

# MINISTRY OF DEFENCE INFORMATION RELEASE

## Ministry of Defence Savings Initiative 2024

September 2024

This publication provides details of the Ministry of Defence's work to deliver on the Government's Savings Initiative over the period November 2023 to May 2024.

From the 2024/25 financial year the Ministry has made \$2 million in savings to its operating budget. The annual savings comprise:

- \$1.3 million reduction in personnel via managing vacancies and fixed term roles;
- \$500,000 reduction in contractors and consultants; and
- \$200,000 reduction in other operating expenditure such as domestic and international travel for diplomacy and engagements and staff training.

The Ministry will remove 12 positions by managing vacancies and fixed term roles, as well as a corresponding reduction in contractor and consultant costs. No redundancies or change processes have taken place.

The reduction in personnel costs does not necessarily equate to an overall reduced headcount at the Ministry. The majority of our work programme relates to multi-year, large scale military procurement which is funded largely from capital expenditure rather than operating. As capital projects are completed and new ones approved, our workforce can change as a result.

As a result of the savings, the Ministry will continue to re-reprioritise resources to support Government priorities as future activities arise.

The pack comprises the following documents:

- SLT item and associated minutes: *Budget 2024 – Savings Initiatives*, 12 February 2024
- SLT item and associated minutes: *Updated forecasts – Savings exercise*, 25 March 2024 (this item was considered on 2 April 2024)
- SLT items and associated minutes *Baseline Savings exercise and Long-term forecast*, 24 April 2024

As additional context, also enclosed are emails from the Secretary of Defence to all Ministry staff, dated 28 March and 10 May, along with:

- speech notes for a speech delivered by the Secretary of Defence: *Secretary of Defence's Opening Remarks, Town Hall Meeting 1000 Thursday 7 March 2024* and
- slides for a presentation to staff on the Ministry's savings, from 24 June 2024.

Please note that early-stage planning and forecasts that are included represent a point in time, and are subject to change.

This pack has been released on the Ministry of Defence website, available at: [www.defence.govt.nz/publications](http://www.defence.govt.nz/publications).

Related information is available from the following links:

- Beehive press release regarding Defence funding in Budget 2024:  
<https://beehive.govt.nz/release/571-million-defence-pay-and-projects>.
- Budget 2024 Vote Defence appropriations on the Budget website:  
<https://budget.govt.nz/budget/2024/by/dept/>.
- The Budget 2024 information release is available from the Treasury website at:  
<https://treasury.govt.nz/publications/budgets/budget-information-releases>

It has been necessary to withhold certain information in accordance with the following provisions of the Official Information Act 1982. Where information is withheld, the relevant sections of the Act are indicated in the body of the document. No public interest has been identified that would outweigh the reasons for withholding it. Information is withheld in order to:

- protect the privacy of natural persons [section 9(2)(a) of the Act]
- maintain the constitutional conventions for the timing being which protect the confidentiality of advice tendered by Ministers of the Crown and officials [section 9(2)(f)(iv) of the Act]
- maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any department or organisation in the course of their duty [section 9(2)(g)(i) of the Act].



# Budget 2024 - Savings Initiatives

## February 2024



**MANATŪ KAUPAPA  
WAONGA**  
NEW ZEALAND  
MINISTRY OF DEFENCE

# Overview of Budget 2024 savings process

## Savings Expectations: Ministry of Defence

MOD has been tasked with saving 7.5% of its departmental spend, which equates to = **-\$2.0m**

**pa**

- Reduction in baseline will apply from 2024/25
- Ministry was allocated 7.5% based on its increase in headcount since 2016/17 being 65% (however, excluding capital projects, which are funded separately, increase in headcount has been 19% since 2016/17)

s9(2)(g)(i)

The reduction on spend on contractors and consultants will contribute to the Ministry's overall reduction in expenditure of \$2.0m per annum.

## Timeframes

- Letter due to MOF by 16 Feb
- March – initial SLT discussion on 2024/25 planning process, including considering the Minister's feedback, confirming priorities and key planned actions to reduce expenditure
- Late March / early April – formal Budget decisions made
- Budget decisions to be made in March, with formal approval by Cabinet early-mid April
- April / May – bottom-up budget process for 2024/25 undertaken with divisions. This will incorporate financial impact of Budget 2024 decisions
- May – SLT to consider draft 2024/25 Budget
- June – SLT to formally approve 2024/25 budget ahead of the start of the financial year

# How can it be achieved?

SLT has sought to reduce expenditure in the 2024/25 forecasts to enable the Ministry to fund any potential savings of 7.5 % / \$2.0m.

SLT has recommended to achieved this by making a number of organisational-wide adjustments. Key assumptions are:

- Reduction in contractor and consultant of ~\$0.9m from the 2023/24 forecast level, with only specific recurring items included e.g. Audit and Assessment, policy review for Annual Report etc.
- Reduction in 12 FTE Fixed term employees/positions
- s9(2)(c)(i)
- Reduced travel with adjustment to 2022/23 actual expenditure levels (+ specific Pacific-funded costs in relation to secondments – refer 'Travel' tab)
- SLT's discussion is sought on the current sponsorships outlined in this presentation and whether any should be discontinued in outyears
- A vacancy rate of 1% has been assumed (lower than historical average, but reflective of a likely reduction in public sector jobs in Wellington and staff less likely to leave)

# OUTYEAR FORECASTS

The result of this exercise are that the Ministry can achieve the expected savings of 7.5% as illustrated here:

\$000s	Total Ministry	
	2023/24	s9(2)(g)(i) s9(2)(f)(iv)
<b>Personnel Costs</b>	19,610	
<b>Operating Costs</b>		
<i>Consultants &amp; Professional Services</i>	1,354	
<i>Legal</i>	201	
<i>Travel</i>	1,117	
<i>Training</i>	347	
<i>Sponsorships &amp; Contributions</i>	307	
<i>Rental &amp; NZDF services</i>	1,787	
<i>Audit fees</i>	239	
<i>Other</i>	977	
<i>Repairs &amp; Maintenance</i>	3	
<b>Total Operating Costs</b>	<b>6,331</b>	
Depreciation & Capital Charge	202	
<b>Total</b>	<b>26,143</b>	
Crown funding	26,515	
<b>(over) / under spend</b>	<b>372</b>	
<b>Targeted savings @ 7.5%</b>		
<i>Over / (under) achieved</i>		

The savings should be achievable within 2024/25 with implementation plan, careful and active management of divisional budgets.

