

MINISTRY OF DEFENCE STATEMENT OF INTENT

1 July 2017 – 30 June 2021

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



ISSN: 2463-6428 (Print)
ISSN: 2463-6436 (Online)

Published in October 2017

The Ministry of Defence administers the Defence Act 1990.

www.defence.govt.nz

© Crown Copyright. This copyright work is licensed under the Creative Commons Attribution 4.0 International licence. In essence, you are free to copy, distribute and adapt the work, as long as you attribute the work to the Crown and abide by the other licence terms. To view a copy of this licence, visit <http://creativecommons.org/licenses/by/4.0/>

Any use of flags, emblems, names or words protected by the Flags, Emblems, and Names Protection Act 1981 must not infringe on the provisions of that Act.

New Zealand Army personnel and a Medium-Heavy Operational Vehicle are unloaded from HMNZS *Canterbury* to provide humanitarian aid and disaster relief in Fiji following Tropical Cyclone Winston

CONTENTS

16

The Ministry's Four Year
Excellence Horizon

17

The Ministry's medium term
strategic direction

31

How the Ministry delivers
services

INTRODUCTION BY THE SECRETARY OF DEFENCE	5
CERTIFICATION	6
Ministerial statement of responsibility _____	6
Chief Executive statement of responsibility _____	6
NATURE AND SCOPE OF FUNCTIONS	7
Defence contributes to New Zealand's security _____	7
Our role and functions _____	7
Our customers _____	8
How we work _____	8
The Defence operating environment _____	10
THE MINISTRY'S STRATEGY	12
Our strategy _____	13
Our focus _____	13
What will success look like in four years? _____	16
Our priorities _____	17
OUR CAPABILITY	31
How we are organised _____	31
Our stewardship priorities _____	31
Our people: making sure every person counts _____	32
Partnership: delivering Defence capability _____	35
Transparent prioritisation against government priorities _____	37
Continuous improvement _____	37

INTRODUCTION

BY THE SECRETARY OF DEFENCE

This Statement of Intent clearly outlines the ambitions of the Ministry to further raise the levels of performance across the organisation and the practical steps it is taking to make further improvements to the defence capability management system as a result of the \$27.1 million investment the Government made in the Ministry in Budget 2015.



The Statement also describes a significant programme of work that is a direct consequence of the Defence White Paper and Defence Capability Plan in 2016, addressing major Defence procurement decisions that will be required over the coming 15 years.

As outlined in the 2016 Defence White Paper, New Zealand's strategic environment continues to evolve, sometimes rapidly, and our defence policy also needs to adapt to these changes.

The Government's new Defence Capability Plan outlines the replacement of all major defence platforms. This ambitious programme of activity will involve the Ministry working on \$3–5 billion worth of major projects at any one time over the coming decades.

Defence is now half way through a four year programme referred to as the Defence Capability Change Action Programme that involves building a fully integrated, end-to-end Defence capability management system that is an international exemplar for a country of our size.

The next two year period will be focused on completing the design and implementation of the last components, and on embedding these changes made into both organisations. There are already a number of signs that the changes are having a positive effect on the way in which the Defence projects are being managed.

Resourcing from the Budget 2015 investment has allowed the Ministry to move to a more sustainable level of staffing overall, growing from 70 at the time of investment to 130 people now.

The Ministry's increased baseline has also enabled it to invest in becoming a more sustainable organisation, able to support a highly skilled policy, review and capability delivery (including specialties in engineering and project management) workforce.

The Ministry is focused on delivering on its challenge – Defence has the people, relationships, policies, and combat capabilities to respond to concurrent and diverse security challenges.

CERTIFICATION

MINISTERIAL STATEMENT OF RESPONSIBILITY

I am satisfied that the information on strategic intentions prepared by the Ministry of Defence is consistent with the policies and performance expectations of the government.



Hon Mark Mitchell
Minister of Defence

CHIEF EXECUTIVE STATEMENT OF RESPONSIBILITY

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



Helene Quilter
Secretary of Defence



NATURE AND SCOPE OF FUNCTIONS

DEFENCE CONTRIBUTES TO NEW ZEALAND'S SECURITY

Defence is made up of two agencies: the Ministry of Defence and the New Zealand Defence Force.

Defence is a key part of New Zealand's broader security system, and works alongside other government agencies to protect and advance New Zealand's security interests.

In particular, Defence contributes to New Zealand's security through:

- the promotion of a safe, secure and resilient New Zealand, including its border and approaches
- the preservation of a rules-based international order, which respects national sovereignty
- a network of strong international relationships
- the maintenance of New Zealand's prosperity via sea, air and electronic lines of communication.¹

New Zealand's national security interests, in combination with its strategic outlook, are the key factors shaping the roles and tasks the Defence Force must be prepared to undertake.

OUR ROLE AND FUNCTIONS

The Ministry of Defence is the government's lead civilian advisor on defence. Our purpose is to give civilian advice on defence matters to enhance the security and interests of New Zealand and its people. We also purchase major equipment which becomes a capability when it is used by service men and women of the Defence Force.

To carry out our role, we:

- provide long-range advice (20-30 years) on New Zealand's defence interests and challenges
- advise the government on how our Defence Force can meet current challenges (such as potential deployments) and possible future challenges, by purchasing, upgrading and deploying capabilities
- purchase major defence equipment for use by the New Zealand Defence Force as a defence capability
- build and maintain strong defence relationships internationally
- advise on Defence's performance and effectiveness as a system.

We work closely with the New Zealand Defence Force, the Ministry of Foreign Affairs and Trade, and other agencies to carry out these activities. We also build and maintain strong defence connections with other governments, including our ally Australia, so New Zealand can contribute to the security of the Asia-Pacific region, as well as understand and respond to defence and security challenges internationally.

The Ministry of Defence's purpose is to give civilian advice on defence matters to enhance the security and interests of New Zealand and its people



¹ See the *Defence White Paper 2016*, available from www.defence.govt.nz/publications.

OUR CUSTOMERS

The Ministry's work programme is often determined directly by Ministerial and Cabinet decisions. The overarching strategy for us is the Defence White Paper, which is the government's policy statement on Defence. Our customers are:

- **The government.** With the New Zealand Defence Force, we deliver the people, relationships, policies and capabilities to meet the government's policy objectives.
- **The Minister of Defence.** The Minister is the customer for reviews and advice that test and demonstrate Defence's performance, capability and management of risks.
- **Users of Defence Platforms.** We deliver safe, effective systems and equipment that can be used to deliver a defence capability for New Zealand.

