



Headquarters  
New Zealand Defence Force  
Defence House  
Private Bag 39997  
Wellington Mail Centre  
Lower Hutt 5045  
New Zealand

OIA-2024-5089

18 October 2024

[REDACTED]  
[REDACTED]@nzme.co.nz

Dear [REDACTED]

Further to the response to you of 20 September 2024, enclosed are the six documents concerning Budget 2024 advice to the Chief of Defence Force and/or the Executive Committee.

Where indicated, information is withheld to: avoid prejudice to the security and defence of New Zealand, and the international relations of the Government of New Zealand in accordance with section 6(a) of the OIA (this includes Annex B of Enclosure two); protect information where its release would prejudice the commercial position of the supplier of the information in accordance with section 9(2)(b)(ii) of the OIA; and, maintain the effective conduct of public affairs through the free and frank provision of advice in accordance with section 9(2)(g)(i) of the OIA.

You retain the right, under section 28(3) of the OIA, to ask an Ombudsman to review this response to your request. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or freephone 0800 802 602.

Yours sincerely

**AJ WOODS**

Air Commodore

Chief of Staff HQNZDF

**Enclosures:**

1. Chief of Defence Force Budget meeting notes
2. Executive Committee Budget 24 PowerPoint slides
3. Standalone copy of Slide 10
4. Chief of Defence Force Budget 2024 Talking Points
5. Dot-Point Brief for Chief of Defence Force, 25 June 2024
6. Unfunded activities



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OIA-2024-5089

20 September 2024

[REDACTED]  
[REDACTED]@nzme.co.nz

Dear [REDACTED]

I refer to your email of 19 July 2024 requesting, under the Official Information Act 1982 (OIA), *all documents and communications to staff regarding cost savings from this year, in relation to the budgetary shortfall and proposal to implement voluntary redundancies*. You confirmed that *all documents* are executive summaries and supporting documents.

Six documents concerning Budget 2024 advice to the Chief of Defence Force and/or the Executive Committee have been identified as within the scope of your request. Where indicated, information is withheld to: avoid prejudice to the security and defence of New Zealand, and the international relations of the Government of New Zealand in accordance with section 6(a) of the OIA; protect information where its release would prejudice the commercial position of the supplier of the information in accordance with section 9(2)(b)(ii) of the OIA; and, maintain the effective conduct of public affairs through the free and frank provision of advice in accordance with section 9(2)(g)(i) of the OIA.

Preparation of these documents for release is taking longer than anticipated. It is expected that these will be provided to you on or before 4 October 2024.

You have the right, under section 28(3) of the OIA, to ask an Ombudsman to review this response to your request. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or freephone 0800 802 602.

Yours sincerely

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Air Commodore  
Chief of Staff HQNZDF



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Private Bag 39997  
Wellington Mail Centre  
Lower Hutt 5045  
New Zealand

OIA-2024-5095

18 October 2024

[REDACTED]  
[REDACTED]@stuff.co.nz

Dear [REDACTED]

Further to the response to you of 20 September 2024, enclosed are the six documents concerning Budget 2024 advice to the Chief of Defence Force and/or the Executive Committee.

Where indicated, information is withheld to: avoid prejudice to the security and defence of New Zealand, and the international relations of the Government of New Zealand in accordance with section 6(a) of the OIA (this includes Annex B of Enclosure two); protect information where its release would prejudice the commercial position of the supplier of the information in accordance with section 9(2)(b)(ii) of the OIA; and, maintain the effective conduct of public affairs through the free and frank provision of advice in accordance with section 9(2)(g)(i) of the OIA.

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Yours sincerely

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OIA-2024-5095

20 September 2024

[REDACTED]  
[REDACTED]@stuff.co.nz

Dear [REDACTED]

I refer to your email of 24 July 2024 requesting, under the Official Information Act 1982 (OIA), [b]riefings, papers, memos, and other documentation produced by or for the CDF and senior leadership team regarding NZDF's budget, costs, and/or voluntary redundancies, between May 31 and the present date.

Six documents concerning Budget 2024 advice to the Chief of Defence Force and/or the Executive Committee have been identified as within the scope of your request. Where indicated, information is withheld to: avoid prejudice to the security and defence of New Zealand, and the international relations of the Government of New Zealand in accordance with section 6(a) of the OIA; protect information where its release would prejudice the commercial position of the supplier of the information in accordance with section 9(2)(b)(ii) of the OIA; and, maintain the effective conduct of public affairs through the free and frank provision of advice in accordance with section 9(2)(g)(i) of the OIA.

Preparation of these documents for release is taking longer than anticipated. It is expected that these will be provided to you on or before 4 October 2024.

You have the right, under section 28(3) of the OIA, to ask an Ombudsman to review this response to your request. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or freephone 0800 802 602.

Yours sincerely

**AJ WOODS**  
Air Commodore  
Chief of Staff HQNZDF

## Budget Subcommittee 29/30 May 2024 Outcome

### CFO CDSM Talking Points


#### Purpose of Meeting

To brief CDF on the outcome of the Budget Subcommittee prior to the Executive Committee Meeting on Tuesday 11 June 2024

#### Key Talking Points

- In accordance with the Public Finance Act and financial stewardship requirements, the budget cannot exceed the funding available within Vote Defence Force. The NZDF cannot commit to activities or contracts if funding is uncertain.
- The Budget Sub Committee developed two options Deliver and Decline and Deliver and Safeguard to assist with this budget funding challenge. s.9(2)(g)(i) Therefore a hybrid option needs to be implemented. The NZDF needs to live within the Deliver and Decline Option until funding decisions are made. s.9(2)(g)(i)
- Deliver and Decline includes Baseline Savings of s. 9(2)(g)(i). On top of the s. 9(2)(g)(i) Baseline Reduction Targets the Budget Sub Committee identified a further s. 9(2)(g)(i) of short term significant austerity measures that need to be implemented from 1 July and s. 9(2)(g)(i) reduction in civilian workforce s. 9(2)(g)(i) to ensure the NZDF does not breach appropriations. A residual risk of ~\$8M will remain that will be required to be managed. See Annex for full details of the reductions.
- Deliver and Safeguard: The NZDF needs s. 9(2)(g)(i) of time limited funding to deliver military capabilities and safeguard foundational elements required to be able s. 9(2)(g)(i). This includes the Baseline Reduction Targets of s. 9(2)(g)(i).
- The timing of any additional approved funding means that the NZDF has to operate within the Deliver and Decline measures until the external DCP decisions are made as shown in the picture below:

s. 9(2)(g)(i)



- The reduction in civilian FTE's carries a number of implementation risks including the magnitude and timing of reductions. s. 9(2)(g)(i)