Divisional forecasts are disclosed in the appendices.

# Contractors & Consultants

The Ministry's historic spend and projected future spend on contractors and consultants is shown here:

## Contractor and Consultants:

\$M	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	s9(2)(g)(i) s9(2)(f) (iv)
Department	1.3	1	1.2	0.7	1.7	1.3	
Pre-Acq	0.3	0.2	1.1	1.3	2.8	1.7	
<b>Total Operating</b>	<b>1.6</b>	<b>1.2</b>	<b>2.3</b>	<b>2</b>	<b>4.5</b>	<b>3.0</b>	
Crown (capital)	0.3	1.5	1.1	2.9	4.8	4.8	
<b>Total</b>	<b>1.9</b>	<b>2.7</b>	<b>3.4</b>	<b>4.9</b>	<b>9.3</b>	<b>7.8</b>	
Workforce excl Capital	10%	7%	15%	13%	23%	15%	
Workforce incl Capital	12%	17%	22%	31%	48%	40%	

s9(2)(g)(i)

In order to achieve the projected reduction in contractors and consultants, the following will continue to be need to be undertaken:

- Agreed budgets set for each division, and project per annum (noting projects do not currently have annual budgets for any type of expenditure), and
- Regular monitoring and reporting of spend to SLT and active management by Finance budget managers

# Impact to be managed

If the proposed actions / assumptions summarised in this paper are implemented by SLT, they are likely to have the expected impacts:

- Reduction in contractor and consultant spend will significantly limit the Ministry's ability to engage external resources to respond to short-term priorities. History tells us that there are a number of these each year.
- Reduction in 12 FTE Fixed term employees/positions will particularly impact GPES and DPPD, and the service offerings from these divisions.

s9(2)(g)(i)

- Reduced opportunities for engagement may impact the Ministry's capability to engage with its international partners

s9(2)(g)(i)



**STRATEGIC LEADERSHIP TEAM (SLT) MEETING  
MINUTES – QUARTERLY SESSION**

**MONDAY 12 FEBRUARY 2024 – 1200-1430**

**RĀHINA 12 HUITANGURU 2024**

**MEETING HELD IN DH\_1.35 CDF EXECUTIVE BOARDROOM**



**MANATŪ KAUPAPA  
WAONGA**  
NEW ZEALAND  
MINISTRY OF DEFENCE

**Present**

Andrew Bridgman	Secretary of Defence	SECDEF
Anton Youngman	Deputy Secretary Strategy Management and Assessment	DS-SMA
Sarah Minson <b>(Chair)</b>	Deputy Secretary Capability Delivery	DS-CD
Pasanka Wickremasinghe	Chief Financial Officer	CFO
Richard Schmidt	Deputy Secretary Defence Policy and Planning	DS-DPP
Mel Childs	Deputy Secretary Governance, People and Executive Services	DS-GPES
Melissa Thorn	Chief People Advisor	CPA
Huntley Wright	Assistant Secretary Capability Delivery	AS-CD
s9(2)(g)(i)	Director OSECDEF	Secretariat

**Business**

Item	Topic	Lead	Outcome / Action Items
	Out of scope		

Released under the Official Information Act 1982

Item	Topic	Lead	Outcome / Action Items
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Out of scope

Released under the Official Information Act 1982

Item	Topic	Lead	Outcome / Action Items
Out of scope			

Released under the Official Information Act 1982

Item	Topic	Lead	Outcome / Action Items
Out of scope			
6	<p><b>Ministry savings update</b></p> <p>CFO advised that the Ministry needed to now start looking at implementation to meet the savings target of 7.5%, with Finance to develop a template and work with Deputy Secretaries.</p> <p>CFO advised that in April / May Finance would work with Deputy Secretaries to produce a bottom-up 2024/25 budget for each division (which would incorporate the financial impact of B24 decisions). In May SLT would need to consider the draft 2024/25 Ministry budget, with consideration of the final budget to occur in June ahead of the new financial year.</p> <p>CFO asked that if any feedback had come through from divisions on ideas for savings to let Finance know.</p>	CFO	<p>SLT <b>agreed</b> to discuss prioritisation and resourcing at a March SLT meeting.  <i>N.B. to occur during 25 March SLT bimonthly meeting.</i></p>
Out of scope			

Released under the Official Information Act 1982

**ACTION ITEMS (new additions in red)**

Item No.	Date of meeting raised	Action Item	Who	Due Date	Comment	Status
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Out of scope

Released under the Official Information Act 1982

**Speech Notes Excerpt**  
**Secretary of Defence's Opening Remarks**  
**Town Hall Meeting 1100 Thursday 7 March 2024**

**Savings and Efficiencies**

As previously indicated, the Government is looking to identify \$1.5 billion per annum in savings across the public service, to deliver on policy commitments and address critical cost pressures.

Agency savings targets have now been released and as you are aware the Ministry's target is to save 7.5 percent from next financial year.

We are committed to supporting the Government's priorities and the savings exercise and I ask you all to remain focused on ongoing delivery and cost efficiency.

Many of you have already taken steps to carefully manage Ministry expenditure over the past six months and myself and SLT would like to express our appreciation to all staff for this.

We are working to identify credible savings options, and Ministers will consider these alongside our rationale, risks and trade-offs required to reach our target.