HOW WE WORK

WE INFORM AND IMPLEMENT THE GOVERNMENT'S POLICY FOR DEFENCE

Our work starts with a long-term view of the performance and fit-for-purpose of New Zealand's defence system, and an understanding of New Zealand's current and longer term defence challenges.

The government's decisions on how to respond to these challenges are published in a Defence White Paper, which the Ministry and the Defence Force implement together. The Defence White Paper sets out the roles and tasks the government expects the Defence Force to undertake, and guides our choices and priorities in making capability purchases, building international defence relationships, and assessing risk and performance.

WE WORK IN PARTNERSHIP WITH THE NEW ZEALAND DEFENCE FORCE

The Ministry and Defence Force work very closely together; drawing on their strong, separate civilian and military perspectives. The separation between the two agencies is part of New Zealand's constitutional arrangements. Under the Defence Act 1990, the Secretary of Defence is the lead civilian advisor on defence matters and the Chief of Defence Force is the lead military advisor and senior military officer.



The Chief of Defence Force, Secretary of Defence and Deputy Secretary of Defence at a Capability Management Board meeting

Figure 1: Respective roles of the Ministry of Defence and New Zealand Defence Force



WE CONTRIBUTE TO FISCAL OUTCOMES AS WELL AS SECURITY OUTCOMES

The government makes a significant investment in Defence, both through the cost of operating our Defence Force and the investment it makes over time in purchasing, upgrading and repairing defence system and equipment. Investments in defence are made over decades, and the Ministry has a lead role in making sure investments get the best results for New Zealanders and are safe and fit for use by Defence Force service men and women.

Since 2013, Defence has improved the value for money government achieves from its investments. Defence advice enables the government to take capability choices based on clear, transparent trade-offs, and the 2016 Defence White Paper is the first to have been fully costed and funded.

Defence formed part of the first tranche of agencies to be assessed by the Treasury's Investor Confidence Rating in 2016, and has received a 'B' rating. This confidence led to Cabinet agreeing in late 2016 to new, higher thresholds under which the Minister of Defence and chief executives can approve selected investments. Defence has set a goal of achieving an 'A' confidence rating in 2018.

VOTE DEFENCE

The Ministry delivers its work through three departmental appropriations, and operates a Crown capital appropriation on behalf of the Minister of Defence for its work procuring major military equipment:

Departmental	Crown
Management of Equipment Procurement	
Policy Advice and Related Outputs	Purchase of Defence Equipment
Independent Review (formerly Evaluation, Audit and Assessment of Performance)	

THE DEFENCE OPERATING ENVIRONMENT

Defence operates in a dynamic environment. The quality of the Ministry's performance over the next four years will depend on how well it responds to challenges that are both external and internal to the Ministry, some of which may arise without warning.

To be successful, the Ministry must:

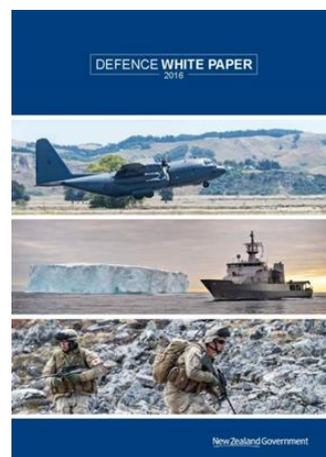
- understand and advise on changes and trends in the security environment
- support the New Zealand Defence Force to carry out its roles and tasks
- contribute to the work of the external and security sector.

NEW ZEALAND'S SECURITY ENVIRONMENT

The *Defence White Paper 2016* describes New Zealand's security challenges now and into the future, as well as the way the government expects Defence to contribute to meeting these.

While the White Paper notes that New Zealand does not face a direct military threat in the foreseeable future, New Zealand's ability to protect and advance its security interests is becoming increasingly challenging as the strategic environment evolves. That evolution has continued since the publication of the *Defence White Paper 2016*.

Political developments in Western states are driving changes in their approaches to international engagement and the international rules-based order. Alongside continuing evolution in great power dynamics, the outlook for the international environment is becoming increasingly uncertain and difficult to estimate.



New Zealand faces challenges associated with managing its large maritime domain, as well as protecting its interests in the preservation of the natural environment in Antarctica and the Southern Ocean.

New Zealand is not immune to the increasing cyber threat, or to the extended reach of terrorist groups, who have enhanced their ability to radicalise individuals globally through the use of internet technology and social media. Despite military successes against Islamic State's territorial control in the Middle East, its ideology – and those of similar groups – has continued to inspire terrorist attacks in Western states and contributed to instability in the Asia-Pacific.

New Zealand is becoming increasingly reliant on access to space based systems and infrastructure such as satellites.

New Zealand's South Pacific partners continue to face a range of economic, governance and environmental challenges, which mean it is likely that over the next 10 years the Defence Force will have to deploy to the region for a response beyond humanitarian assistance and disaster relief. Increasing interest in the South Pacific by an expanding range of external actors brings both greater capacity to support the region and challenges in ensuring alignment of efforts.

Further afield, New Zealand has a critical interest in the maintenance of security in the Asia-Pacific, as well as in growing and expanding its relationships. Any major conflict would have flow on effects for peace and security beyond the region. New Zealand continues to benefit from the economic opportunities associated with Asia's growth, but tensions in the region, which are now greater than they

were five years ago, are cause for concern. In particular, developments associated with North Korea and its nuclear and missile programmes, as well as in relation to competing claims in the South and East China Seas, have the potential to contribute to broader regional instability.

THE NEW ZEALAND DEFENCE FORCE'S ROLES AND TASKS

The government's response to New Zealand's security challenges includes a signalled commitment to about \$20 billion in major defence purchases by 2030, including replacement of all three of the New Zealand Defence Force's major platforms (airlift, air surveillance, and naval combat). The Defence Force's indicative funding track has doubled, from about \$2.3 billion currently to \$4.6 billion by 2030.

