



MINISTRY OF  
**DEFENCE**

Manatū Kaupapa Waonga

# Statement of Intent

1 July 2008 – 30 June 2011

Presented to the House of Representatives  
Pursuant to section 39 of the Public Finance Act 1989



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ISSN 1176-2047

## Acts Administered

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ISSN: 1176-2047

Published in May 2008 by  
The Ministry of Defence

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## Foreword – Minister of Defence

Ensuring the security of our country is a fundamental responsibility of government. This involves the protection of New Zealand against attack as well as ensuring the integrity of our land, territorial waters, Exclusive Economic Zone and resources. Beyond our territory, it involves cooperation with others and the international community to maintain peace, security and stability in the areas nearest to us and beyond.

The Ministry of Defence has a key role to play. It must advise Government on policy options for responding to local, regional and international threats to security.

It must ensure the New Zealand Defence Force is appropriately equipped to meet defence and security requirements.

It provides independent audit advice on the performance of the New Zealand Defence Force and the procurement activities of the Ministry of Defence.

This Statement of Intent for 2008 – 2011 covers an important phase in the Government's rebuilding of New Zealand Defence Force capabilities. It will bring to fruition the conclusion of Project Protector which will have delivered seven new vessels for the Navy by the end of 2008. It will involve work towards the major upgrade of the ANZAC frigates.

For the Air Force, it will involve the upgrading and life-extension of its fixed wing capacity, including the P-3 Orions, C-130 Hercules and Boeing 757 aircraft. New medium utility (NH-90) and training and light utility helicopters (A109 LUH (NZ)) will be acquired. The Army will continue to upgrade its equipment and there will be a lift in personnel numbers across the Services.

It is expected that the New Zealand Defence Force will continue to be operationally active in deployments in Afghanistan, Timor-Leste, Solomon Islands and elsewhere.

The Statement of Intent highlights the close partnership the Ministry has with the New Zealand Defence Force and other central agencies. My expectation is that the linkages between the two organisations in areas of governance, management and defence planning will continue to be enhanced.

This document sets out the Ministry's role in advising Government on strategic directions and achieving the outcomes Defence is tasked to provide for the Government.



A handwritten signature in blue ink, which appears to read "Phil Goff". The signature is stylized and fluid.

Hon Phil Goff  
Minister of Defence

## Introduction from the Secretary of Defence

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This Statement of Intent for the Ministry of Defence outlines how we will give effect to government defence policy between 2008 and 2011.

During that period the Ministry will advise the Government on defence and security policy, New Zealand Defence Force deployments, and defence relations with overseas partners; manage major acquisitions of defence equipment; and undertake a programme of audits of New Zealand Defence Force performance and of Ministry defence procurement. All these activities are designed to ensure that New Zealand has defence capabilities and a defence force able to give effect to the Government's defence and security policy.

In order to discharge these tasks the Ministry needs to be able to provide the Government with timely, comprehensive and high quality advice. This requires an understanding of changes in the strategic environment and the way in which these will impact on New Zealand, and on the choices and options available to the Government.

The business of the Ministry of Defence intersects with that of the New Zealand Defence Force at all points. That close yet robust relationship must be maintained in good order. The Ministry must also have a range of well developed relationships with other agencies in the defence and security sector so that advice on defence policy and the actions that flow from it are aligned with and support New Zealand's broader defence and security objectives.

The Ministry's people, systems and processes are critical to achieving the expectations in this Statement of Intent. Given the size of the Ministry, we need to be smart in tackling the challenges of recruiting and retaining staff in a highly mobile, demanding and competitive market place. Our systems need to be responsive to staff and our processes need to be best practice.

I am confident that the Ministry will meet the expectations of the Government as set out in this Statement of Intent.



John McKinnon  
Secretary of Defence

## Nature and scope of functions

The Ministry of Defence contributes to the Government's priority theme of National Identity, whereby all New Zealanders are to be able to take pride in who and what we are through our stance on international issues.

Our roles and functions are established by the Defence Act 1990 and exist to ensure that the Government has security, defence and capability policy options. The Defence Act 1990 created two organisations from the previous Ministry of Defence: the Ministry of Defence and the New Zealand Defence Force.