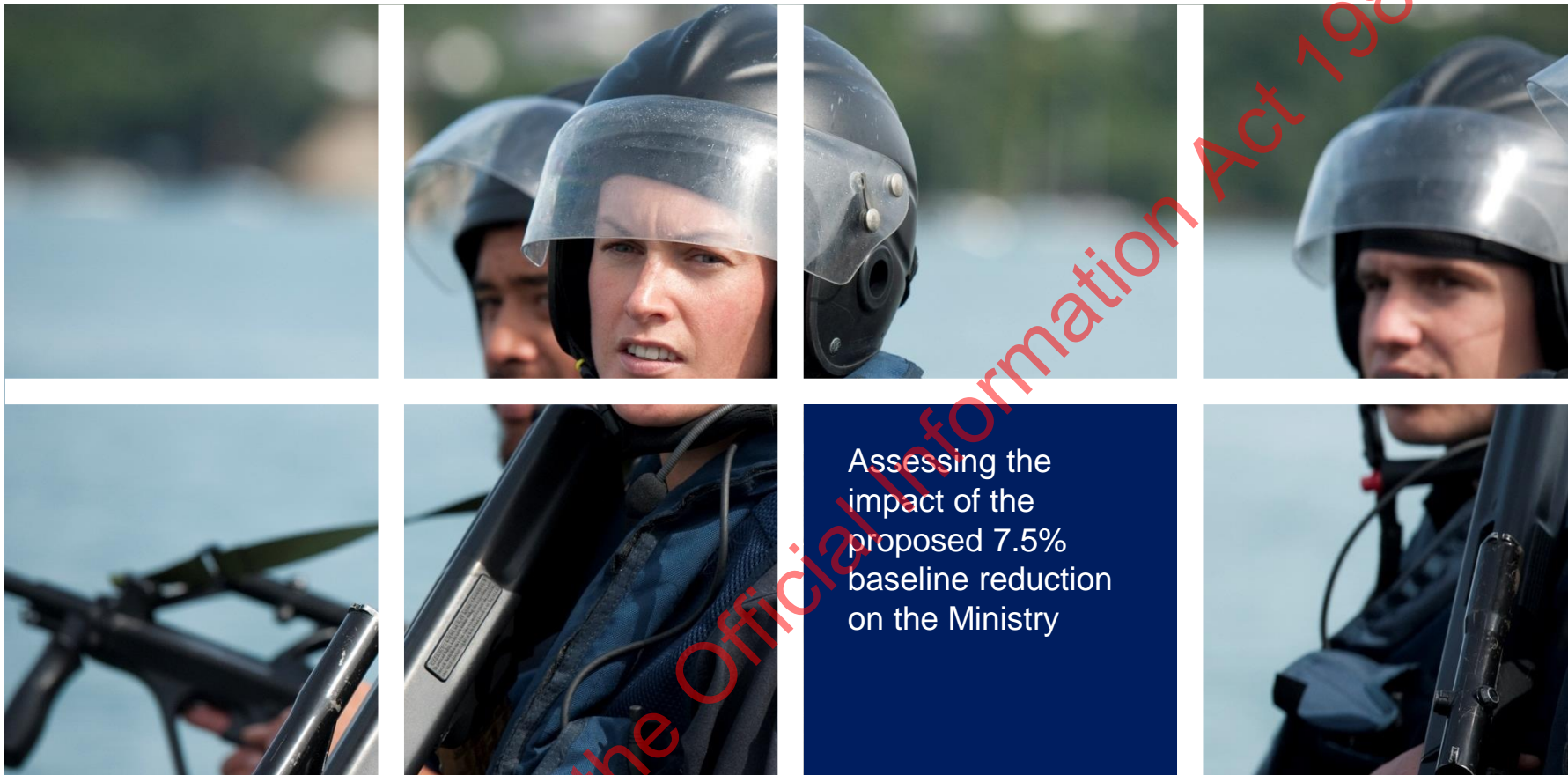
Our priority is to look for savings from discretionary areas, for example, our operational consultancy and contracting spend, travel, assessing vacancies on a case by case basis and reprioritising and reducing some activities.

Any specific details will remain budget sensitive until the Budget is released, however we will share as much information as we are able to over the next few weeks and months.

I also want to acknowledge that many of you are working on future financial commitments for defence, whether that be via the Defence Capability Plan, business cases or Budget 24 supporting information. This work must continue as it is vital that we provide Government with options for the future of Defence.

I appreciate there is a degree of uncertainty in the public sector right now and you will no doubt be reading reports of some agencies who are beginning to talk to staff about change processes. This is not the case for us right now, and we are focused on looking across our discretionary spend to identify saving options, and reprioritising and reducing some activities.

Released under the Official Information Act 1982



Assessing the impact of the proposed 7.5% baseline reduction on the Ministry

# Updated forecasts – Savings exercise

25 March 2024





# Purpose

- To provide SLT with the updated forecasts for 2024/25 and beyond, taking into account decisions made by SLT on 11 March
- To discuss/note the remaining items that are still outstanding for consideration, and
- To discuss next steps for communication and implementation.

“

The Ministry has a plan to achieve the required savings in 2024/25 but risks to 2025/26 and beyond remain

# Updated forecasts

The long-term forecasts have now been updated, incorporating changes agreed by SLT on 11 March.

\$000s	Total Ministry		
	2023/24	s9(2)(g)(i)	s9(2)(f)(iv)
<b>Personnel Costs</b>	19,098		
<b>Operating Costs</b>			
<i>Consultants &amp; Professional Services</i>	1,390		
<i>Legal</i>	155		
<i>Travel</i>	837		
<i>Training</i>	361		
<i>Sponsorships &amp; Contributions</i>	258		
<i>Rental &amp; NZDF services</i>	1,772		
<i>Audit fees</i>	239		
<i>Other</i>	929		
<i>Repairs &amp; Maintenance</i>	1		
<b>Total Operating Costs</b>	<b>5,941</b>		
Depreciation & Capital Charge	159		
<b>Total</b>	<b>25,198</b>		
Baseline Funding (after 7.5% reduction)	25,015		
<b>(over) / under spend</b>	<b>(183)</b>		
Time-limited funding	745		
<b>(over) / under spend</b>	<b>562</b>		

Forecasts updated since 11 March for:

- Reduced training allocation from \$1k to \$500 per person
- Reduced cost of staff inductions
- Discontinued magazine subscriptions, and
- Discontinued personal accident insurance.