The 2016 Defence White Paper sets out the roles and tasks the government expects the New Zealand Defence Force to undertake. These include an array of tasks on land, sea and air – ranging from providing support to other New Zealand government agencies, through to contributing to combat operations led by our partners. The principal roles for the Defence Force are to:

- defend New Zealand's sovereign territory
- contribute to national resilience and whole of government security objectives
- meet New Zealand's commitment as an ally of Australia
- support New Zealand's civilian presence in the Ross Dependency of Antarctica, and participate in whole of government efforts to monitor and respond to activity in the Southern Ocean
- contribute to, and where necessary lead, operations in the South Pacific
- make a credible contribution in support of peace and security in the Asia-Pacific region
- protect New Zealand's wider interests by contributing to international peace and security, and the international rule of law
- contribute to the advancement of New Zealand's security partnerships
- participate in whole of government efforts to monitor the strategic environment, and
- be prepared to respond to sudden shifts in the strategic environment.

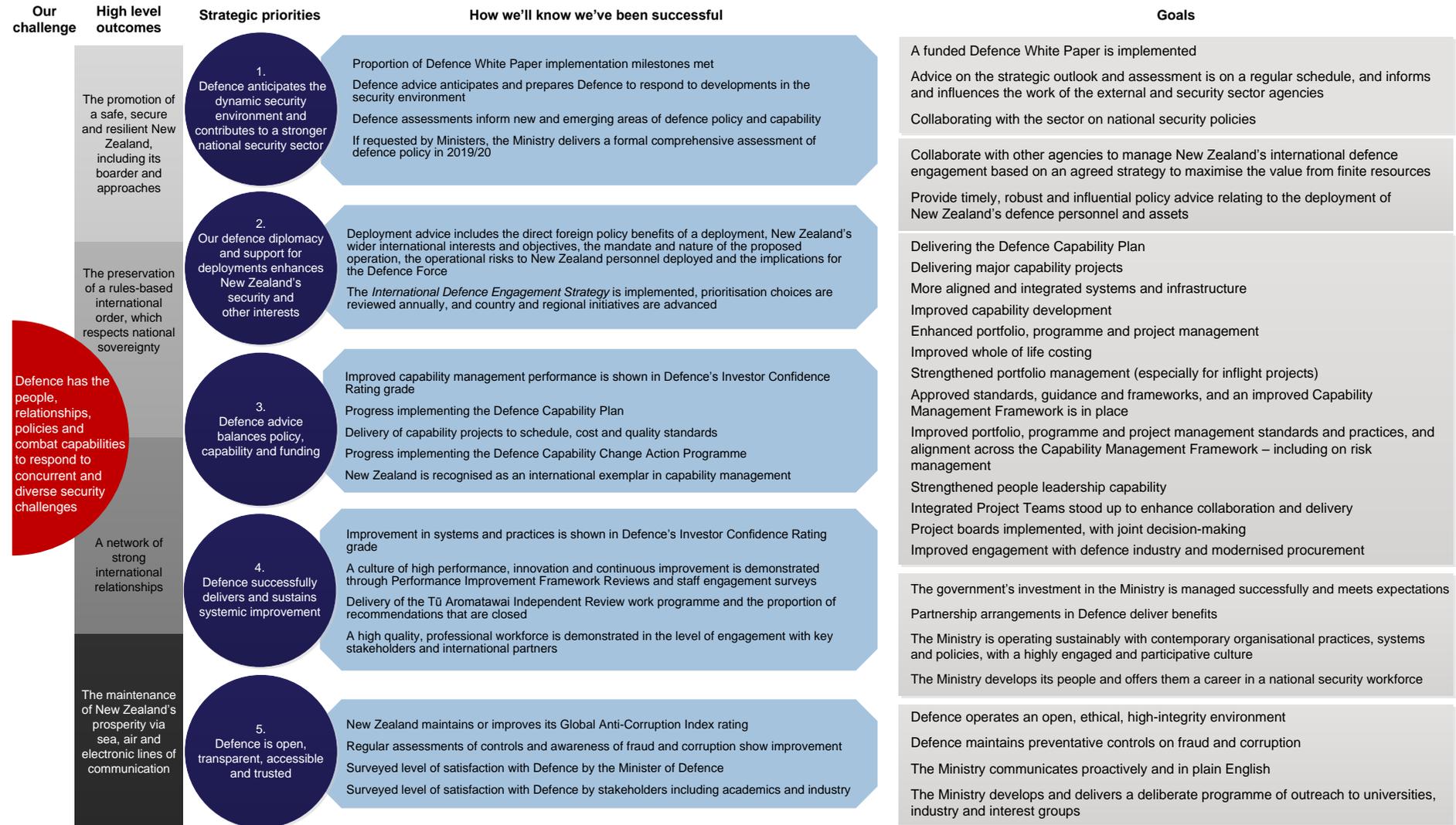
The government's highest priority for the Defence Force is its ability to operate in New Zealand and its Exclusive Economic Zone, followed by the South Pacific and the Southern Ocean. It is also important that the Defence Force maintains its ability to contribute to operations further afield, should the government require it to do so.

THE NATIONAL SECURITY SECTOR

The Ministry is a lead policy agency in the national security sector. In the four years of this document, sector agencies will be expected by government to operate in a more consistently integrated way. This is to achieve:

- coherent and consistent advice to Ministers on national security, foreign policy, intelligence and defence issues
- the maximum whole of sector performance from the available resources
- the ability to adapt quickly to changes in the strategic and security environment, including sudden changes that may occur without warning
- improved attraction, development and retention of skilled people, by providing career pathways across the agencies that work on national security issues, as well as with other sectors.

THE MINISTRY'S STRATEGY



OUR STRATEGY

The Ministry's strategy summarises how the work we do will contribute to a safe, secure and resilient New Zealand. It shows the connections between:

- the key things that need to be in place for Defence to succeed
- the Ministry's priorities for delivering and strengthening these
- how the Ministry of Defence contributes to New Zealand's security and wellbeing.

Our strategy draws from our Four Year Excellence Horizon that describes where we would like to be in three to four years time. Achieving this will enable the delivery of our long-term system outcomes.

OUR FOCUS

The key developments in delivery of our strategy are the *Defence White Paper 2016*, the *Defence Capability Plan 2016* and the Defence Capability Change Action Programme. The Defence White Paper sets out a very ambitious programme of investment in Defence out to 2030, and the Programme has been established to make the changes that are needed for this programme to be delivered.

