations performance reporting ceases until the forces have regenerated the required military capabilities and reverted to the directed peacetime readiness states.

In the case of **Output Class Four** – Protect, performance is a report of activities conducted, capabilities utilised and, where possible, endorsed by a qualitative assessment from the principal agency receiving the service. The measures will normally be compared with the planned outturn and tend to focus on the timelessness of delivery, with quantitative measures and costs at a highly aggregated level.

Output Class Five – Project. Success in deployed operations is based on professional judgement and analysis of the military strategic objectives set out for each operation. The overall assessment of operational performance is subjective and reports from coalition military commanders are subjected to review by those with a high level of operational expertise to ensure that the information informing the assessment is compelling. There will be times when particular operations will be excluded from public reporting for security reasons.

Output Class Six – Inform. The performance measures and standards for this output centres around the actual delivery of policy advice and related products, normally in written form, and the quality characteristics of the submissions complemented by a common satisfaction survey from the receiving authorities and agencies.

Output Class Seven – Veterans' Affairs New Zealand. Reporting VANZ's performance is generally focused on the qualitative and quantitative assessments of the services provided in support of Veterans and their families and the maintenance and development of Service Cemeteries and related memorials.

ORGANISATIONAL CAPABILITY AND WORKFORCE

This section explains:

- the organisational capability of the Defence Force; and
- capital management intentions.



ORGANISATIONAL CAPABILITY AND WORKFORCE

Organisational Capability and Workforce, are key enabling functions that will be a focus of greater investment over the next 10 years.

Strengthening these functions will support the broader Defence Force strategy of creating a Joint Task Force, by providing more effective and better integrated support to operations.

WORKFORCE

The Defence Force's workforce journey over the next four years will be guided by the implementation of a People Capability Strategy. This strategy will align to the vision of Future35 and will help guide the workforce plan to ensure the Defence Force focuses on getting the workforce it needs to deliver Defence strategic objectives. However, there is a more immediate requirement to clearly define the workforce demand over the next 10 years and prioritise the under strength trades that currently present a risk to outputs. Additionally, recent work in regards to understanding the Defence Force culture will provide important guidance on the way the Defence Force proceeds on this journey. The endeavours of the next four years will deliver a more integrated workforce to support Future35.

If the intentions of the Defence Force Four-Year Plan and the Defence Force Capability Plan are to be fully realised, the people of the Defence Force will require real and enduring investment. The Defence Force will continue to need:

- a workforce with the correct number and mix of military and civil personnel that are flexible, adaptable, innovative and well trained;
- the service cultures to remain strong and supportive, producing individuals who are specialists in their respective areas; and
- its joint approach to continue to strengthen.

This will be supported by leadership, investment in training and education, and improvement in

workplace conditions that encourage the recruitment and retention of high calibre people – delivering a Force for New Zealand that the New Zealand public is proud of and values highly.

Organisational Context

The Defence Force comprises a force of full time military personnel, reserve forces, and civilians, supported by a number of Defence contractors. This diverse workforce is responsible for delivering key outputs to government nationally and around the world. A range of tasks must be performed, requiring contributions from three Services, specialisations within each Service, and joint operational and support groups. There is a hierarchical rank structure comprising separate officer, non-commissioned officer and other rank groups, a demographically diverse military regular and reserve force component, and a civilian workforce.

The majority of uniformed Defence Force personnel are not subject to New Zealand employment legislation, as they are required to “serve”, rather than be employed, by the Defence Force. The Defence Force is also bound by the Defence Act 1990. The armed forces constitution differs radically from the constitution of other organisations in terms of purpose, power, methods used to complete purpose, and the relationships with and between senior leaders. These unique characteristics of the Defence Force collectively define its culture and set it apart from other organisations.

Technology and security trends will influence the structure and roles of the future Defence Force. The environment in which the Defence Force must recruit personnel will also pose new challenges as demographic and social trends continue to influence the characteristics, needs and expectations of the current and future force. The right people, both civilian and military, are likely to become harder to attract, more costly to recruit and train, and more marketable in the external employment market.

Future Workforce Requirements

To ensure that the Defence Force has both the capability and the workforce capacity it needs, there will be a strong focus on the development and retention of competencies, experience and culture over the next ten years.

The first step will be to complete the Defence Force Organisational Culture Review currently underway. To

date, this has indicated that the Defence Force needs a workforce that is:

Operationally Focused: The Defence Force will be agile and adaptable; an organisation that can respond quickly and flexibly to situations and changing demands. The Defence Force will be well-equipped, keeping pace (or leading) in its adoption of new technologies.