[Redacted]

- A change of this magnitude will require a "sinking lid policy", voluntary, s.9(2)(g)(i) redundancies. It will also have legal and union implications. It will also result in organisational fragility across a number of areas that will need to be managed as they occur. s. 9(2)(g)(i)

[Redacted]

- s. 9(2)(g)(i)

[Redacted]

**Deliver and Decline – Balanced Budget s. 9(2)(g)(i) of Risk Remaining**

**Outcome: NZDF can deliver reduced Outputs at reduced readiness, s. 6(a)**

[Redacted]

s. 6(a), s. 9(2)(g)(i)

[Redacted]

s. 9(2)(g)(i)

- Ceremonial funding reduced impacting Gallipoli and international sporting events such as Invictus games not funded.
- Further reduction in travel and subscription costs impacting internal and external engagement levels. s. 9(2)(g)(i)

**Deliver and Safeguard – Requires Investment of** s. 9(2)(g)(i)

**Outcome: NZDF can continue to deliver most Outputs within current limitations,** s. 6(a)

**Core capabilities can be preserved in preparation for DCP. Overall degradation** s. 6(a) **will continue.**

s. 6(a)

- Preserves the workforce with planned regular force and civilian growth, ARR, bargaining, coursing and included a provision at the center to react to critical workforce gaps as they occur throughout the year.

- Preserves further reductions in ceremonial, travel, subscriptions to the level committed to under the Baseline Reduction Targets.

**Background**

- s. 9(2)(g)(i)
- Savings from depreciation, capital charge and personnel have been used to fund the operating cost pressures.
- These options are no longer available as depreciation and personnel costs (price and volume) have increased and are now being incurred at funded levels.
- s.9(2)(g)(i)
- The NZDF is effectively starting the 2024/25 financial year with \$139M less available funding compared with 2023/24.

**Process**

- Top down allocation -> Discovery sessions -> EXCO Direction -> Special ORG
- Portfolios presented revised budget builds and impact following EXCO guidance from 13<sup>th</sup> May.
- Following discussion to ensure consistency and interconnectedness across NZDF e.g. Logistics could support maintenance of platform allocations finalised such that the Budget would provide the Deliver and Safeguard footing. Size of the problem s. 9(2)(g)(i).
- BSC were also required to develop a Budget that did not breach appropriation. To achieve, this the following steps were taken post completing the above:

Step One– remove workforce growth. s. 9(2)(g)(i) – RF and CIV.

Step Two– Apply additional austerity measures. s. 9(2)(g)(i)

Step Three– Test allocations against EXCO Weighted Priorities. s. 9(2)(g)(i).

On completion, a Budget was developed that would provide Deliver and Decline footing. Size of the problem s. 9(2)(g)(i) unresolved including s. 9(2)(g)(i) in regards to civilian reduction savings.

**Principals**


**Two sets of foundational principles were set to guide the two day discussion:**

<p><b><i>Behavioral Principles:</i></b></p> <ul style="list-style-type: none"> <li>• Transparency</li> <li>• Curiosity</li> <li>• Collaboration</li> <li>• Objectivity</li> <li>• Constructive Challenge</li> <li>• Supporting each other</li> <li>• Equity</li> </ul>	<p><b><i>Funding Principles:</i></b></p> <ul style="list-style-type: none"> <li>• Today over tomorrow – output delivery + increased funding costs</li> <li>• Austerity – Revisiting previous direction + consistent approaches</li> <li>• Safe + Secure</li> <li>• High ROI</li> <li>• Affordability (No planned and unfunded)</li> <li>• Test against EXCO Priorities</li> <li>• Achieve outcomes differently</li> <li>• Activity Focus (for stopping)</li> <li>• Not breaking current contracts</li> <li>• Transparency – understanding the impacts</li> </ul>
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**ANNEX**

s. 6(a), s. 9(2)(g)(i)



**Four Year Baseline Reduction Target view:**

s. 9(2)(b)(ii), s. 9(2)(g)(i)





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# **FY 24/25 – 27/28 BUDGET**

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**SPECIAL ORG COMMITTEE REPORT TO EXCO**

**11 Jun 2024**

# Reminder of why this is so hard...

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- Baseline funding has not kept pace with inflation.
- No notable adjustments for substantial cost pressures have been received.
- s.9(2)(g)(i)
- Savings from depreciation, capital charge and personnel have been used to fund the operating cost pressures.
- These options are no longer available as depreciation and personnel costs (price and volume) have increased and are now being incurred at funded levels.
- s.9(2)(g)(i)
- The NZDF is effectively starting the 2024/25 financial year with \$139M less available funding compared with 2023/24.


# Reminder of why this is so hard...

## Top down allocation

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Change in funding available by category

s. 9(2)(g)(i)






# Budget 24

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- The initial request at Budget 24 was s. 9(2)(g)(i) to cover the significant cost pressures NZDF were facing .
- After the Bilat meetings we were required to present a revised minimum amount of funding required to preserve and stabilise until the DCP.
- Budget 24 only provided funding for Remuneration (Mil Factor & Allowances), depreciation and Veterans Affairs. No funding was received for cost pressures.
- Additionally s. 9(2)(g)(i) was removed for Baseline Reduction Targets.
- Combined with the \$139M less funding available compared with FY23/24, this means we are required to deliver outputs from within a significantly reduced baseline.

s. 9(2)(g)(i)



# Process

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Top down allocation -> Discovery sessions -> EXCO Direction -> Special ORG

Portfolios presented revised budget builds and impacts following EXCO guidance from 13<sup>th</sup> May. Following discussion to ensure consistency and interconnectedness across NZDF (e.g. Logistics could support maintenance of platforms), allocations were finalised to provide **Delivery and Safeguard for DCP**. Size of the problem s. 9(2)(g)(i).

- **In accordance with the Public Finance Act and financial stewardship requirements, the budget cannot exceed the funding available within Vote Defence Force. NZDF cannot commit to activities or contracts if funding is uncertain.**

Therefore ORG then developed a Budget that did not breach appropriations. To achieve this, further reductions were made to produce a balanced budget. This will provide **Delivery and Decline**. Size of the problem s. 9(2)(g)(i) unresolved.