Section 24 of the Defence Act 1990 establishes the position of Secretary of Defence who is also the chief executive of the Ministry of Defence. The Secretary's responsibilities concerning the Ministry, the New Zealand Defence Force, and New Zealand's defence and security are detailed in section 24.

These responsibilities are embodied in three output classes:

- policy advice
- management of equipment procurement
- audit and assessment of performance.

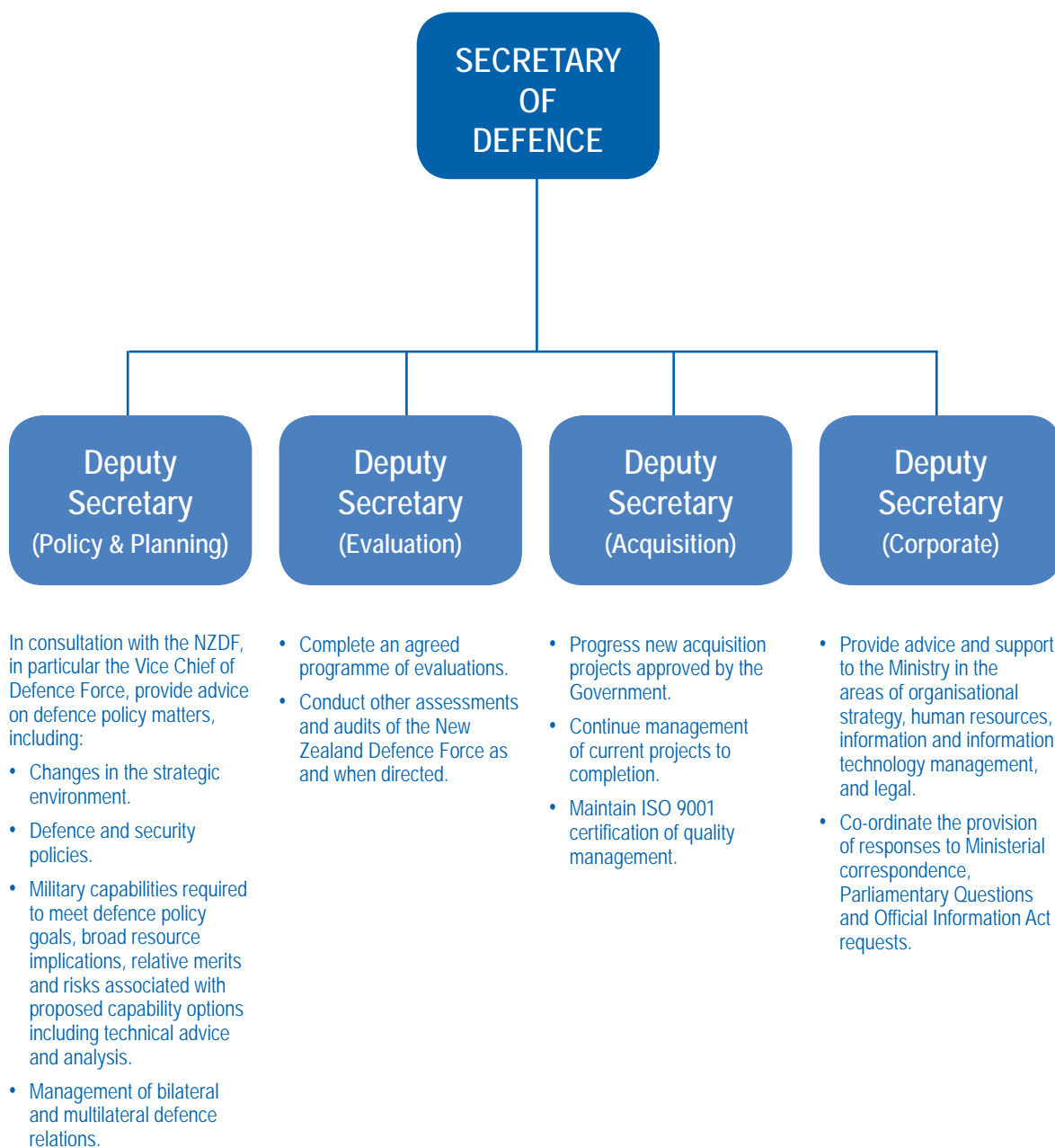
Within the framework set out in *The Government's Defence Policy Framework*, issued in June 2000, the Ministry will provide advice on the strategic environment and the military capabilities the New Zealand Defence Force needs to operate in that environment, and on the tasks and missions the New Zealand Defence Force should undertake. The five key objectives for New Zealand's defence policy that the Government established in June 2000 are:

- to defend New Zealand and to protect its people, land, territorial waters, exclusive economic zone, natural resources and critical infrastructure
- to meet New Zealand's alliance commitments to Australia by maintaining a close defence partnership in pursuit of common security interests
- to assist in the maintenance of security in the South Pacific and to provide assistance to New Zealand's Pacific neighbours
- to play an appropriate role in the maintenance of security in the Asia-Pacific region, including meeting New Zealand's obligations as a member of the Five Power Defence Arrangements
- to contribute to global security and peacekeeping through participation in the full range of United Nations and other appropriate multilateral peace support and humanitarian relief operations.

The Ministry's roles are linked by the Defence Act to those of the New Zealand Defence Force. These roles are either undertaken in consultation with, or in respect of, the New Zealand Defence Force. The links between the Ministry's outcomes and those of the New Zealand Defence Force are set out in the section that explains the Ministry's strategic direction.

The Secretary of Defence also has an obligation under section 3 of the Hazardous Substances and New Organisms Act 1996. This requires the Secretary to audit the controls on hazardous substances under the control of the Minister of Defence and report the results to the Minister for the Environment and the Minister of Defence.

Figure 1 illustrates the structure and roles of the Ministry of Defence.

**Figure 1: Structure and roles of the Ministry of Defence**

## Strategic direction – impacts and outcomes

This section of the SOI applies the requirements of section 40 (b) of the *Public Finance Act 1989*, which requires discussion of ‘the specific impacts, outcomes or objectives that the department seeks to achieve or contribute to through its operations’

### Context

Defence is a core component of New Zealand’s broader foreign and security policy.

A critical part of the Ministry’s business lies in understanding events in the international environment because these affect the demands likely to be placed on our defence forces in the future. Only thus can the Ministry effectively undertake its statutory duty to give advice to the Government on issues relating to New Zealand’s defence policy, doctrine, capabilities and deployments. As well, the Ministry is statutorily responsible for acquiring major items of equipment for the New Zealand Defence Force and for conducting independent audits of New Zealand Defence Force functions, duties or projects.

Because the international environment is in a state of flux and because the consequences of misdirected effort can be costly, the Ministry spends considerable effort in ensuring the advice it gives to the Government on policy directions and on the capability requirements necessary to operate within the international environment is well-informed and consistent with government initiatives in other parts of the defence and security sector, especially those of the New Zealand Defence Force and the Ministry of Foreign Affairs and Trade.

A secure New Zealand is a critical precondition to economic growth and social well-being. New Zealanders need to live free from physical threat from external parties to be able to achieve their aspirations. As well, New Zealand’s security is directly affected by the security of other countries, by the stability of other regions and by the maintenance of multilateral systems that ensure stability and security.

The Government’s June 2000 *Defence Policy Framework* outlines New Zealand’s security interests which provide the context for Departmental outcomes. These interests are:

- a secure New Zealand including its people, land, territorial waters, exclusive economic zone, natural resources and critical infrastructure
- a strong strategic relationship with Australia in support of common interests for a secure and peaceful region
- a political environment in the South Pacific in which national economies, societies and identities continue to evolve in a climate of good governance and internationally agreed standards of compliance with human rights
- an expanding role in the regional dialogue of South East and North East Asia and, where appropriate, a role in regional security consistent with New Zealand’s interests and capabilities
- a global approach which supports New Zealand’s place in an international community committed to the maintenance of human rights and the collective security responsibilities enshrined in the United Nations (UN) Charter, and which strengthens New Zealand’s international economic linkages.

Within this context the Ministry's strategic direction, framed as a high-level outcome, is designed to ensure that:

- **New Zealand is secure and New Zealand's contribution to regional and international peace and security is effective.**

The ability to respond to events in the security environment (whether those events are proximate or prospective) is fundamental to New Zealand's security. Before sensible responses can be made the Government needs to be sure that it is receiving comprehensive and coherent advice on the issue at hand. That is so whether the advice relates to the deployment of forces at short notice, or the acquisition of major equipment to respond to potential changes in the international environment that might not occur for 10 or more years, and after which the equipment might remain in service for another 40 years.