Joined Up: A Defence Force where the three Services work together collaboratively and complementarily. The Defence Force will integrate its civilian and military workforce and be a culture where personnel work together in harmony and are equally valued. The Defence Force will support and value its people with a culture that embraces and leverages diversity. The Defence Force will reinvigorate and maintain a caring, 'people first' culture.

Talent-Centric: The Defence Force will be a human capital focused organisation that attracts, identifies, develops and supports talent and manages 'talent flow'. The Defence Force will be an organisation that fosters and rewards innovation and which captures and enhances organisational knowledge. The Defence Force will also invest in the development of all of its people and maximise reach and impact of training whilst maintaining and promoting a unique identity and military culture and ethos.

Valued: The Defence Force will build upon its strong culture and reputation and will be an organisation that is highly regarded as credible, relevant, and professional. The Defence Force will be valued by the New Zealand public.

Able to demonstrate **leadership, communication and consultation:** Defence Force leaders will show visible and committed leadership and will be accountable, and transparent. There will be good communication flow both up and down the command chain, and across the Services.

The outcome of the Defence Force Organisational Culture Review will be informed by a number of recent reports and reviews, including the Report on Maximising Opportunities for Military Women in the Defence Force.

EQUALITY AND DIVERSITY

The Defence Force is committed to the principles of equality (treating people fairly and respectfully, ensuring equality of access to opportunities) and diversity (to understand, appreciate and realise the benefits of individual differences).

In applying these principles, the Defence Force seeks the following impacts:

- the Defence Force is seen to be a good employer;
- equity and diversity principles guide the Defence Force's human resource strategies, policies, processes and practices;
- full compliance with legislation; and
- to ensure that the Defence Force has a culture in which individuals are appointed and promoted on merit.

HEALTH AND SAFETY

The Defence Force is committed to achieving organisational excellence in health and safety. The safety and wellbeing of Defence Force people is paramount and the highest priority of commanders, managers and supervisors. The Defence Force is committed to providing a safe workplace that prevents injury and sickness and supports and rehabilitates those who are injured.

At times the Defence Force requires its people to operate in environments of extreme risk due to the nature of military operations and the need to use force to prevent or resolve armed conflict when it arises. However, the Defence Force manages risk at all times to ensure that, when risks are taken, they are understood and integrated into operational plans.

The Health and Safety in Employment Act 1992 sets out the minimum health and safety standards for the workplace. The Defence Force will shift from a compliance model to a health and safety best practice model over the next four years.

The Defence Force Health and Safety Strategy (2014) defines the strategic objectives required to develop the organisational health and safety culture and deliver a compliant and high standard of performance. The Defence Force Health and Safety Management System provides the basis for procedures and practices that will be employed by all members of the Defence Force, contractors and visitors working for the Defence Force will be in place by April 2015.

CAPABILITIES

As outlined in the White Paper, the on-going programme of shaping and building Defence Force capabilities focuses on maintaining:

- capabilities able to fulfil a credible combat role in support of New Zealand's sovereignty, our obligations to Australia, and in other operations as determined by the Government;
- deployable ground forces – suitably equipped and in sufficient numbers – including supporting elements such as engineers and medics;
- strategic protection and logistic capacity to get the Defence Force where it is needed and to sustain it once there; and
- networked-enabled intelligence, surveillance and reconnaissance capabilities to understand and interpret the operational environment.

To maximise the effectiveness of interventions, these mutually-reinforcing capabilities will be embedded in command and control structures which support:

- joint activity between the three Services;
- independent action by New Zealand in certain circumstances;
- interoperability with security partners; and
- responsiveness to all-of-government requirements.

The core requirement is for a Defence Force that is able to meet contingencies in the South Pacific, provide support to an Australian presence when required, and fulfil our regional and international obligations.

Capability development within the Defence Force out to 2015 will focus on reorienting existing units and assets into a Joint Task Force (JTF) to provide an integrated and effective response to New Zealand's security needs. The JTF will be able to work independently, or as part of a larger force.

From 2015 to 2020, capability development will focus on enhancing the Defence Force's ability to sustain operations and expanding its intelligence, surveillance and reconnaissance capabilities. By 2020, with the JTF at its core, the Defence Force will be capable of conducting amphibious military operations and responding to contingencies / emergencies at home and abroad.

Total Defence Capability 2020 focuses on ensuring a deployable Land Element, the ability to transport and sustain that Land Element, the use of technology to provide the entire Defence Force with a real-time common operating picture, and capabilities that are credibly able to fulfil a combat role. The goal is an expeditionary JTF that is capable of working independently, or as part of a larger force.

With heightened economic uncertainty in the world, it is clear that fiscal constraints will be a feature of military acquisitions for some time. This will place pressure on future capability and sustainment of operations within the limited resources available.