# Principles

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Two sets of foundational principles were set to guide the two day discussion:

## Behavioural Principles:

- Transparency
- Curiosity
- Collaboration
- Objectivity
- Constructive Challenge
- Supporting each other
- Equity

## Funding Principles:

- Today over tomorrow – output delivery + increased funding costs
- Austerity – Revisiting previous direction + consistent approaches
- Safe + Secure
- High ROI
- Affordability (No planned and unfunded)
- Test against EXCO Priorities
- Achieve outcomes differently
- Activity Focus (for stopping)
- Not breaking current contracts
- Transparency – understanding the impacts

# Outcome– Four options were identified

## Divestment – discounted as no savings will be recognised in FY 2024/25

- Not in line with the funding principles of deliver today over tomorrow, or focus on outputs. Considered as part of the BRT options, but discounted as there are no savings, only costs to divest in 2024/25.

## Regeneration – discounted– requires an investment of s. 9(2)(g)(i)

- Regeneration would require funding for each portfolio to the full amount within their operating activity towers
- This option would ensure full utilisation of assets to deliver outputs, build on foundations to stabilise and invigorate DEI/DDG, right size/improve core enablers and strengthen overseas engagement with our allies and partners.
- s. 9(2)(g)(i)

## Deliver and Safeguard– requires an investment of s. 9(2)(g)(i)

- NZDF can continue to deliver most Outputs within current limitations, s.6(a)
- Core capabilities can be preserved in preparation for DCP.
- Overall degradation s.6(a) will continue.
- See annex A for a full list of activities that are still required to be stopped or reduced under this option.

## Deliver and Decline – Balanced Budget with a residual risk of s. 9(2)(g)(i)


- NZDF can deliver reduced Outputs at reduced readiness, s. 6(a)
- Overall degradation accelerates s.6(a)
- s. 6(a)
- Requires savings of s. 9(2)(g)(i) that equates to s. 9(2)(g)(i) of the baseline to be made.
- See annex A for a full list of activities that are required to be stopped or reduced under this option.

**NZDF needs to live within the Deliver and Decline option until funding decisions are made.**

# Allocations by Portfolio for each option

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s. 9(2)(g)(i)





# OPTIONS SUMMARY

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## 1. DELIVER AND SAFEGUARD

**Outcome:** NZDF can continue to deliver most Outputs within current limitations, s. 6(a) . Core capabilities can be preserved in preparation for DCP. Overall degradation s. 6(a) will continue.

- Services produce BLOC or DLOC for outputs (no improvement from current degraded state)
- Logistic support for most planned outputs, s. 6(a)
- Estate defers most planned maintenance
- s. 6(a)

## 2. DELIVER AND DECLINE

**Outcome:** NZDF can deliver reduced Outputs at reduced readiness, s. 6(a) .

- Services produce BLOC for current outputs
- Logistic support for most planned outputs, s.6(a)
- Estate deferred spend bow wave continues. No planned maintenance undertaken
- s. 6(a)
- Workforce regeneration delayed (two year's delay for one year's zero growth)
- Reduction of s. 9(2)(g)(i) Civilian Workforce

# What do the impacts of the budget look like for spending?

s. 9(2)(g)(i)

s. 9(2)(g)(i)

# Workforce Reduction Implementation risks

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- The reduction in civilian FTE's carries a number of implementation risks including the magnitude and timing of reductions.

- s. 9(2)(g)(i)

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- A change of this magnitude will require a “sinking lid policy”, voluntary <sup>s.9(2)(g)(i)</sup> redundancies.


- It will also have legal and union implications.

- s. 9(2)(g)(i)

# Alternatives

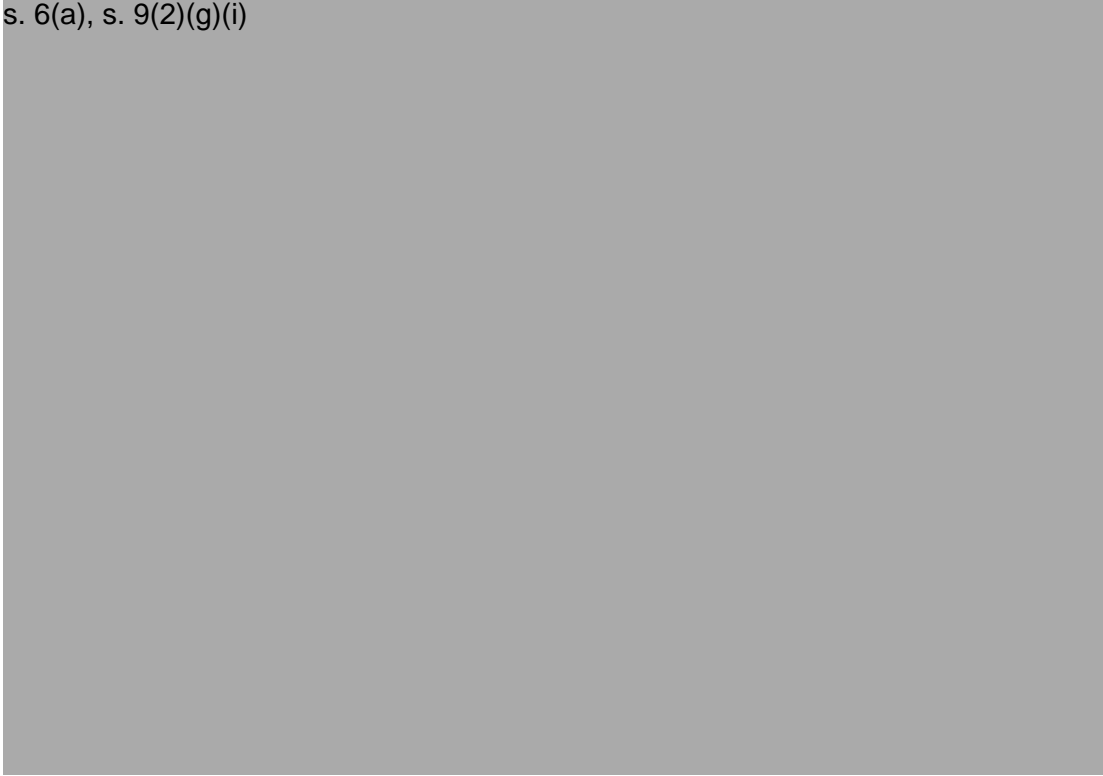
## Non-Specific Options

Any alternative is likely to flow from accepting increased risk within Portfolios, exacerbating the fragility of NZDF's ability to cope with 'shocks'.

- s. 6(a), s. 9(2)(g)(i)
- 
- **Other:**
  - Cannot achieve meaningful (chunked) reductions of material size elsewhere.
  - 'Salami slicing'. Would likely result in further reduction in Output delivery or failure within other Portfolios to support delivery.