To support its high-level outcome, the Ministry has three intermediate outcomes:

- the Government has security, defence and capability policy options that allow it to respond to the international, regional and local security environment appropriately
- the New Zealand Defence Force is equipped with those major systems and equipments it needs to contribute to the Government's defence and security sector requirements
- the Government is provided with independent audit advice on the performance of the New Zealand Defence Force and the procurement activities of the Ministry of Defence.

The intermediate outcomes are discussed in detail in the next section.

## Operating intentions

This section of the SOI applies the requirements of section 40 (c) (i) of the *Public Finance Act 1989*, which requires a statement of 'how the department intends to perform its functions and conduct its operations to achieve those impacts outcomes or objectives'.

### **Outcome 1: The Government has security, defence and capability policy options that allow it to respond to the international, regional and local security environment appropriately.**

#### **What we are seeking to achieve**

With this outcome the Ministry intends that whenever the Government needs to make a decision relating to the achievement of its defence and security sector objectives, it understands the context of the environment within which it has to make decisions and has choices available to it to achieve its desired outcomes.

Specifically, whenever the Government is required to make a decision relating to the achievement of its objectives it will have:

- a range of policy options available to it
- sufficient knowledge to allow it to make the decision with an understanding of the opportunity costs involved and the trade-offs with other areas of policy that may have to be made
- an understanding of the economic implications involved in the options
- confidence that the options presented to it are complete and that each will achieve the desired outcome
- confidence that the options presented to it have been fully consulted between all interested Departments
- confidence that possible unintended consequences have been considered and mitigated against or explained fully.

#### **What we do to achieve this**

The Ministry has in place:

- systems to monitor and analyse the international security environment. This ensures that the best possible knowledge of the present and future international security environment is available
- close relationships with like-minded states. These reinforce our own surveillance and analysis of the region through the exchange of information and ideas
- developing relationships with some of the future leaders of the Asia-Pacific region such as China, Japan, Korea, India and Indonesia. These give us additional insights into regional events and attitudes
- processes to assess the validity of capability proposals made by the New Zealand Defence Force. These ensure that rigorous independent scrutiny is given to such proposals from a range of perspectives
- a continuing programme of long-term studies designed to illuminate areas of defence activity that will become important in the future, even if they are not yet salient. These include studies on potential demographic issues and problems (such as recruitment and retention) within the armed forces and on the possible strategic environment looking 30 to 35 years into the future.

### **How we demonstrate success in achieving this**

The Ministry's policy advice is successful if:

- the outcomes at which the advice is aimed occur as intended, within the constraints imposed by factors outside the Ministry's control
- the advice is accepted by stakeholders as realistic and useful
- the advice contributes effectively to the analysis of the issues.

### **Performance Indicators**

The Ministry's performance under outcome 1 is measured by the following key indicators (which take measures of the quality of the intervention as a proxy for cost effectiveness):

- obtaining feedback from stakeholders as to the output quality, timeliness and effectiveness of our work
- identifying key risks associated with capability and performance
- reviewing levels of direct costs and resources as appropriate to production of the output.

## **Outcome 2: The New Zealand Defence Force is equipped with those major systems and equipments it needs to meet the Government's defence and security sector requirements.**

### **What we are seeking to achieve**

The New Zealand Defence Force receives the major equipment items it needs to contribute to government defence policy requirements.

This outcome is based on the statutory requirement for the Ministry of Defence to acquire major capital equipment for the New Zealand Defence Force. Unless these acquisitions are managed effectively, the New Zealand Defence Force will not have the equipment to give military options for the Government to implement its policy choices. This links directly with Outcome 1.

### **What we do to achieve this**

To ensure the success of this outcome the Ministry:

- assesses all equipment proposals against government policy
- ensures that all equipment proposals are analysed in detail to ensure they are technically suitable and financially affordable
- establishes project teams to manage all aspects of equipment procurement
- builds linkages with the New Zealand Defence Force to ensure that the equipment received is the equipment needed and that there is a seamless transition from equipment specification through equipment acquisition to its introduction into service.