Note: There maybe upside in rental costs if some projects move to capital.

# Items still under SLT consideration

The items below were discussed by SLT on 11 March, and are still under consideration.

Item	Potential savings	Potential savings incorporated in current forecasts?
Review wellbeing allowances (these increased from \$300 pp + tax to \$500 pp + tax during covid)	s9(2)(g)(i)	No
Promotions only available to vacant roles (in order to maintain establishment levels)	Nil from current forecasts. Cost of promotions are not forecast due to uncertainty, so this would mitigate risk rather than reduce existing forecasts.	
<p style="text-align: center;">s9(2)(g)(i) s9(2)(a)</p>		
Review visual health allowances	\$5k - \$15k *	No
<p style="text-align: center;">s9(2)(g)(i)</p>		

s9(2)(g)(i)

# Agreed items on 11 March

A list of the agreed actions on 11 March is summarised below.



Item	Potential savings	Action agreed
Review SLT away days	\$4k	<b>Agreed to discontinue.</b> Cost reduction now incorporated in forecasts
Reduce training budgets from \$1,000 per person to \$500 (noting most teams don't spend this)	\$70k	<b>Agreed to reduce.</b> Cost reduction now incorporated in forecasts
Review Ministry contribution to Christmas party	\$3k	<b>Agreed to continue,</b> no impact on forecasts
Discontinue Tapu Tai interns	\$25k	<b>Agreed to reduce.</b> Costs removed from forecasts.
Review DIA awards dinner	\$30k	<b>Agreed to continue,</b> no impact on forecasts
Review staff inductions	\$8k	<b>Agreed to reduce to \$2k per annum.</b> Costs reduced in forecasts.
Consider option to have town halls at Defence House	\$2k	<b>Agreed to continue,</b> no impact on forecasts
Review Learning Development Centre (LDC) Membership	\$12k	<b>Agreed to continue,</b> no impact on forecasts
Review ongoing Sykes legal support for CD	\$75k	<b>Agreed to continue,</b> no impact on forecasts
Discontinue all magazine subscriptions	\$4k	<b>Agreed to discontinue.</b> Cost reduction now incorporated in forecasts
Discontinue newspaper subscriptions	\$3k	<b>Agreed to continue,</b> no impact on forecasts
Stop providing filter coffee	\$3k	<b>Agreed to continue,</b> no impact on forecasts
Discontinue Crombie Lockwood Personal Accident Insurance	\$3k	<b>Agreed to discontinue.</b> Cost reduction now incorporated in forecasts
Remove "fully-flexi" fares from domestic travel options	TBC	No

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# Contributions and Sponsorships

Current forecast \$50k reduction

Item	Annual Cost	Agreed action
s9(2)(g)(i)		
Ian Axford Fellowships – Annual Contribution to Fellowships in Public Policy		s9(2)(g)(i)
MFAT – Contribution to China Capably Public Sector		
Ministry of Transport – Maritime Security Strategy Programme Lead Club Fund		
NZ Customs Service – Contribution to National Maritime Coordinator Centre (NMCC)		
Te Poka Tara Universities – Freyberg Scholarship		
Victoria University – Contribution to Centre for Strategic Studies (CSS) <u>staffing costs</u> of NZ's membership of the Council for Security Cooperation in the Asia Pacific (CSCAP)		
Victoria University – Contribution to Centre for Strategic Studies (CSS) <u>operational costs</u> of NZ's membership of the Council for Security Cooperation in the Asia Pacific (CSCAP)		
<b>Total</b>		

Released under the Official Information Act 2002

# Risk

- Delivery of Regulatory review with currently forecast resources
-  s9(2)(a)
-  s9(2)(g)(i)
- 
- Managing the cyclical nature of CD resources between projects in-definition (operating) and delivery (capital)
- Delivering new priorities and/or funding unplanned expenditure
- Funding salary and other cost increases from 2025/26 onwards

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# Next Steps

- Focus on FTE tracking
- Implementation of agreed actions.
- Communicate process / expectations in relation to internal 2024/25 budget setting process
- Start considering any options for further potential funding reductions from 2025/26 onwards noting cost pressures to be managed
- Address remaining risks

Released under the Official Information Act 2087

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**From:** Bridgman, Andrew  
**Sent:** Thursday, 28 March 2024 10:19 a.m.  
**To:** MOD Employees Only (HR use)  
**Subject:** Community [unclassified]

Kia ora e te whānau,

I appreciate there is a degree of uncertainty in the public sector right now as some agencies begin to talk to their staff about change processes.

As previously indicated, the Government is looking to identify savings across the public service, and the Ministry's target is to identify options to save 7.5 percent annually from our operating budget.

As a smaller Ministry our biggest costs relate to our people but at this stage I do not expect to have to meet these savings targets by restructuring or redundancies. Our priority is to retain our core functions to deliver on Government priorities and to look for savings from discretionary areas, such as our operational consultancy and contracting spend, travel, and other areas. In addition, SLT will be continuing to assess recruitment and vacancies on a case by case basis.

Many of you have already taken steps to carefully manage expenditure over the past six months and on behalf of SLT I would like to express our appreciation to you all for this. We are committed to supporting the Government's priorities and the savings exercise and I ask you all to remain focused on ongoing delivery and cost efficiency across all activities within the Ministry.

Should you have any questions, please don't hesitate to talk to me or any member of the Strategic Leadership Team.

Finally, I am conscious that we are part of a community of public servants, and so many of us have colleagues, friends or family affected by some of the proposed changes. As you already know, and I have no doubt will be doing, it's important to look out for one another.