## Capability Options

s. 6(a), s. 9(2)(g)(i)





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# **OPTION 1: DELIVER AND SAFEGUARD**

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# Deliver & Safeguard: Core Delivery Outcomes

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s. 6(a)



# Deliver & Safeguard: Workforce Outcomes:

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## Includes funding for:

- Workforce Growth s. 9(2)(g)(i)
  - Regular Force s. 9(2)(g)(i)
    - Navy: s. 9(2)(g)(i)
    - Army
    - Air Force s. 9(2)(g)(i)
  - Civilian s. 9(2)(g)(i)
- Civilian Annual Remuneration Review s. 9(2)(g)(i)
- Civilian Bargaining s. 9(2)(g)(i)
- Includes a provision to react to critical workforce gaps as they occur throughout the year.
- Preserves leadership and staff coursing

# Deliver & Safeguard: Core Enablers

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s. 6(a)



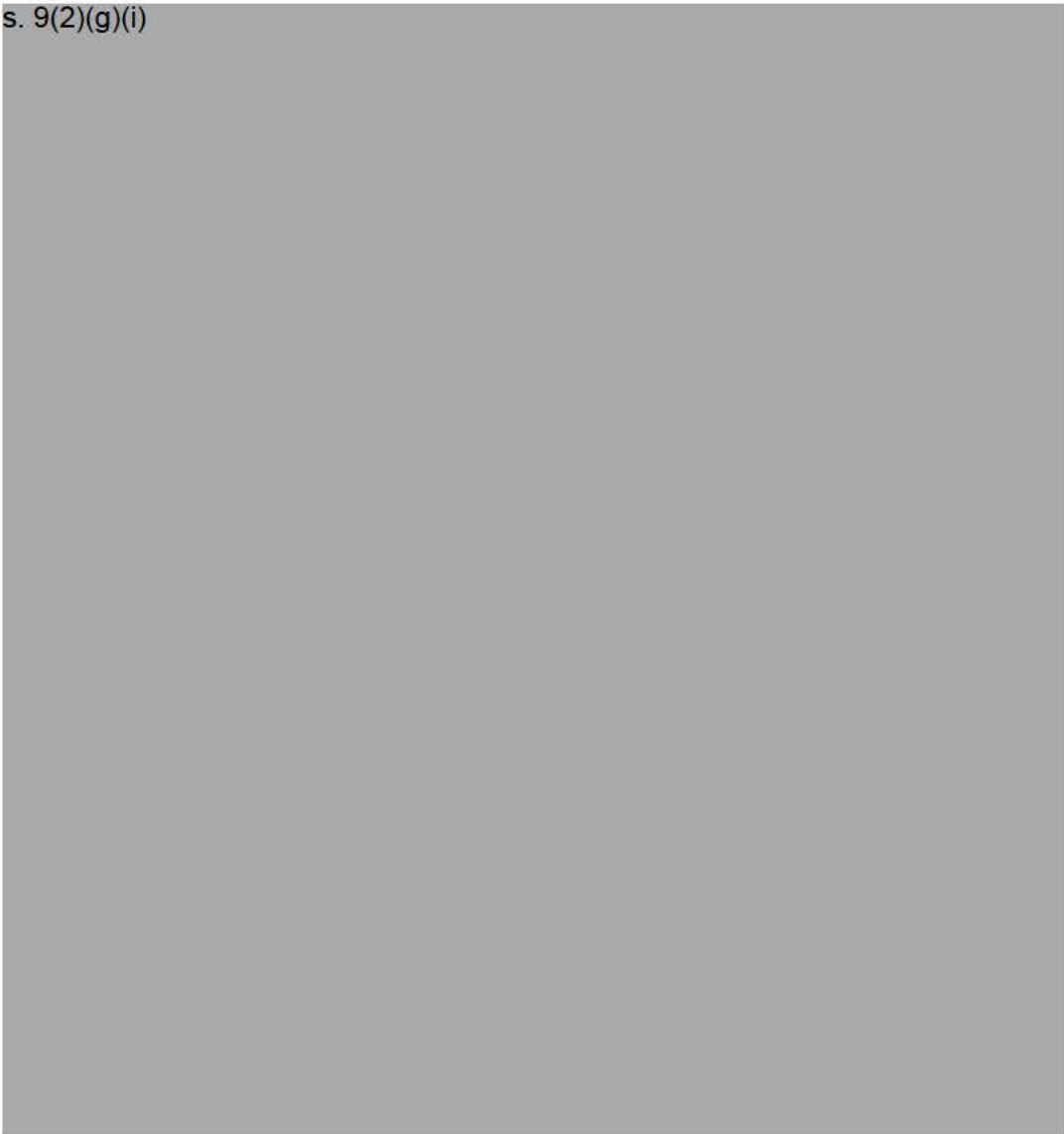
# Deliver & Safeguard: Less immediate priorities

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- Preserves pre-acquisition funding for FERP and some other key DCP projects, s. 6(a), s. 9(2)(g)(i)
- Holds further reductions in ceremonial, travel, subscriptions to the level committed to under the Baseline Reduction Targets.

# Deliver & Safeguard – Portfolio Allocations

s. 9(2)(g)(i)



- These are the allocations that are required under the Deliver & Safeguard option.
- s. 9(2)(g)(i) additional funding required.
- Cannot be loaded as at 1 July 2024 as funding is not available.



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# **OPTION 2: DELIVER AND DECLINE**

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# Deliver & Decline (balanced with s. 9(2)(g)(i) residual risk )


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- NZDF can deliver reduced Outputs s. 6(a) .
- Overall degradation accelerates s. 6(a) .
- DCP readiness further delayed.
- Requires savings s. 9(2)(g)(i) that equates to s. 9(2)(g)(i) of the baseline. This is made up of:
  - s. 9(2)(g)(i) – Baseline Reduction Targets
  - – Austerity measures
  - s. 9(2)(g)(i) – Civilian workforce reductions
  - s. 9(2)(g)(i) – residual risk
- See annex A for a full list of activities that are required to be stopped or reduced under this option.

# Deliver & Decline: Core Delivery Outcomes

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s. 6(a)






# Deliver & Decline: Workforce Outcomes

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s. 9(2)(g)(i)



# Deliver & Decline: Core Enablers

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s. 6(a), s. 9(2)(g)(i)




# Deliver & Decline: Less Immediate Priorities

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- s. 9(2)(g)(i)
- Ceremonial funding reduced impacting Gallipoli and international sporting events such as Invictus games not funded
- Further reduction in travel and subscription costs impacting internal and external engagement levels. s. 9(2)(g)(i)
- s. 9(2)(g)(i)

# Deliver & Decline – Portfolio Allocations

s. 9(2)(g)(i)



- These are the allocations that are required to be loaded as at 1 July 2024
- s. 9(2)(g)(i) residual risk
- Civilian workforce reduction to be held at the centre until detailed plan is confirmed.