### **How we demonstrate success in achieving this**

This outcome is successful if:

- the equipment enters service on time, to budget and with the capabilities agreed by the Government
- the equipment meets the expectations of the New Zealand Defence Force

- there is a seamless handover of the equipment from the project acquisition team to the end user for entry into service.

### **Performance Indicators**

The Ministry's performance under outcome 2 is measured by the following key indicators (which take measures of the quality of the intervention as a proxy for cost effectiveness):

- obtaining feedback from stakeholders as to the output quality, timeliness and effectiveness of our work
- self-review and external evaluations of performance
- maintaining ISO 9001 accreditation in relevant work areas
- identifying key risks associated with capability and performance
- reviewing levels of direct costs and resources as appropriate to production of the output.

## **Outcome 3: The Government is provided with independent audit advice on the performance of the New Zealand Defence Force and the procurement activities of the Ministry of Defence.**

### **What we are seeking to achieve**

Confidence, through provision of assurance, or recommendations leading to improvement, in the efficiency and effectiveness of management systems within the New Zealand Defence Force and the procurement activities of the Ministry of Defence.

This outcome is based on the statutory requirement for the Secretary of Defence to arrange for the assessment and audit of any function, duty or project of the New Zealand Defence Force and of the procurement activities of the Ministry of Defence. We will deliver a range of assessments and audits when required by, or to a programme approved by, the Minister of Defence.

We will also undertake audits of the controls on hazardous substances under the control of the Minister of Defence, as required by the Hazardous Substances and New Organisms Act 1996.

### **What we do to achieve this**

The Ministry maintains a specialist evaluation unit that assesses and audits the performance of the New Zealand Defence Force and the Ministry of Defence in areas such as:

- the delivery by the New Zealand Defence Force of its outputs
- the effectiveness of New Zealand Defence Force management systems and practices
- the management by the Ministry of Defence of major capability acquisition projects
- the system of controls over hazardous substances.

### **How we demonstrate success in achieving this**

This outcome is successful when:

- key stakeholders have confidence in New Zealand Defence Force and Ministry management processes because of the breadth and depth of our audits
- assessments and audits identify areas of needed change in management practices
- assessments and audits are completed according to an approved schedule or as required by the Minister of Defence.

**Performance indicators**

The Ministry's performance under outcome 3 is measured by the following key indicators (which take measures of the quality of the intervention as a proxy for cost effectiveness):

- meeting annual targets for audit reports
- obtaining feedback from stakeholders as to the output quality, timeliness and effectiveness of our work
- identifying key risks associated with capability and performance
- reviewing levels of direct costs and resources as appropriate to production of the output.

## Managing in a changeable operating environment

### Analysing and managing risks and opportunities

The Ministry will continue to review the operating environment, the risks that must be managed, and the opportunities available. In doing so, the Ministry will need to identify and monitor the strategic risks and opportunities that are likely to be faced both within individual divisions and as an organisation. The Ministry will ensure that the Government is fully advised with regard to those risks and opportunities.

In the Acquisition Division, individual acquisition projects undergo comprehensive risk analysis, mitigation, and management. The Acquisition Division also maintains certification to ISO 9001 for quality management processes and outcomes.

The *Capability Management Framework* has provided a direction for establishing mechanisms for defining the capabilities required of the New Zealand Defence Force. It also provides a means for identifying the risks and opportunities prior to any equipment procurement.

### Ministry of Defence's risks

The Ministry has identified the following key strategic risks:

Risk	Management strategy
<p><b><i>Failure of acquisition projects</i></b></p> <p>A failure in one or more of the Ministry's acquisition projects, whether in terms of timing, budget (almost invariably very large), deliverables or any other key aspect of a project, will have a significant impact on the Ministry – including in terms of its reputation and credibility. In addition, the Ministry's acquisition projects frequently require assessment and purchase of high-cost equipment, which is still under development.</p>	<ul style="list-style-type: none"> <li>• Each project undergoes comprehensive risk analysis and utilises independent risk consultants to identify project-specific risks at the outset of the acquisition process.</li> <li>• Undertaking effective monitoring and reporting through the project's duration, including audits by Audit New Zealand and the Ministry's Evaluation Division.</li> <li>• Maintaining and enhancing quality and capability of our acquisition project people, through policies which ensure high professional standards, integrity and objectivity and require peer reviews and quality assurance regimes.</li> <li>• Ensuring each project has appropriate support in terms of suitably qualified staff and satisfactory support arrangements for staff posted overseas.</li> </ul>