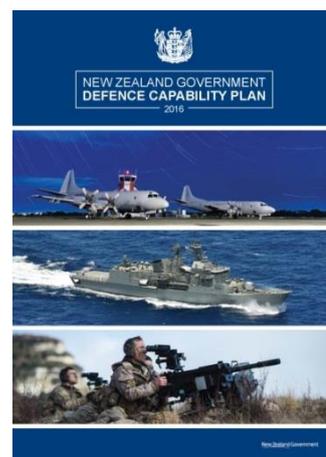
A NEW DEFENCE WHITE PAPER AND CAPABILITY PLAN

Through the *Defence White Paper 2016*, Defence has produced an updated strategic outlook to 2040. This work included a refresh of Defence policy to reflect changes in the international environment and the effect these have on New Zealand's national security interests, defence roles and tasks, and regional priorities.

The fully costed White Paper has enabled the government to signal a commitment to a portfolio of planned defence capability investments valued at close to \$20 billion over the next 15 years. The White Paper work identified new capability challenges that have arisen for the Defence Force since the last White Paper in 2010. As a result, Cabinet agreed to a force structure made up of a mix of existing and new capabilities to meet future challenges.

In November 2016, the government subsequently released the *Defence Capability Plan 2016*, which outlines how the force structure in the White Paper will be delivered. The document provides detailed information on the government's planned investments in defence capabilities out to 2030, supporting engagement with the Defence Industry and providing public transparency. The 2016 Plan includes a greater level of information on the proposed timing and indicative capital costs than the 2014 Plan.

At the same time, Defence has updated the Defence Capital Plan to reflect capital expenditure to 2030. It tracks the affordability of the planned investments within Ministers' agreed indicative capital funding track.



DEFENCE CAPABILITY CHANGE ACTION PROGRAMME

The investment in new military capability over the next 15 years will be the largest in defence capability in a generation.

A range of reviews have been undertaken over the last 10 years into aspects of the Defence Capability Management System. These highlighted some risks and recommended a number of improvements. In Budget 2015, the government invested \$27.1 million in additional operating funding over four years to strengthen the Ministry's capability development and acquisition functions. This was provided to reduce risk and ensure the increased pipeline of new capability is delivered to government expectations.

The Budget 2015 investment has provided Defence with a unique opportunity to implement significant enhancements to the Defence Capability Management System. The Defence Capability Change Action Programme was initiated in 2015 as the vehicle for creating and implementing the improvements and changes required. This has been a joint programme of change with the Defence Force, covering the Capability Management System that the agencies jointly own and manage.

This Programme and the work resulting from it will address recommendations from the package of reviews and realise the benefits sought.

This work has included:

- development of a vision of the future for the system through to 2020 – *New Zealand Defence Capability Management System: An International Exemplar*
- designing and recruiting a significantly strengthened leadership team for the Ministry's Capability Delivery Division (previously Acquisition Division), and re-orientating its function
- establishing dedicated Project Boards to provide enhanced governance support for major defence capability projects
- aligning project information management systems across both Defence agencies
- developing a fit-for-purpose Whole of Life Costing model, including templates, which have been rolled out across a range of projects
- reconfiguring the delivery of portfolio, programme and project management support across the Defence system
- determining a solution to uncertainty around the roles and responsibilities across the Defence Capability Management System, through the design and implementation of Integrated Project Teams, drawing expertise from the Ministry and the New Zealand Defence Force
- undertaking a significant update of Defence's Capability Management Framework, along with the associated essential artefacts, that supports the joint Defence system
- improving partnerships and relationships with Industry through the creation and appointment of new Defence Industry Relationship positions and creating clear guidelines for Industry to comply with Government Rules of Sourcing



- identifying and implementing ways to engage early with Industry, through the *Defence Engagement Strategy – Smart Customers and Smart Suppliers*
- implementing a Capability Benefits Managements Framework
- designing a framework for Safety Cases that support health and safety management for capability projects and is linked to the Capability Management Framework.



A key contributor has been the development of the *Long-term Investment Plan* for Defence and the associated assessment under the Treasury's Investor Confidence Rating regime. This regime is intended to reward good investment management performance and encourage improvements. This independent assessment indicated Defence had strong asset management capabilities and Defence was given a 'B' rating. This has subsequently given Cabinet the confidence to increase the minimum thresholds under which the Minister of Defence and chief executives can approve selected large scale, low and medium risk projects.

This refresh confirmed the Programme's benefits and how these will be measured and achieved. Through this, Defence has established how the Programme will be organised and managed for the next two years, with a focus on overall programme outcomes, structure and approach.

INTERNATIONAL DEFENCE ENGAGEMENTS

The Ministry has undertaken significant work to enable the deployment of New Zealand Defence Force personnel to Iraq. This has included a Cabinet-mandated review, and subsequent extension and amendments to the deployment mandate, ensuring New Zealand's contribution has adapted to meet the changing environment. This key area of focus sits alongside a high-tempo series of regularised, prioritised international defence engagement activities.

The *Defence White Paper 2016* emphasises that New Zealand has an enduring interest in fostering strong international relationships characterised by mutual transparency and trust. The *International Defence Engagement Strategy*, which is delivered by the Ministry and Defence Force, drives this work.

REVIEWING DEFENCE PERFORMANCE

A core component of the Ministry's Tū Aromatawai Independent Review Division work programme is to identify opportunities to improve performance and reduce risks. This includes reviewing the performance of the capability development and management functions within Defence. Through these reviews, this activity helps Defence achieve the objectives of the *Defence White Paper 2016*, including:

- development of appropriate Defence Force capability
- generating and maintaining a skilled workforce
- partnering with other agencies and Defence Industry.

WHAT WILL SUCCESS LOOK LIKE IN FOUR YEARS?

The Ministry will be an active and influential lead agency within a national security sector that provides coherent, collective advice on New Zealand's defence and security interests and choices in a dynamic strategic environment.

The Ministry will be delivering on its responsibilities for long range strategic thinking; regular advice on immediate and emergent issues; and maintaining a balanced and credible defence capability portfolio that provides Ministers and the Cabinet with transparent choices across policy, capability, risk and cost.

The Ministry's Defence Assessments and regular review of the strategic environment will lead debate on long range security issues. The quality of this work will contribute to a reputation for rigorous policy analysis and advice.

New Zealand will have grown the value it obtains from government to government defence relations. A strategic approach to defence engagement will have strengthened cross-agency debate on priorities for engagement. Agencies' collective efforts will be complementary to get the best results across New Zealand's national interests.