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# OPTION ANALYSIS

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# Can Deliver:

PORTFOLIO	DELIVER AND SAFEGUARD	DELIVER AND DECLINE
s. 6(a)		

# Cannot Deliver

PORTFOLIO	DELIVER AND SAFEGUARD	DECLINE
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s. 6(a)



# RISK SUMMARY

The options were assessed against five categories of risk. A précis of the risks is attached at Annex B, and briefly highlighted below.

CATEGORY	DELIVER & SAFEGUARD	DELIVER & DECLINE
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s. 6(a), s. 9(2)(g)(i)


[Redacted content]		
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# Risk impacts in the OUT-YEARS

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s. 6(a), s. 9(2)(g)(i)



- Sustained funding levels at either option would see NZDF output and organisational capability continue to degrade.



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# AUSTERITY OPTIONS

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# Austerity Measures Analysis

## PAN-NZDF IMPACTS/RISKS

Workforce Capacity	Workforce Satisfaction	Reputational	Operational	Other
<ul style="list-style-type: none"><li>Voluntary redundancy and Workforce restructuring</li></ul> <p>s. 9(2)(g)(i)</p>	<p>s. 9(2)(g)(i)</p>			

s. 6(a), s. 9(2)(g)(i)


s. 9(2)(g)(i)



# Analysis – Workforce Reduction

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s. 6(a), s. 9(2)(g)(i)



# Decision/Recommendations

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- **Note** that NZDF should not load a budget that exceeds the funding available within Vote Defence Force given the risks highlighted
- **Note** that NZDF cannot commit to activities or contracts if funding is uncertain.
- **Note** that four options were considered as part of the 2024/25 internal budget build:
  - **Divestment** – discounted as no savings will be recognised in FY 2024/25
  - **Regeneration** – discounted as requires an investment of s. 9(2)(g)(i)
  - **Deliver and Safeguard**– requires an investment of s. 9(2)(g)(i)
  - **Deliver and Decline** – Balanced Budget with a residual risk of s. 9(2)(g)(i)
- **Note** that the only viable option available as at 1 July 2024 is Deliver and Decline
- **Note and accept** the austerity measures required to implement the Deliver and Decline option
- **Note and accept** the impacts and risks associated with the Deliver and Decline option
- s. 9(2)(g)(i)
- 
- 
- 
- **Approve** the allocations to be loaded into SAP for 1 July under the Deliver and Decline Option



**HEI MANA MŌ AOTEAROA**  
**A FORCE FOR NEW ZEALAND**





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**DEFENCE FORCE**

# ANNEX B: RISK PROFILES

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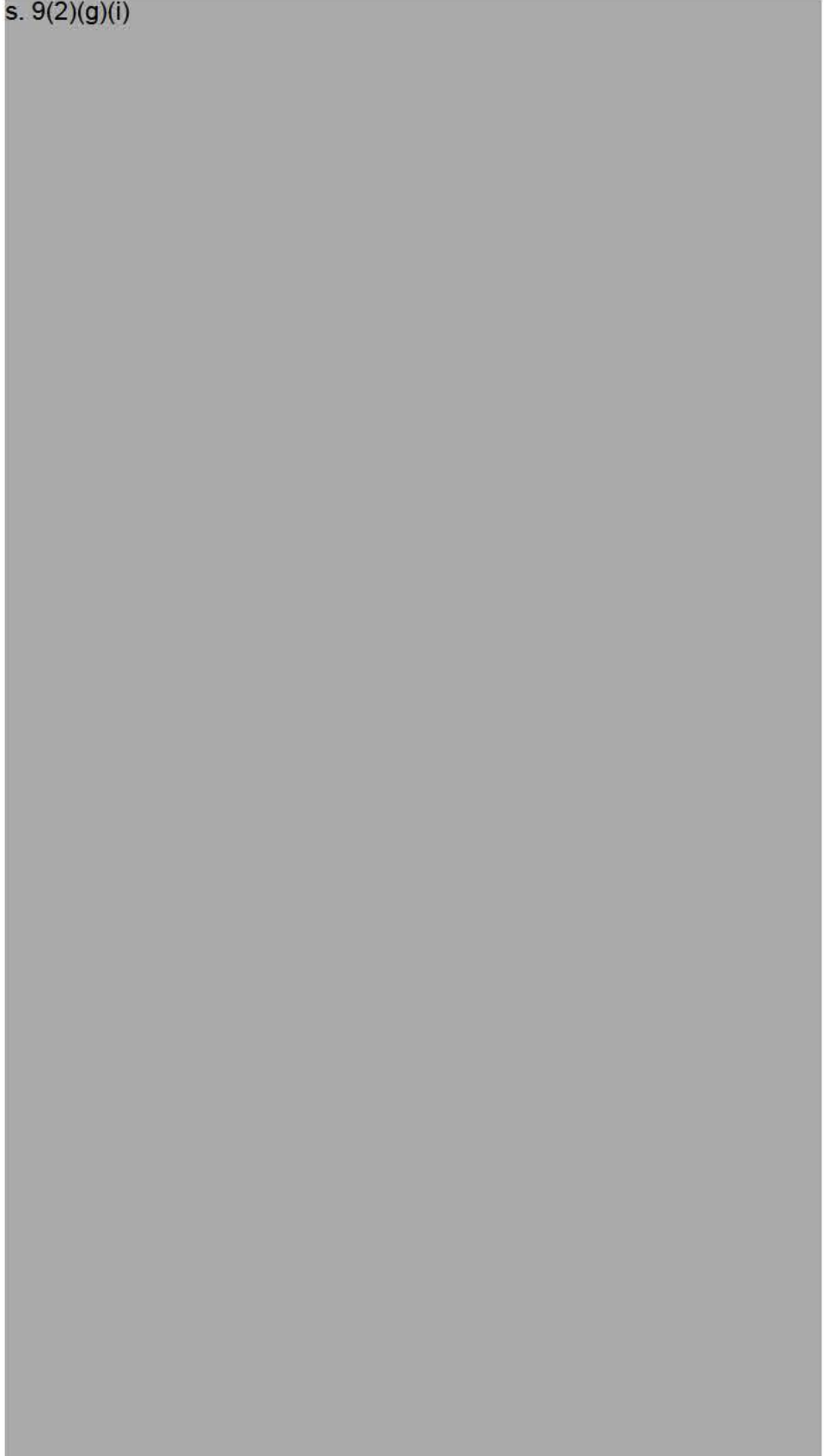
# What do the impacts of the budget look like for spending?