I hope you all have a great Easter weekend and a well-deserved break.

Ngā mihi nui,

Andrew



**STRATEGIC LEADERSHIP TEAM (SLT) MEETING  
MINUTES**

**TUESDAY 2 APRIL 2024 – 1230-1430**

**RĀTŪ 2 PAENGAWHĀWHĀ 2024**

**MEETING HELD IN DH\_1.35 CDF EXECUTIVE BOARDROOM**



**MANATŪ KAUPAPA  
WAONGA**  
NEW ZEALAND  
MINISTRY OF DEFENCE

**Present**

Anton Youngman	Deputy Secretary Strategy Management and Assessment	DS-SMA
Sarah Minson <b>(Chair)</b>	Deputy Secretary Capability Delivery	DS-CD
Pasanka Wickremasinghe	Chief Financial Officer	CFO
Mel Childs	Deputy Secretary Governance, People and Executive Services	DS-GPES
Melissa Thorn	Chief People Advisor	CPA
s9(2)(g)(i)	Director OSECDEF	Secretariat

**Business**

Item	Topic	Lead	Outcome / Action Items
	Out of scope		

Released under the Official Information Act 1982

Item	Topic	Lead	Outcome / Action Items
Out of scope			

Released under the Official Information Act 1982

Item	Topic	Lead	Outcome / Action Items
Out of scope			
4	<p><b>Updated forecasts – savings exercise (deferred from 25 March)</b></p> <p>SLT considered the updated forecasts (resulting from assessing the impact of the proposed 7.5% reduction in the Ministry’s baseline) for 2024/25 and beyond, having accounted for the decisions made by SLT on 11 March, including reducing the training allocation per person, reducing the cost of staff inductions and discontinuing most magazine subscriptions and personal accident insurance.</p> <p>SLT discussed the line items still under consideration on slides 4-6 of the presentation.</p> <p>SLT particularly discussed the current wellbeing subsidy that staff can claim, and whether savings should be made from, for example, adjusting the amount from a \$500 net to \$500 gross payment. SLT agreed to not make any adjustment at this time, subject to CFO consulting with SECDEF.</p> <p>SLT discussed risks and assumptions associated with the savings proposals.</p> <p>SLT further discussed next steps in terms of implementing agreed actions; continuing to track FTE; and communicating the process/expectations in relation to the internal 2024/25 budget setting process</p>	CFO	<p>SLT <b>noted</b> the updated forecasts and that the final outcome of budget would be provided to SLT for consideration in April.</p> <p>SLT <b>agreed</b> to not make any adjustment to the wellbeing subsidy at this time, subject to final consultation with SECDEF.</p>
Out of scope			

Released under the Official Information Act 1982

Item	Topic	Lead	Outcome / Action Items
Out of scope			

Released under the Official Information Act 1982

Item	Topic	Lead	Outcome / Action Items
Out of scope			

Released under the Official Information Act 1982

**ACTION ITEMS (new additions in red)**

Item No.	Date of meeting raised	Action Item	Who	Due Date	Comment	Status
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Out of scope

Released under the Official Information Act 1982



# Baseline Savings exercise



# Overview

- Baseline Review Target (BRT) 7.5% equivalent to \$2m from the Ministry's departmental appropriation have been submitted and is awaiting budget decision for announcement in May.
- Savings predominantly achieved through:
  - Reduction in Contractor and consultants spend
  - Reduce FTE through holding vacancies and fixed term roles ending
  - Reduction in other costs
- Challenges and risks:
  - Known and unknown future cost pressures need to be actively managed
  - Minimal capacity to address short-term initiatives going forward the pace with which larger policy projects could be progressed and Defence capability procurement.
  - Reduced ability to undertake and support some Defence diplomacy and engagements,
  - redistribution of some support services out to the business, reducing overall capacity.
  - Mitigation of these risks will be managed through reprioritisation.



The Ministry has a plan to achieve the required savings with cost pressure and future risks to be managed



# Expenditure reductions

## Personnel \$1.3m

- The majority of staff work on capability projects from concept to delivery and the Ministry's headcount fluctuates as capability projects are approved. With \$6 billion of major projects currently in delivery The increased headcount over recent years has been predominantly fixed term staff working on major projects and funded through capital expenditure
- Ministry's FTE at 30 June 2023 was 194.
- Ministry received funding for enhanced engagement Pacific initiative as well as capital funding for frigate sustainment programme and bushmaster comms projects as part of Budget 23. As a result the Ministry's FTE increased to 199 by 30 September 2023.
- Ministry Fixed term roles account for ~42% of the Ministry workforce as at 31 March 2024.
- There will be 12 fewer FTE as part of BRT. This represented 6.3% of FTE as at March 2024. These role are through ending fixed term and holding vacancies. Reduction in roles are in GPES, Finance, DPPD and Capability Delivery.
- Majority of Ministry's staff work on complex military capability projects from concept to delivery and as a result headcount fluctuates as capability projects are approved and completed

## Contractor & consultants \$500k

- \$500k reduction to contractors and consultants with remaining consultant spend focused on deliver mandated or business-critical activities such as Audit and Assessment of the NZDF mandated by the Defence Act.
- In recent years the Ministry has also used contractors and consultants to support its work such as establishment of Inspector General of Defence and the legislative review from within its existing baseline. Each of these pieces of work required short-term specialist advice that the Ministry did not have in-house. The Ministry need to reprioritise existing resources as such activities arise in the future.

## Other expenditure reductions \$200k

- Reduction in academic and contributions to partner agencies
- Some in domestic and international travel
- Reduction in Training expenditure
- Other expenditure reduction (i.e. venue hires and allowances).