Defence will be recognised as an international exemplar in capability management. The Defence Capability Change Action Programme will have strengthened the capability management system to be integrated, end to end, and delivering capabilities on time, within budget, and to quality standards. This will be the most visible demonstration of the Ministry's partnership with the New Zealand Defence Force.

This partnership will have been a part of the Defence Force's success in achieving its own Four Year Excellence Horizon. Once made, reforms in Defence – including in the critical areas of personnel and the Defence estate – will have been sustained.

As an organisation, the Ministry will be strong and resilient. It will have successfully managed the government's investment in it. The Ministry will have used its increased scale and integration with its partners to make all parts of the organisation sustainable and resilient.

The Ministry will be an employer of choice, reflecting a reputation for excellence, an engaged and participative culture, and the offer to its people of a career in a sector – not just a job in an organisation.

As part of the broader national security system, the Ministry and its people will be well positioned to adapt to changes, including sudden changes, in the security environment.

Defence will be trusted and accessible, with a reputation for transparency and ethical behaviour. The Ministry will have strongly embedded partnership practices, a culture that welcomes transparency and review, and a pragmatic, plain English approach. It will be engaging proactively with universities, Defence Industry, and others with an interest in defence.

OUR PRIORITIES

The Ministry has five strategic priorities against a challenge that would test its ability to deliver. These have been developed in consultation with our partners and stakeholders.

Defence has the people, relationships, policies and combat capabilities to respond to concurrent and diverse security challenges

Defence anticipates the dynamic security environment and contributes to a stronger national security sector

Our defence diplomacy and support for deployments enhances New Zealand's security and other interests

Defence advice balances policy, capability and funding

Defence successfully delivers and sustains systemic improvement

Defence is open, transparent, accessible and trusted

The Ministry's achievements are often through influence and over the longer term. As such, our measures involve an element of judgement, but will chart our progress against our Four Year Excellence Horizon.



1. DEFENCE ANTICIPATES THE DYNAMIC SECURITY ENVIRONMENT AND CONTRIBUTES TO A STRONGER NATIONAL SECURITY SECTOR

Defence has the people, relationships, policies and combat capabilities to respond to concurrent and diverse security challenges

Defence anticipates the dynamic security environment and contributes to a stronger national security sector

Goals

A funded Defence White Paper is implemented	Advice on the strategic outlook and assessment is on a regular schedule, and informs and influences the work of the external and security sector agencies	Collaborating with the sector on national security policies
---	---	---

What will be achieved

In partnership with the Defence Force, the Ministry will implement the White Paper over the next four years	The Ministry produces annual reviews that embed its strategic assessment and advice function to inform defence long-term decision making, focusing on new and evolving areas of Defence policy (starting in 2017)	If Ministers choose to do so, a mid-point review of the Defence Force's long-term capability and financial picture will be undertaken in 2018	A formal, comprehensive Defence Assessment will be produced in 2019
Working with partners, the Ministry is well placed to anticipate trends in the dynamic security environment	The Ministry's annual reviews will provide a common reference point to enable the alignment of national security and defence policy to meet New Zealand's long-term security interests	The Ministry will work with sector partners to implement change in the national security and intelligence community, including implementing the Strategic Capability and Resourcing Review	The Ministry will work with sector partners to develop policy in new and emerging areas of national security and defence policy

How we'll know we've been successful

Proportion of White Paper implementation milestones met	Defence advice anticipates and prepares Defence to respond to developments in the security environment	Defence assessments inform new and emerging areas of Defence policy and capability	If requested by Ministers, the Ministry delivers a formal comprehensive assessment of defence policy in 2019/20
---	--	--	---

Implementing the Defence White Paper

Implementing the *Defence White Paper 2016* involves a mix of existing defence business, embedding improvements in practice signalled in the 2010 Defence White Paper, and undertaking new initiatives. The Ministry is working in partnership with the Defence Force and central agencies on an implementation plan that will identify priority areas of focus over the next four years, and milestones for their progression to ensure alignment with, and delivery of, the Defence White Paper outcomes.

In addition, the Ministry is working with the Defence Force to analyse and provide advice on its plan for the regeneration of the Defence estate, and undertake work to better understand its personnel portfolio.

Should the government choose to do so, a mid-point review of the Defence Force's financial picture will be undertaken in 2018.

Advice on the strategic outlook and assessment

Defence will continue to take a systematic approach to balancing policy, capability and funding in the long term. Supported by other agencies, it will undertake a five-yearly cycle of activity that includes Defence Assessments, White Papers, and mid-point reviews.

Following the direction set by the White Paper, work on major five-yearly Ministry-led Defence Assessments is being augmented by a cycle of smaller, more focused assessments on emerging issues. An annual assessment of significant changes to the overall international environment, including results of the more focussed work where they are relevant, will also be produced to inform decision makers.²

This approach ensures that Defence is better able to keep pace with changes in the international strategic environment and their possible implications for New Zealand's national security interests, Defence policy and the capabilities required by the Defence Force to fulfil its roles and tasks. Details arising from this work will be reflected in the Ministry's annual report.

The Ministry will work with partners, both domestically and internationally, to ensure it is well-placed to provide ongoing advice on the strategic environment and the appropriateness of policy settings, capability and funding. This advice will be able to be provided within short timeframes. The Ministry's leadership role in Defence Assessments and Defence White Papers means it is well-placed to contribute to a range of policy initiatives led by agencies across the wider intelligence and security sector, from space policy to maritime and cyber security.

Collaboration with the sector on national security policies

The Ministry will work closely with security sector partners as they undertake substantial change programmes. The Ministry will work with the Defence Force and intelligence community to leverage the sector's collective capability in order to meet new and evolving security challenges. It will also work with sector partners to develop policy in new national security and defence areas. This will ensure appropriate capability is being developed to meet New Zealand's long term needs, and that the sector is working together effectively and efficiently, without unnecessary duplication.



An Air Force NH90 helicopter arrives in at Goose Bay, near Kaikoura to evacuate people following an earthquake on 14 November 2016

² See paragraph 10.5 of the *Defence White Paper 2016*.