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s. 9(2)(g)(i)



s. 9(2)(g)(i)



## BUDGET 2024 Talking Points

### Overall Situation

- Following Budget 2024 build process NZDF has confirmed it can deliver the minimum amount of activity (flying hours, sea days and training) needed to maintain a safe basic level of essential operational readiness. (see Annex for what can and can't be delivered under current budget and under injection scenario).
- Successive prior budget decisions <sup>s. 9(2)(g)(i)</sup> Savings from depreciation, capital charge and personnel have been used to fund operating cost pressures. These options are no longer available. The NZDF is effectively starting the 2024/25 financial year with \$139M less available funding compared with 2023/24.
- Treasury have been well informed of this position since the joint line by line 2019 Baseline Review.
- Significant savings measures are necessary to stay within Budget 2024 appropriations. These combined measures equate to <sup>s. 9(2)(g)(i)</sup> (including <sup>s. 9(2)(g)(i)</sup> already directed savings), which is the equivalent of achieving <sup>s. 9(2)(g)(i)</sup> of baseline reduction target savings (hitherto less than 1%). See Annex.
- A funding injection of <sup>s. 9(2)(g)(i)</sup> is needed in early FY 24/25, if the rate of regeneration decline is to be limited and keep the NZDF in the best position possible to implement the DCP decisions.
- Since March 2021 NZDF's Regular Force has shrunk by 1,110 FTE due to extremely high attrition, mostly associated with inadequate remuneration in a fiercely competitive labour market. This will take several years to recover to enable the full regeneration of outputs to required levels.

### Risks

s. 6(a)

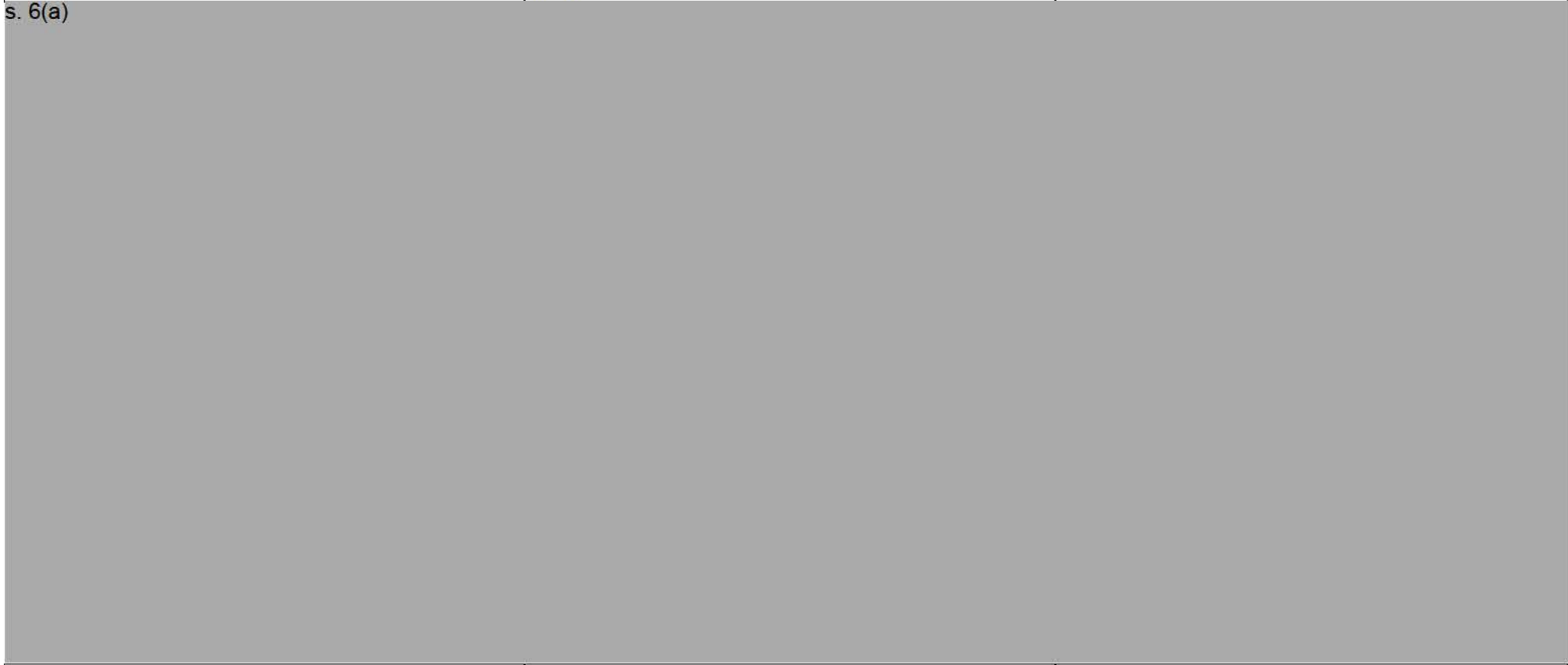


### Next Steps

- The NZDF, cannot enter the new financial year under the assumption that any additional funding will be forthcoming. Therefore, from 1 July 2024, the NZDF will need to adopt and commence the implementation of the savings measures to stay within current Budget 2024 appropriations.
- I am committed to creating a future Defence Force that is effective and efficient and this will require the savings measures proposed and a review of our civilian workforce with the aim of achieving outcomes differently with less people than we currently have. I propose to put in place a civilian staff recruitment freeze until 30 September 2024 when the first stage of this review will be completed.

**EXAMPLES OF OUTPUTS UNDER FUNDING SCENARIOS**


Activity	Current Budget	s. 9(2)(g)(i) Additional Funding
Domestic emergency responses	Achievable within longer response times. Gaps in maritime search and rescue (SAR) availability likely.	Achievable at directed readiness.