## Long-term forecast



# Overview

- BRT 7.5% equivalent to \$2m from the Ministry's departmental appropriation have been assumed in the long-term forecasts on the next slide.
- Challenges, risks and opportunities:
  - Future cost pressures need to be continually managed
  - Reduced capacity to address short-term initiatives
  - Potential challenges for resourcing capability projects in-definition depending on the pipeline and timing for project approvals. We will work with Treasury as to how best to manage the fluctuating annual expenditure on projects between capital and operating project resources
  - Reduced ability to undertake and support some Defence diplomacy and engagements,
  - Redistribution of some support services out to the business, reducing overall capacity.
  - Rental costs will rise in 2024/25 with 5-year market review from April 2025 (potential 12%-15% increase), and timing and quantum of project approvals will impact how much can rent can be charged to projects
  - Risks will be managed through reprioritisation as demand risk arises.
  - Additional savings were also identified to manage some cost pressures such as training and other reductions in discretionary spend.

# Updated forecasts

\$000s	Total Ministry			
	2023/24	2024/25	2025/26	2026/27
<b>Personnel Costs</b>	19,098	s9(2)(g)(i)	s9(2)(f)(iv)	
<b>Operating Costs</b>				
<i>Consultants &amp; Professional Services</i>	1,390			
<i>Legal</i>	155			
<i>Travel</i>	837			
<i>Training</i>	361			
<i>Sponsorships &amp; Contributions</i>	258			
<i>Rental &amp; NZDF services</i>	1,772			
<i>Audit fees</i>	239			
<i>Other</i>	929			
<i>Repairs &amp; Maintenance</i>	1			
<b>Total Operating Costs</b>	<b>5,941</b>	<b>5,293</b>	<b>5,240</b>	<b>5,202</b>
Depreciation & Capital Charge	159	131	120	119
<b>Total</b>	<b>25,198</b>	<b>24,842</b>	<b>24,359</b>	<b>24,421</b>

Forecasts reflect BRT savings.

- Personal costs for 23/24 reflect normalised capability delivery personnel. Personnel in future years assumes a vacancy level of between 1% and 3%.
- Contractor and consultant excludes pre acquisition cost recovery projects funded by NZDF.
- Future cost pressures will need to be actively managed.

Baseline Funding (after 7.5% reduction)	25,015	24,217	24,372	24,460
<b>(over) / under spend</b>	<b>(183)</b>	<b>(625)</b>	<b>13</b>	<b>39</b>

Time-limited funding	745	1,050	-	-
<b>(over) / under spend</b>	<b>562</b>	<b>425</b>	<b>13</b>	<b>39</b>

**STRATEGIC LEADERSHIP TEAM (SLT) MEETING  
MINUTES – QUARTERLY SESSION**

**MONDAY 29 APRIL 2024 – 1230-1630**

**RĀHINA 29 PAENGAWHĀWHĀ 2024**

**MEETING HELD ON LEVEL 10, DEFENCE HOUSE**



**MANATŪ KAUPAPA  
WAONGA**  
NEW ZEALAND  
MINISTRY OF DEFENCE

**Present**

Anton Youngman	Deputy Secretary Strategy Management and Assessment	DS-SMA
Sarah Minson	Deputy Secretary Capability Delivery	DS-CD
Pasanka Wickremasinghe	Chief Financial Officer	CFO
Mel Childs	Deputy Secretary Governance, People and Executive Services	DS-GPES
Melissa Thorn <b>(Chair)</b>	Chief People Advisor	CPA
s9(2)(g)(i)	Director OSECDEF	Secretariat

**Business**

Item	Topic	Lead	Outcome / Action Items
	Out of scope		

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Out of scope			
5	<p><b>Long-term financial forecast</b></p> <p>CFO advised that the Ministry's Baseline Review Target of 7.5% (equivalent to \$2m of the Ministry's departmental appropriation) had been assumed in the long-term forecasts.</p> <p>SLT discussed the challenges, risks and opportunities including:</p> <ul style="list-style-type: none"> <li>• ensuring future cost pressures are continually managed</li> <li>• a reduced capacity to address short-term initiatives</li> <li>• [REDACTED] s9(2)(g)(i) [REDACTED]</li> <li>• reduced ability to undertake and support some Defence diplomacy and engagements</li> <li>• redistribution of some support services out to the business, reducing overall capacity</li> <li>• rental costs rising in 2024/25, and</li> <li>• additional savings had been identified to manage some cost pressures such as training and other reductions in discretionary spend.</li> </ul>	CFO	SLT <b>noted</b> the Ministry's long-term financial outlook.

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Item	Topic	Lead	Outcome / Action Items
6	<p><b>Ministry savings update</b></p> <p>SLT noted that the Ministry's Baseline Review Target (7.5%) equivalent to \$2m of the Ministry's departmental appropriation had been submitted and was awaiting budget decision for announcement in May.</p> <p>CFO reiterated how savings would be achieved and the associated challenges and risks.</p>	CFO	SLT <b>noted</b> the update.

Out of scope

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**ACTION ITEMS (new additions in red)**

Item No.	Date of meeting raised	Action Item	Who	Due Date	Comment	Status
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Out of scope

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**From:** Bridgman, Andrew  
**Sent:** Friday, 10 May 2024 11:30 a.m.  
**To:** MOD Employees Only (HR use)  
**Subject:** Budget 24 – Defence announcements [Unclassified]

Kia ora koutou,

This morning the Minister of Defence announced a package of Defence funding as part of Budget 24 which comprises an increase in remuneration for uniformed personnel in the Defence Force, and the announcement of seven capability, estate and infrastructure projects. You can learn more in the Minister's press release [here](#).

Today's release follows public announcements from the Minister about the need to invest in defence to play our part internationally and we can expect more on this in the coming months as decisions are made relating to the Defence Capability Plan.

Also part of the Budget, like all Government agencies, the Ministry was asked to find efficiencies – our target was 7.5 percent, or \$2 million of savings per annum.

As I have said before I do not expect any restructuring or redundancies to make the savings required. However we will be managing vacancies and fixed term roles.