Risk	Management strategy
<p><b><i>Failure to recruit and/or retain staff</i></b></p> <p>The Ministry is one of the smaller government departments, which means that the Ministry's staff are critical to the success of the organisation. Loss of one staff member may have a serious impact on not just major projects, but the full range of all the Ministry's outputs.</p> <p>Recruitment, as well as retention, is increasingly being put at risk as a result of heightened security checks undertaken on prospective employees, which can take up to six months to complete.</p> <p>The Ministry's ongoing ability to attract and retain suitably qualified staff, including staff based offshore, and maintain investment in their development, is at risk if we cannot maintain our competitiveness and attractiveness as an employer.</p>	<ul style="list-style-type: none"> <li>• High-level engagement to facilitate more efficient and timely security checks.</li> <li>• Reprioritisation of existing resources to ensure funding for enhanced employment opportunities while exploring opportunities for increased baseline allocation for enhanced employment arrangements.</li> <li>• Active recruitment programme.</li> <li>• Maintaining and enhancing quality and capability of our people through policies which ensure high professional standards, integrity and objectivity and require peer reviews and quality assurance regimes.</li> </ul>

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***Not maintaining credibility and reputation***

Any damage to the credibility and reputation of the Ministry would seriously impair its effectiveness, particularly in terms of its role in supporting New Zealand's defence and security objectives. Such damage could occur as a result of any failure in the Ministry's outputs, including a failure to adequately respond, react, or envisage changing defence and/or security circumstances or to adequately fulfil our remit to provide robust, independent civilian policy advice.

- Strengthen management and organisational processes within the Ministry and with the New Zealand Defence Force, whilst continuing to retain the statutory independence of the Ministry's role vis-à-vis the New Zealand Defence Force.
- Provide the necessary corporate and operational support to the Ministry's acquisition and/or policy areas.

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The Ministry's management of risk is supported by:

- evaluation reports produced by the Evaluation Division on the Ministry's acquisition activities
- oversight of the policy and acquisition activities by the Executive Capability Board and Office of the Chief Executives (both having joint Ministry and New Zealand Defence Force representation)
- consistent Ministerial and other agency feedback on our activities.

## Organisational health and capability

The Ministry of Defence aims to have top-quality people, relationships, and processes that will enable us to achieve our intermediate and high-level outcomes.

While we continue to have areas of strong capability, and areas where capability is improving, we also have areas that need further improvement.

### People

The Ministry aims to attract and retain people for the following roles:

- high-quality policy analysts and advisers
- project managers who can manage military equipment procurement
- evaluation analysts who can assess and audit defence activities and functions
- corporate roles with a technical focus.

In a tight labour market the Ministry, with only 57 permanent staff<sup>1</sup>, must ensure it has the right people in the right job at the right time.

We will continue to play our part in upholding and reinforcing the ethical standards that will ensure the New Zealand Public Service deserves and holds the respect of its citizens.

#### Policy analysts and advisers

The Ministry attracts highly qualified graduates with a real interest in defence. We ensure we have the right human resources policies to recruit, develop, train, and retain high quality policy analysts. We want to develop further the depth of knowledge of defence issues held by our analysts and expand their breadth of knowledge about government processes and practices.

To help achieve this, we maintain a comprehensive training programme as well as an active secondment policy. Mutual secondments of policy analysts with the Ministry of Foreign Affairs and Trade are extremely beneficial in enabling our staff to gain a broader understanding of how New Zealand's security and prosperity is advanced and protected abroad.

The Ministry's policy capability has been strengthened by the recruitment of a number of highly qualified and experienced advisers with particular expertise in relevant kinds of technical analysis. These advisers work within the Ministry's Policy and Planning Unit to provide a sound base of technical and financial analysis on which the Ministry's policy advice can be developed.

#### Acquisition project managers

We require people with expertise in the acquisition of military capability. This is a highly specialised area that requires capable people who operate to public service standards in a highly competitive commercial environment.