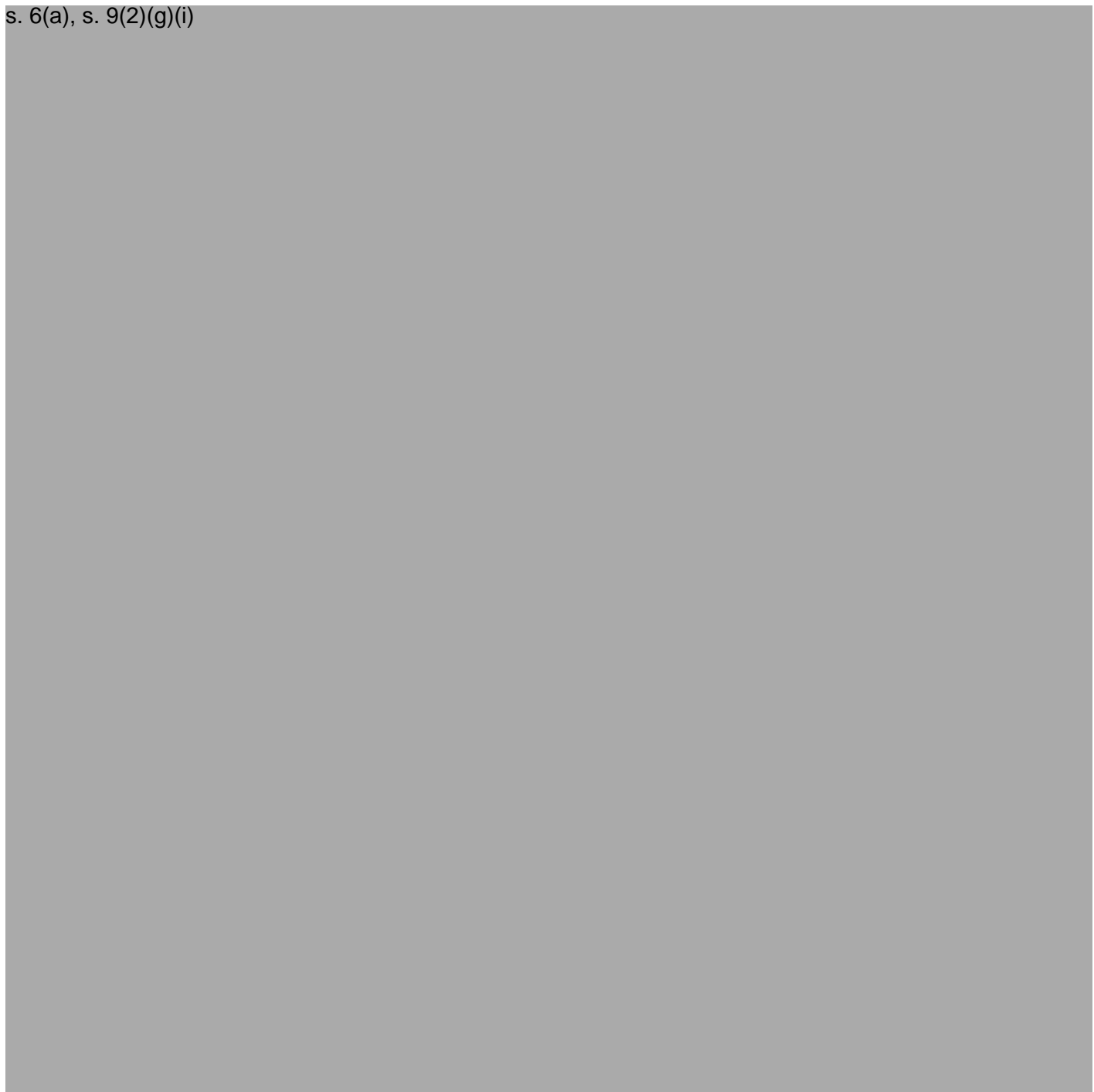
<b>Concurrent domestic and overseas HADR responses</b> <i>e.g. TC Gabrielle (New Zealand) and TC Winston (Fiji)</i>	Unachievable (concurrently). Singular domestic response achievable. Additional funding required if large-scale event (e.g. TC Gabrielle).	Severely limited ability to support.
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s. 6(a)



s. 6(a), s. 9(2)(g)(i)



25 June 2024

## **DOT-POINT BRIEF FOR CDF**

### **BUDGET 24/25**

#### **Purpose**

1. This brief provides an update on implementing budget FY24/25 following decisions made at the Organisation Committee (Org) meeting on 21 June, including:
  - a. budget load;
  - b. shortfall;
  - c. communication plan;
  - d. workforce savings;
  - e. operating savings; and
  - f. in-year financial management.

#### **Background**

2. EXCO met on 11 June and approved the FY24/25 budget.
3. To ensure NZDF does not breach appropriations, savings of s. 9(2)(g)(i) were required that equates to s. 9(2)(g)(i) of the baseline.
4. To achieve these savings a full list of activities that are required to be stopped or reduced was provided to EXCO, (Enclosure 4).

#### **Budget load**

5. Budgets have been submitted by Service/Portfolio at a cost centre/cost element level and are currently subject to Finance quality assurance.
6. Budgets will be loaded in SAP by COB 27 June to enable the financial delegations required across NZDF from 1 July 2024.
7. It's usual when completing this process that a number of anomalies are identified that need to be managed. These anomalies will be added to the risk register and will be managed throughout the year by the Org.
8. The EXCO approved budget allocations are not being adjusted.

#### **Risk**

9. There is currently s. 9(2)(g)(i) of risk being held at the centre in the current budget build yet to be taken out of portfolios financial delegation. This is made up of:
  - a. s. 9(2)(g)(i) Civilian workforce savings; and
  - b. s. 9(2)(g)(i) residual risk in balancing the budget.

10. s. 9(2)(g)(i)

11.

### Communication plan

12. Over the next 2 weeks robust communication, both internal and external, are required on the actions taken in balancing the FY24/25 budget. These are the activities that the NZDF is unable to continue to fund. This will ensure that the NZDF is properly withdrawn and/or the associated reputational risk is appropriately managed.
13. CoS PCP will circulate a template (Enclosure 1), to portfolio leads to capture a list of unfunded activities that require centralised communication planning.
14. Portfolios will send the completed template to Strategic Relationships OCDF by **Wed, 26 June**.
15. This will ensure we have a pan-NZDF view of all activities that require comms.
16. It is anticipated that the next steps in the communication plan will include:
  - a. Internal comms on ILP;
  - b. External stakeholder and impacted group engagement; and
  - c. NTM that lists all activities where there is a reduction in activity with our ally and partners and/or potential for media interest.

### Workforce savings

17. s. 9(2)(g)(i)

18. PCP to provide targets to portfolios on a pro-rata basis for cost savings.
19. Reducing the cost of our workforce will mean reducing the size of our workforce.
20. Portfolios will decide how they will achieve the savings target and will present implementable options back to Org in July 24 including the potential impact on the organisation as a whole.
21. Workforce savings initiatives will likely include:
  - a. voluntary and targeted redundancy;
  - b. conversion of contractors to FTA;
  - c. fulltime to part-time options;
  - d. increasing span of control; and
  - e. reducing leave liability for 30 June 25.
22. Consultation on restructuring due mid/late August so we can start realising savings from October.



### **Operating savings**

23. The NZDF will need to find additional operating savings to cover the shortfall.
24. The savings will be identified through an iterative process to ensure ongoing identification of savings and implementation. This includes monitoring the implementation of already identified and agreed savings.
25. This iterative process will need to react to further cost pressures and savings that are not able to be implemented as planned.