From 1 July our annual savings are made up of:

- \$1.3 million reduction in personnel via managing vacancies and fixed term roles;
- \$500,000 reduction in contractors and consultants; and
- \$200,000 reduction in other operating expenditure such as travel and training.

In June 2022 the Ministry had about 160 staff, and today we have about 200. That growth has been driven by time-bound projects and key deliverables – such as the Defence Policy Review and work to establish the Inspector-General of Defence. As projects conclude we will need to ensure the work ends.

Over the next few months, our workforce is expected to reduce by 12 as some fixed term contracts end. This reduction has been expected and all those whose contracts will conclude are aware. As is usual practice, we will continue to talk to all those in fixed term roles as initiatives draw to a close.

Deputy Secretaries will also be looking at each role as it becomes vacant, including alignment with upcoming work programmes, and making adjustments as needed.

If the Government invests in new capability projects, then making sure we have staffing and specialist expertise to support that will continue. The very nature of those capital investments is fixed term and highly specialised and that is not expected to change.

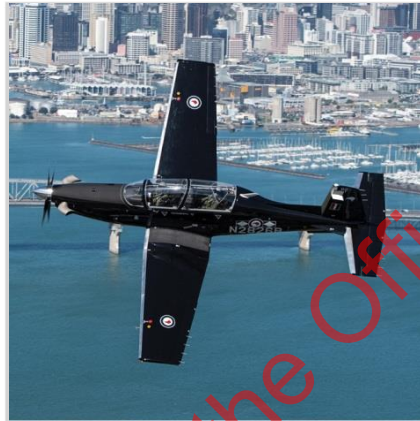
However, we can't yet predict what that pipeline will be until the Capability Plan is approved and business cases progress as a result which means there is a degree of unknown about the next 12 to 24 months. I am however confident that our focus on delivery, being rigorous about prioritising and being clear on what we need to do will ensure we are ready to act once those decisions are made.

We have a Town Hall scheduled for 4 June where the Strategic Leadership Team and I will go through this in more detail, as well as outline some other changes to policies we'll be making to help us achieve sustained savings.

Until then, if you have any questions at all, please don't hesitate to ask.

Ngā mihi nui,

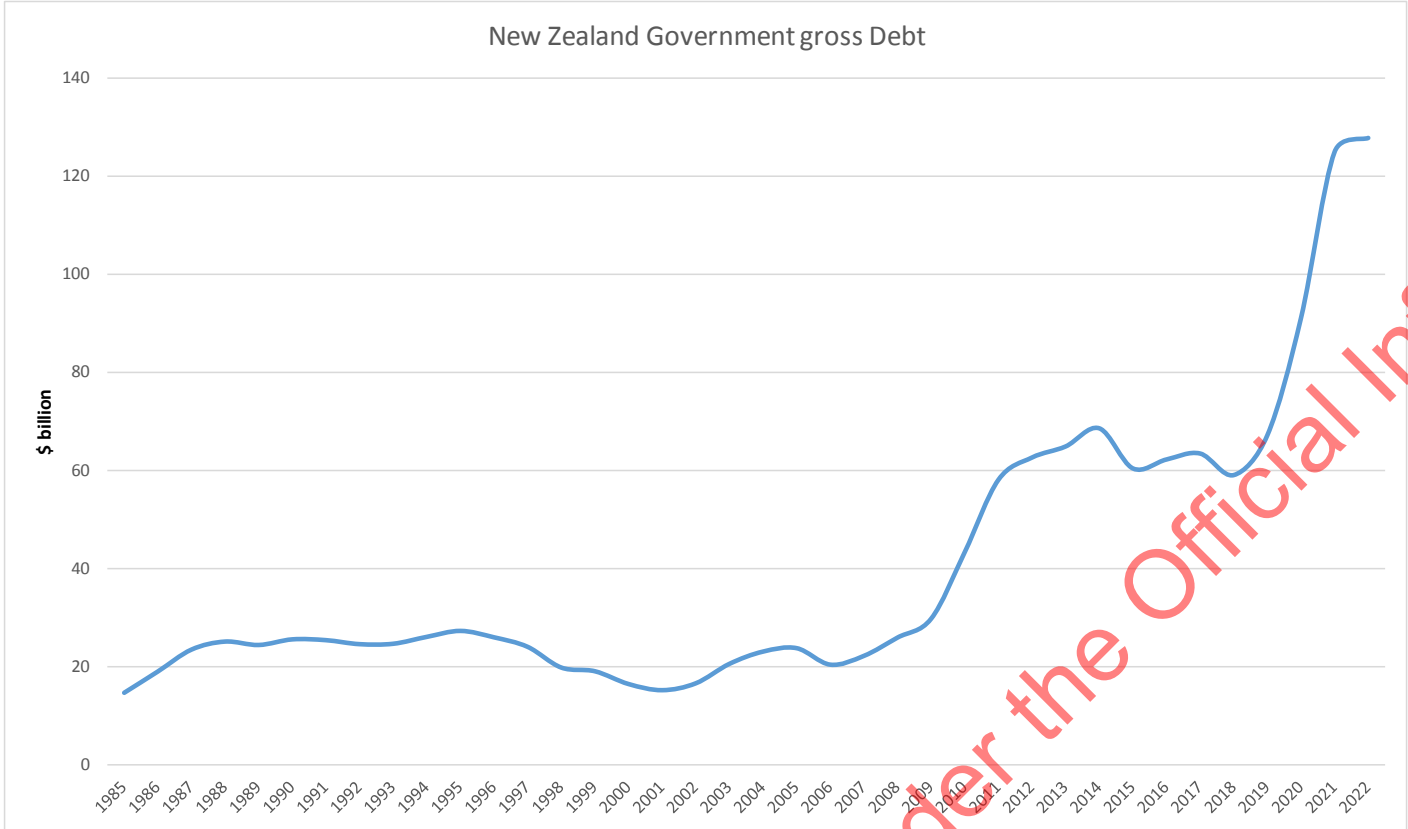
Andrew



# Town Hall – the year ahead

[4 June 2024]