Project managers and project officers may be required to live overseas for extended periods to supervise an acquisition project. The Ministry is too small and specialised to train and retain people in the full range of skills required. The Ministry must therefore recruit project managers and project staff who have already developed the necessary skills and experience.

<sup>1</sup> Source, SSC Statistics based on 2007 HRC survey of all Government Departments.

A project manager may lead a team of up to 10 project officers (usually seconded from the New Zealand Defence Force) and manage a number of external providers of services, for example: consultants who provide independent verification and validation of specifications; lawyers to prepare contracts and provide support on contractual issues; risk management consultants, independent project specific advisors and specialist auditors. We need project managers who can protect the Crown's interests through complex and multi-faceted projects.

### **Evaluation analysts**

In our Evaluation team we seek to maintain a broad range of skills, disciplines and backgrounds. We undertake training with our Australian counterparts to facilitate continuing professional development. We are also maintaining links with the Office of the Auditor-General.

### **Corporate roles with a technical focus**

The Ministry aims to attract and develop skilled professionals in the areas of Information Management, Information Communication and Technology, Human Resources and Finance. The Ministry also provides the practical experience requirements for admission to the College of Chartered Accountants.

## **Organisational health**

The compact nature of the Ministry helps to ensure that staff views are given the high level of importance they deserve. In addition to informal communication pathways, the Ministry runs a system of both exit and post appointment interviews with staff. This provides a confidential mechanism for staff to deliver feedback and suggestions for improvement of processes and practices observed within the Ministry. Human Resource indicators such as turnover, absence and performance are also regularly monitored to identify any trends.

The Ministry is progressing the use of Lominger methodologies to describe role competencies, so Ministry employees know what it takes to be successful in their role and what the demonstrated behaviours are, to deliver improved performance.

We recognise that employee engagement with the Ministry has a strong correlation to performance. The Ministry measures employee engagement through employee surveys to discover and act on opportunities to further improve this engagement.

Human Resources policies, processes and staff development plans are developed in consultation with staff, agreed and regularly monitored, to ensure the most efficient and effective use of budget and resources in capability development.

## **Continual improvement**

Our capability to persuade and influence, to ensure that we are credible and respected, must continue to be monitored to ensure we maintain continuous improvement. We will assess whether our capability development is delivering the outcome we need. This will be measured by periodic internal review, drawing on the stakeholder feedback we receive on our effectiveness.

## **Commitment to sustainability**

The Ministry contributes to the Government's sustainability initiatives through membership of the Govt<sup>3</sup> programme. We have completed our inaugural carbon emissions inventory and a carbon emissions reduction plan is now in effect. Further work will result from these strategies. The Ministry is actively

engaged in maximising energy efficiency, minimising waste and progressing sustainable departmental procurement practices.

## Equal employment opportunities

We have commenced a Pay and Employment Equity Review. Pay and employment equity recognizes the relative position of men and women in the workforce and is an important issue for the Public Service. The Ministry's review will be completed by 30 June 2008 when we provide copies of our review report and response plan to the State Services Commission and the Department of Labour.

The Ministry is committed to the State Services Commission's Equality and Diversity: New Zealand Public Service Equal Employment Opportunities Policy.

## Departmental capital intentions

The Ministry's forecast capital expenditure for 2008–2011 is:

	2007/08 \$000	2008/09 \$000	2009/10 \$000	2010/11 \$000
Property, plant and equipment	122	300	125	50
Intangibles	116	75	120	40
<b>Total appropriation</b>	<b>238</b>	<b>375</b>	<b>245</b>	<b>90</b>

The Ministry's assets are office furniture and equipment, leasehold improvements, IT equipment and computer software.

A capital expenditure plan will be maintained for the full period covered by this SOI. The plan will identify new and replacement capital items required by the Ministry to deliver its stated outcomes and outputs. The need to incur capital expenditure will be considered from a business case justifying a necessity to purchase, identifying proposed costs and benefits, the depreciation effect on Vote Defence and affordability within the capital appropriation.

The Ministry's operating intentions are to physically check all capital items at least once in the 12 months ended 30 June, to review at regular intervals capital items reaching a zero book value and consider their need for replacement in order to maintain a consistent annual level of depreciation that provides an effective asset base to allow the Ministry to function as planned.



MINISTRY OF  
**DEFENCE**

Manatū Kaupapa Waonga