2. OUR DEFENCE DIPLOMACY AND SUPPORT FOR DEPLOYMENTS ENHANCES NEW ZEALAND'S SECURITY AND OTHER INTERESTS

Defence has the people, relationships, policies and combat capabilities to respond to concurrent and diverse security challenges

Our defence diplomacy and support for deployments enhances New Zealand's security and other interests

Goals

Collaborate with other agencies to manage New Zealand's international defence engagement based on an agreed strategy to maximise the value from finite resources

Provide timely, robust and influential policy advice relating to the deployment of New Zealand's defence personnel and assets

What will be achieved

The Ministry will work with the Defence Force to be sure international defence engagement is conducted in accordance with priorities established in the *International Defence Engagement Strategy*

The Ministry will track progress on key initiatives set out in the country and regional strategies and will use the Strategy to guide priorities for Ministerial and other senior-level travel within Defence

The Ministry will support the international engagement programmes of the Minister of Defence and other Defence principals, including through comprehensive briefing and visit management

The Ministry will continue to work with the Defence Force and other agencies to review and update the Strategy on an annual basis

Working with the Defence Force and other agencies, the Ministry provides joint advice to government on existing or proposed deployment mandates

Working with the Defence Force, the Ministry will monitor deployments and provide updated policy advice to the Minister in the event of substantive changes to the mission or environment

How we'll know we've been successful

Deployment advice includes the direct foreign policy benefits of a deployment, New Zealand's wider international interests and objectives, the mandate and nature of the proposed operation, the operational risks to New Zealand personnel deployed and the implications to the Defence Force

The *International Defence Engagement Strategy* is implemented, prioritisation choices are reviewed annually, and country and regional initiatives are advanced

Diplomacy and deployments

The Ministry works with the Defence Force to shape New Zealand's relationships with foreign militaries and security organisations. We provide advice to government and direction on defence relationships to maximise New Zealand's security and broader interests. Having a network of strong international relationships serves to protect and advance New Zealand's interests.

In line with this, the Ministry's role in managing the full spectrum of international defence policy is expected to continue to grow.

New Zealand's international defence engagement

Working with the Defence Force, the Ministry has developed an overarching *International Defence Engagement Strategy*, which is reviewed and updated on an annual basis. The purpose of the Strategy is to:

- identify and prioritise the international defence relationships that add value to New Zealand

- determine where and how the Ministry and Defence Force should focus resources that contribute to international defence engagement, to maximise the value to New Zealand.

Drawing from the Defence White Paper, the Strategy sets five-year objectives for individual defence relationships and regional strategies. It identifies specifications and strategic initiatives to achieve these objectives.

As foreign policy considerations are a major driver of defence diplomacy activities, close coordination is also undertaken with the Ministry of Foreign Affairs and Trade.

Representing New Zealand and advancing our security interests on the international stage

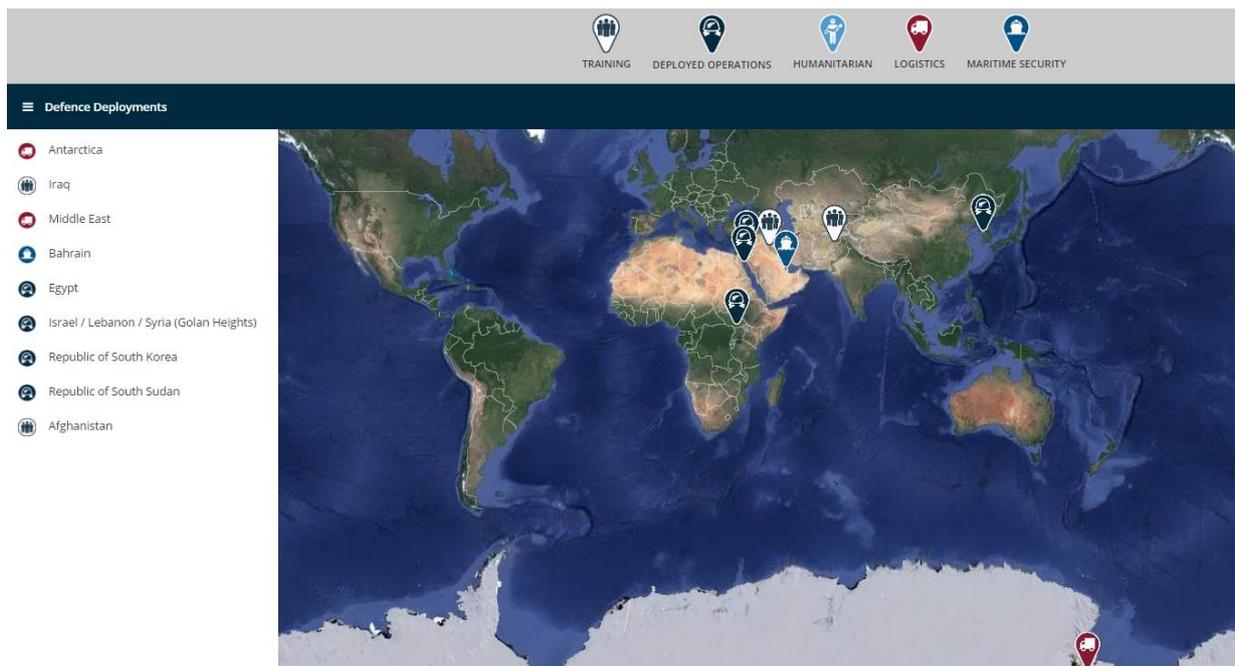
The Ministry has a role in representing New Zealand at bilateral, regional and multilateral engagements. Major engagement activities include:

- supporting the Minister of Defence’s international travel programme and hosting visitors to New Zealand
- supporting the international engagement activities of the Secretary of Defence, Chief of Defence Force and tier-two Defence leadership
- annual or biennial bilateral defence strategic dialogue and policy dialogue with all of New Zealand’s defence partners
- active involvement in regional fora, such as the ASEAN Defence Ministers’ Meeting – Plus
- attending major international defence conferences.

The policy behind deployments

New Zealand has 11 operational overseas deployments of Defence Force personnel across 11 countries. Each of these deployments is mandated by Cabinet, usually for up to two years.

Figure 2: New Zealand Defence Force deployments



The Ministry's civilian advice on deployments is all-encompassing. It considers a wide range of issues, from the overarching political and security environment to the more specific question of how the Defence Force could best contribute to a particular mission. A central concern is always the safety and security of Defence Force personnel deployed overseas.

Staying well informed on global pressure points and security trends is a priority.