# Government Debt



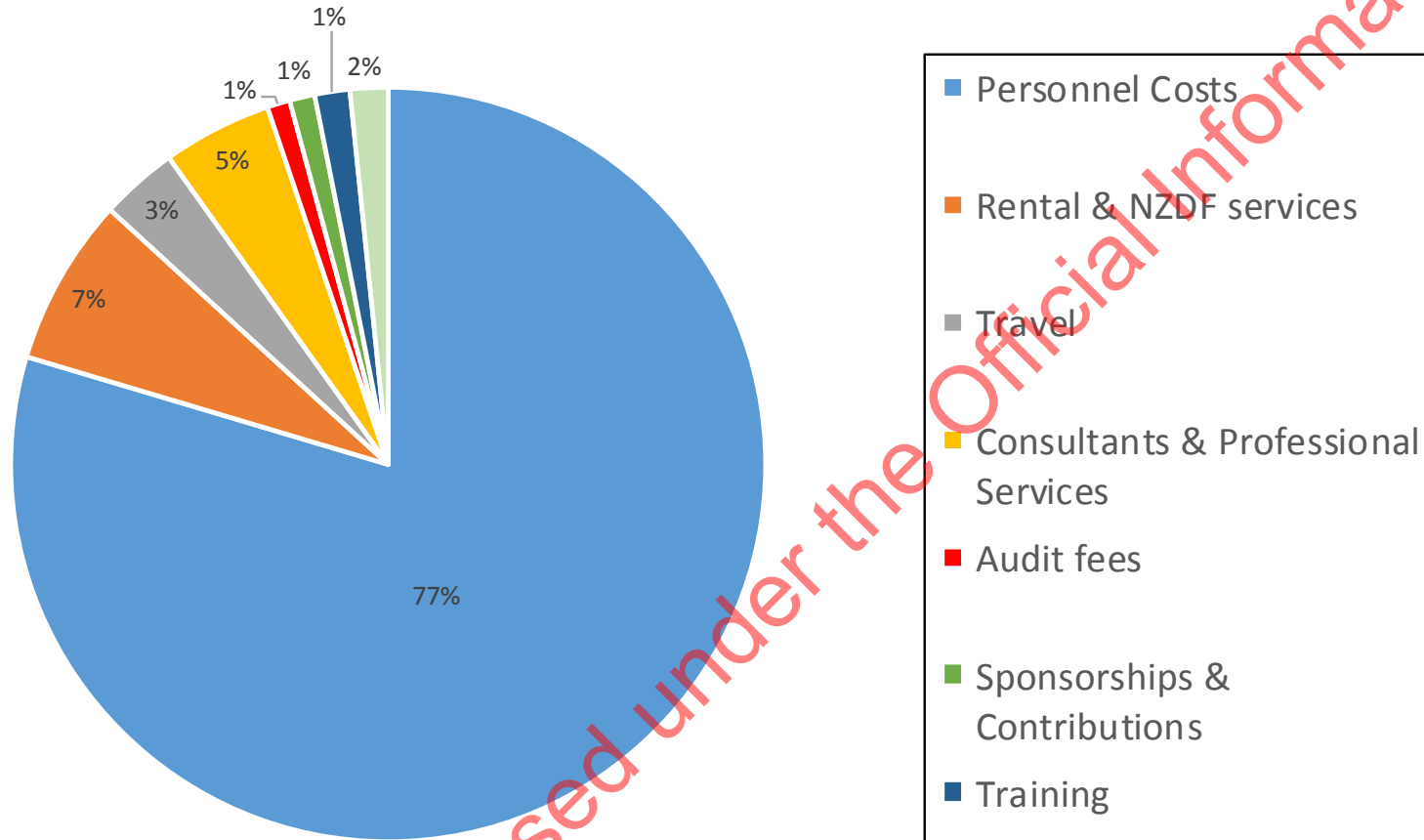
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- Government pays interest – higher debt & interest rates
- Interest costs is one of the largest area of spend after social security and welfare, health, education
- Fiscal outlook - won't get to surplus until 2027/28

## Ministry's operating baseline

Ministry will save 7.5% (\$2m) of its baseline funding, with funding reducing from ~\$27m to ~\$25m from 2024/25 onwards

Current Department spend split



Allocation of funding to discretionary areas has been reduced in 2024/25

The **annual** savings comprise:

- \$1.3 million reduction in personnel costs
  - via managing vacancies and fixed term roles
- \$500,000 reduction in contractors and consultants;
- \$200,000 reduction in other operating expenditure such as:
  - Domestic and international travel
  - Reduced training budgets
  - Sponsorship and contributions

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What does this mean for you:

- We will need to continue to focus on efficiencies
- Continue to be prudent with spend (both operating and capital)
- Teams will need to work across MoD and use internal resources is critical
- Spend on contractor and consultants focused mainly on key statutory (Audit & Assessments)
- You will see reduction in some areas
  - Training
  - Allowances
- We will need to continue to be prudent with travel



# Wellbeing Policy update

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# Wellbeing and visual health subsidy changes

- From 1 July 2024 there will be a change to the way we reimburse our \$500 wellbeing and \$400 visual health subsidies.
- To date these have been net payments (with tax added to the payment). From **1 July these will be gross payments**
- This means tax will be deducted from the claim.
- The exact amount reimbursed will depend on your tax bracket and other factors such as whether or not you have a student loan.
- This change brings the Ministry into line with the way other agencies reimburse these types of subsidies.

# Claim process changes

- From 1 July we are simplifying our administrative processes for any **wellbeing** and **childcare claims**.
- Each claim type may only be claimed **once per financial year**.
- This means rather than putting in 3 separate claims for wellbeing (\$120+ \$200+ \$180=\$500) we ask you to save your receipts until you have \$500 worth of items to claim and put that in once per financial year.
- This saves multiple handling of claims by HR/ Payroll/ Finance
- Note that Visual health claims are claimable every 2 years.