To manage priorities within this environment, the following measures will be used:

- capital acquisitions will be funded from accumulated depreciation, without the need for additional capital injections until at least 2018/19;
- the impact on operating expenditure of any new capabilities, and the ability of the Defence Force to live within its means, will be considered as part of any capital investment in capability;
- any additional funding requirements will be met by the Defence Force reprioritising and reallocating existing resources, and by prioritising the capability programme;
- innovative ownership options for capital assets will be explored, where appropriate; and
- Cabinet will be presented with a detailed business case for each significant capital acquisition, in accordance within the Government's Capital Asset Management Better Business Case regime.

Capital Intentions

Recent funding decisions by the Government provide greater levels of certainty in ensuring the Defence Force has the right mix of capability and resourcing to meet government policy expectations. This reinvestment through replacement, upgrade of existing and introduction of new military and enabling capabilities will also require the continual application of efficiency and economy gains.

The major capital challenges over the next 10 years will likely remain aligned to managing the capability reform and renewal programmes within the indicative planning envelope provided through Four-Year Plans. From a capital perspective, the on-going uncertainty of revaluation of specialist military equipment, and maintenance of the existing Defence Estate will continue to pose challenges.

Over the period 2014–24, intended capability development to improve output delivery includes the following projects:

- ANZAC Frigate Systems Upgrade;
- Pilot Training Capability;
- Underwater Intelligence Surveillance and Reconnaissance;
- Consolidated Logistics Programme;
- Joint Unmanned Aerial System;
- Light Armoured Vehicle upgrade;
- Littoral Operations Support Capability;
- Replacement Special Operations Vehicles;
- A rolling replacement of Special Forces equipment, and Explosive Ordnance Disposal capabilities;
- A replacement of Special Operations Forces rigid hulled inflatable boats;
- Garrison and training support vehicles;
- Maritime Projection and Sustainment Capability;
- Network Enabled Army Capability;
- A range of projects designed to maintain the combat effectiveness of land forces;
- A range of communications systems upgrades and refreshes to existing platforms; and
- Upgrades to the communications and navigation systems of all helicopter and aircraft fleets to meet Civil Aviation Authority requirements.

The Government has also recognised the need for a smaller, modernised and upgraded Defence estate, increased investment in routine maintenance, and a Defence Force-wide information and communications technology strategic plan. Opportunities for improving the cost-effectiveness of Defence infrastructure through Public Private Partnerships have been identified and will be pursued. Although capital investment will be required in the short term, the medium-term result will be the reallocation of resources to support front line activities.

The corporate Communications and Information Systems infrastructure funding line is noted. Established in the Capital Plan, it provides the annual recapitalisation funding which replaces the end of life technical infrastructure across the core Defence information environment.

Acknowledging the requirement for increased estate recapitalisation (including seismic remediation), Defence is working to finalise the proposed Estate delivery approach for submission to Ministers before the end of 2014⁷. The recapitalisation investment will reduce the operating cost associated with maintaining estate beyond its economic life.

In the real estate area, by 2016 it is intended that the Defence Force will have:

- implemented (subject to approved business cases, funding and organisational priorities) a consolidated Wellington CBD footprint, rationalised ownership of Woodbourne, and a significant reduction in the number of built assets, mainly houses; and the early stages of a long-term footprint re-configuration;
- disposed of surplus properties and assets, generating savings and funds for reallocation; and
- supported military capability through targeted property investment and improved functionality.

There are no plans to change the overall number of camps, bases, or training areas. Defence Force personnel will be based as far as practicable in facilities and at locations that support Defence requirements while supporting family stability, employment and education opportunities.

The Defence Force's focus over the next 10 years will be on making a substantial investment in safer, more modern and fit for purpose real estate, and reducing the operating costs associated with maintaining estate beyond its economic life.

Through a process of real estate recapitalisation, ageing or life-expired assets will be modernised or replaced. Recapitalisation will be progressively implemented and will target those assets or groups of assets with the highest priority and greatest benefit to Defence. Planning is underway to identify these priorities and the implementation programme.

The longer-term programme to 2035 is currently under review but is likely to feature:

- maintaining the three main operational hubs in Auckland, the Manawatu, and Canterbury, with a small Wellington hub;
- two primary land training areas at Waiouru and Tekapo; and
- local training and Reserve facilities such as ranges.

⁷ Defence will work with Central Agencies, including the National Infrastructure Unit (The Treasury) and Property Management Centre of Expertise to finalise its proposed property delivery approach. This advice will provide a framework, and indicative timings for estate recapitalisation and remediation.