The Ministry engages closely with policy counterparts from New Zealand's likeminded countries on all possible deployment activities. Whether New Zealand will deploy, under what conditions and level of commitment, is decided by the government of the day. The number, frequency and variety of international security challenges necessitating an international military response is on the rise and becoming more complex. The Ministry, therefore, expects the role for policy advice in this space to continue to grow.



New Zealand and Australian personnel train Iraqi Security Forces in a training area at Taji Military Camp.

3. DEFENCE ADVICE BALANCES POLICY, CAPABILITY AND FUNDING

Defence has the people, relationships, policies and combat capabilities to respond to concurrent and diverse security challenges

Defence advice balances policy, capability and funding				
Goals				
Delivering the Defence Capability Plan	Delivering major capability projects	Implementing the Defence Capability Change Action Programme		
What will be achieved				
More aligned and integrated systems and infrastructure	Improved capability development	Enhanced portfolio, programme and project management	Improved Whole of Life Costing	Strengthened people leadership capability
Approved standards, guidance and project management standards and practices, and alignment across the CMF – including on risk management	Strengthened portfolio management (especially for inflight projects)	Integrated Project Teams stood up to enhance collaboration and delivery	Project boards implemented, with joint decision-making	Improved engagement with Defence Industry and modernised procurement
How we'll know we've been successful				
Improved capability management performance, as shown in Defence's Investor Confidence Rating grade	Progress implementing the Defence Capability Plan	Delivery of capability projects to schedule, cost and quality standards	Progress implementing the Defence Capability Change Action Programme	New Zealand is recognised as an international exemplar in capability management

Once in a generation investments in defence capability

During the period of this plan, critical once in a generation investments will be made for the Future Air Surveillance and Future Air Mobility Capability projects.

These are part of a portfolio of capability decisions through and beyond the period of this plan. The Ministry has, at any one time, \$3-5 billion worth of capability projects inflight and in the next 13 years will be responsible for the management of \$20 billion in indicative capital funding – over one-third of the government's capital spend.

The core capabilities signalled previously and confirmed in the *Defence White Paper 2016* include:

- **maritime capabilities:** including naval combat, maritime patrol, sealift, littoral and maritime sustainment capabilities
- **land capabilities:** including land combat capabilities, engineering, communications, intelligence, fire support (artillery), transport and deployable medical facilities, domestic and expeditionary special operations forces and vehicles, and domestic and expeditionary explosive ordnance disposal capabilities
- **air capabilities:** including air surveillance and response, fixed wing transport, and rotary wing airlift capabilities, and
- **networked capabilities:** including command and control systems, high frequency radio, and satellite communications networks.

In addition, the White Paper made enhancements to the force structure to mitigate the strategic challenges signalled in the *Defence Assessment 2014*. Capability enhancements are planned in five areas:

- Antarctic and Southern Ocean operations
- air surveillance
- littoral operations
- cyber protection and support
- intelligence support.

Figure 3: upcoming defence capability decisions in the *Defence Capability Plan 2016*

\$20 BILLION INVESTMENT OUT TO 2030

The New Zealand Government Defence Capability Plan 2016 outlines the investment in capability required to deliver the force structure of the Defence White Paper 2016. Provisional estimates of project schedule, and cost bands, are provided for major initiatives in each capability domain area.

The cost bands do not represent the budget for each initiative: they indicate where a provisional project budget sits within a broad parameter. The bands do not pre-empt Government investment decisions, or the gated approval process that Defence undertakes using the Better Business Case model.

MARITIME DOMAIN 	 FUTURE SURFACE COMBATANT	 ICE STRENGTHENED OFFSHORE PATROL VESSEL	 LITTORAL OPERATIONS SUPPORT CAPABILITY	 HMNZS CANTERBURY (LANDING CRAFT REPLACEMENT AND MID LIFE UPGRADE)	 OFFSHORE PATROL VESSEL MID LIFE UPGRADE	
	2019 - 2030	2017 - 2023	2016 - 2022	2019 - 2024	2021 - 2028	
	More than \$1 billion	\$300m - \$600m	\$100m - \$300m	\$50m - \$100m	\$50m - \$100m	
	LAND DOMAIN 					
	 PROTECTED MOBILITY	 NETWORK ENABLED ARMY	 DISTRIBUTION, GARRISON AND TRAINING VEHICLES	 NIGHT VISION EQUIPMENT	 SPECIAL OPERATIONS EQUIPMENT	
	2016 - 2029	2016 - 2029	2017 - 2027	2016 - 2030	2016 - 2030	
\$600m - \$1 billion	\$600m - \$1 billion	\$100m - \$300m	\$100m - \$300m	\$100m - \$300m		
AIR DOMAIN 	 FUTURE AIR SURVEILLANCE	 FUTURE AIR MOBILITY	 NH90 AND A109 UPGRADES	 MULTI ENGINE CONVERSION TRAINING	 SEASPRITE COMMUNICATIONS AND SOFTWARE	
	2016 - 2026	2016 - 2026	2018 - 2028	2016 - 2019	2016 - 2019	
	More than \$1 billion	More than \$1 billion	\$100m - \$300m	Less than \$25m capital	\$50m - \$100m	
	NETWORKED DOMAIN 	 CYBER PROTECTION AND SUPPORT	 UPGRADES TO CLASSIFIED INFORMATION ENVIRONMENTS	 STRATEGIC BEARER NETWORK HIGH FREQUENCY RADIO	\$1.7 BILLION ON THE DEFENCE ESTATE CONTINUED INVESTMENT IN PEOPLE, INFORMATION TECHNOLOGY & LOGISTICS	
		2016 - 2030	2016 - 2020	2016 - 2029		
		Less than \$25m capital	\$25-50m	Less than \$25m capital		

By 2030, Defence will have replaced most of its current major military platforms.

New defence capabilities will be more specialised and sophisticated than the decades old platforms, systems and equipment they replace, with different support requirements over their lifetime.

These new and complex capabilities will offer New Zealand Industry opportunities – primarily as part of a support supply chain.

An international exemplar in defence capability management

Building off foundational activities since 2015, the Defence Capability Change Action Programme will continue to deliver a range of changes to enhance the Capability Management System over the coming years.

The Programme will create a more scalable and resilient system that is capable of delivering an expanding portfolio of complex projects. The system will be better able to deliver on the government’s intentions and expectations, and will deliver improved value-for-money from the government’s investments in Defence.