### **In-year financial management (Enclosure 2)**

26. The CPO/CFO directive to be published post dissemination of internal comms to provide clear direction on in-year financial and workforce management and implementation.
27. All identified savings brought to Org to offset any risk being held at the centre and then for funding assessment.
28. Org funding assessments will be done quarterly to:
  - a. Prioritise funding within portfolio (use own underspend);
  - b. Prioritise across NZDF (stop planned activities, use permanent underspends and further efficiencies); and
  - c. Urgent funding request (last resort).
29. No budget will be moved until the first funding assessment at Org on the 31 October.
30. In the first 3 months the activity level across the organisation will be monitored through budget variances and risks/opportunities tracked.
31. A central tool to manage underspends and the reprioritisation process will be a risk register where issues will be tracked and opportunities for reprioritisation will be recorded.
32. Org have acknowledged the need to schedule more regular meetings while the size of the problem is grappled with and some cadence emerges with identifying and tracking the realisation of savings.
33. We are currently setting up this programme of work to be shared with the Executive Committee on Tuesday 9 July.



**BRIDGET MARKS**

CFO

### **Enclosures:**

1. Proposed actions for unfunded activities template
2. In-year financial management 24/25
3. Impacts of the budget for spending
4. Total savings required for balanced budget



Enclosure 1

Proposed actions for unfunded activities template

**Proposed actions to ensure that NZDF is properly withdrawn and/or the associated reputational risk is appropriately managed**

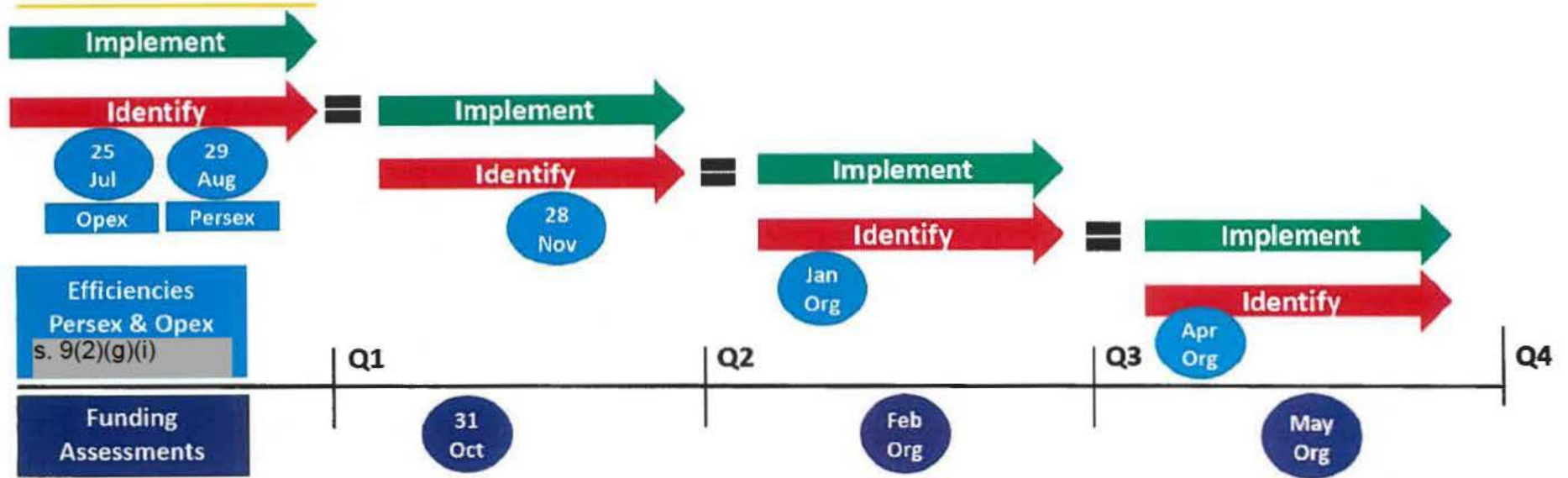
When?	Activity	Anticipated Actions Required to Close Off						Notes
		CDF Correspondence	NTM	External Stakeholder Engagement	Impacted Group Engagement	Internal Comms	Nil Action	
June XX	Example – delete line once you have started	X	X	X	X	X		Example – Needs to be before EO June due to pay cycles

When filling in, please consider the following points:

- **No surprises** – include everything you can think of in this list that will face cuts/amendments/being stopped etc. If you're not sure of if it reaches the threshold of a CDF message/NTM, don't worry about that as it may be that a selection of things together will form into one message.
- **Timings** - The timings column needs to include if there are dates for hard timings such as contract negotiations, travel bookings, RSVPs, planned bilat meetings, and so on – basically any reason why a message would need to be communicated by a certain date so that it can be taken into consideration for sequencing.

# In-year financial management (24/25)

*Implement efficiencies and stoppage measures*




- Org funding assessment:**
1. Prioritise within portfolio (use 'own' underspend)
  2. Prioritise across NZDF (stop planned activities, use permanent underspends and further efficiencies)
  3. Urgent funding request (last resort)



**Enclosure 3**

**Impacts of the budget for spending**


s. 9(2)(g)(i)



**Enclosure 4**

**Total savings required for balanced budget**


s. 6(a), s. 9(2)(g)(i)



## NZDF unfunded activities in financial year 2024/25

Sensitivity	Activity	Description	Impact
s. 6(a), s. 9(2)(g)(i)			

s. 6(a), s. 9(2)(g)(i)



s. 6(a), s. 9(2)(g)(i)

s. 9(2)(g)(i)

Overall reduction in travel

Less international engagement Defence-wide

s. 6(a)

s. 6(a), s. 9(2)(g)(i)

s. 9(2)(g)(i)

Leadership courses

Various courses across NZDF cancelled or frequency amended (to biennial rather than annual)

Some impact on morale and future leadership capability for senior leaders (officers, non-commissioned and civilian)

NZDF sports

Remove international travel of sports teams. Domestic competition, and camp/base based sport will continue.

Manage partner relationships. Impact on morale.

Gym membership

Cancel gym memberships for HQ NZDF military personnel

Impact on morale and fitness to deploy.

Civilian flu vaccination

Cancellation of Civilian flu vaccinations

Impact on morale and possible increased staff absence in 2025 flu season.

Reduced Ceremonial activities

Includes cancelling of events, no Air Force band at graduations, fewer parades, fewer gun salutes, smaller guards of honour

Reputational risk around certain visiting nations.

Changes to service magazine distribution

Savings to be made in print/postage

Possible reaction from subscribers