Achieving the Programme’s benefits will mean that Defence has achieved the desired future state described in its vision for defence capability management in 2020.

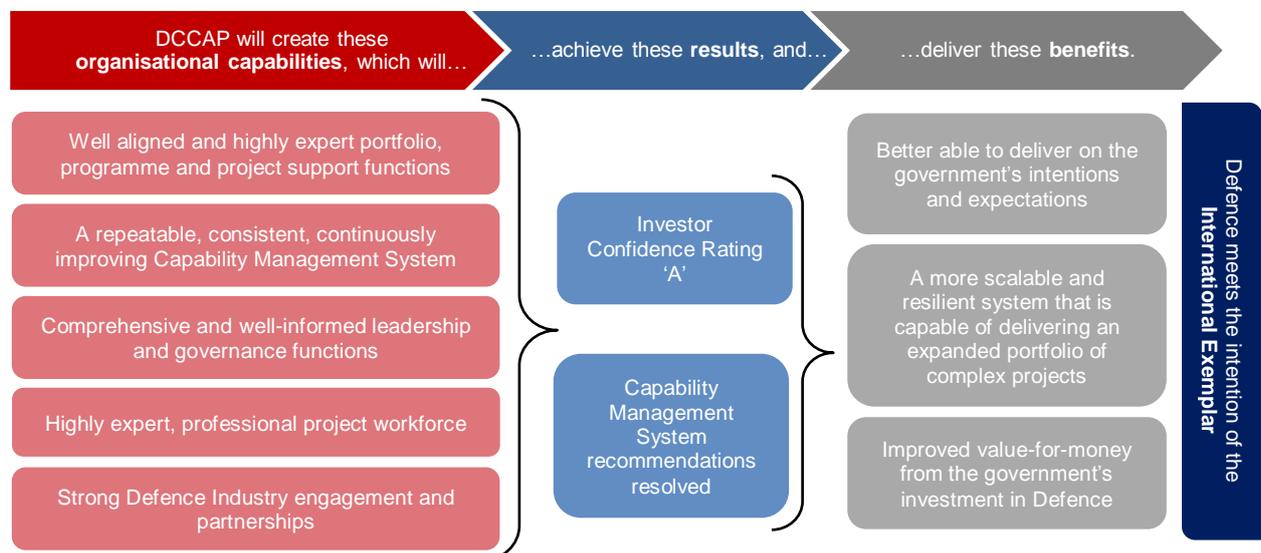
It will take a number of years for the benefits to be fully realised. In the meantime, two signals will indicate that Defence is on track to realise the expected long-term benefits:

- resolution of recommendations arising from a consolidation of previous reviews into aspects of the Defence Capability Management System
- increasing Defence’s Investor Confidence Rating in 2018 – currently a ‘B’ rating.

The Programme of work will enhance the spectrum of activities that develop, deliver and sustain the military capabilities required to implement government policy. It will ensure the right equipment is bought at the right time, for the right price, and that the right people and structures are in place to deliver the benefits of using it.

The Programme’s Board monitors each work-stream’s progress against milestones and deliverables. The joint Ministry-Defence Force Capability Management Board monitors progress towards the interim signals of success and benefit realisation.

Figure 4: Defence Capability Change Action Programme: High Level Intervention Logic



4. DEFENCE SUCCESSFULLY DELIVERS AND SUSTAINS SYSTEMIC IMPROVEMENT

Defence has the people, relationships, policies and combat capabilities to respond to concurrent and diverse security challenges

Defence successfully delivers and sustains systemic improvement			
Goals			
The government's investment in the Ministry is managed successfully and meets expectations	Partnership arrangements in Defence deliver benefits	The Ministry is operating sustainably with contemporary organisational practices, systems and policies, with a highly engaged and participative culture	The Ministry develops its people and offers them a career in a national security workforce
What will be achieved			
The Ministry will close out all recommendations for change to the delivery of major defence capability	The Ministry will systematically embed partnership-building skills and practices	Through the Change Action Programme, Defence will implement Integrated Project Teams, a new operating model for defence capability delivery based on partnership	The Ministry will deliver an annual Tū Aromatawai Independent Review work programme directed or approved by the Minister of Defence
In 2017/18 the Ministry will complete the system changes that are needed to support a larger organisation	Over the next two years the Ministry will implement career pathways that enable people to move through its major disciplines, including establishing a career pathway in Capability Delivery	The Ministry will take part in new sector initiatives to develop people collectively	
How we'll know we've been successful			
Improvement in systems and practices is shown in Defence's Investor Confidence Rating grade	A culture of high performance, innovation and continuous improvement is demonstrated through Performance Improvement Framework reviews and staff engagement surveys	Delivery of the Tū Aromatawai Independent Review work programme and the proportion of recommendations that are adopted	A high quality, professional workforce is demonstrated in the level of engagement with key stakeholders and international partners.

As a result of the government's investment in defence capability management the Ministry's baseline will increase from \$11.2 million in 2014/15 to \$19.7 million in 2018/19. Most of this investment is for new staff positions, with the intention that this will create a more capable and sustainable organisation.

Investment of the funding involves:

- implementation of the Defence Capability Change Action
- managing an increase in organisational scale, with staff numbers increasing from about 70 people to around 130. Managing a larger organisation is bringing new demands, including the need to develop new systems and people capabilities
- managing significant growth without diluting the Ministry's culture.

Delivering against government expectations for its investment

During 2016 the Ministry worked with partners and stakeholders to develop a clear picture of what a successful capability management system would look like. This was published in *New Zealand Defence Capability Management System: An International Exemplar*. A Programme Board has been established with external members from the Treasury and PWC to make sure implementation is consistent with this vision, which is accompanied by measures of success.

Embedding partnership in Defence

The relationship with the Defence Force is the most important of a number of partnership relationships the Ministry has. The Ministry describes its focus as to *'be a valued partner, with an influential voice'*.

For Defence to succeed, both agencies need to achieve their strategic objectives. The Ministry has recognised this in describing a Greatest Challenge that tests the outcome from the Ministry achieving its five strategic priorities. This is that:

Defence has the people, relationships, policies and combat capabilities to respond to concurrent and diverse security challenges.

The Ministry has established a strong culture-shaping programme to make sure it recruits and develops the attitudes and behaviours that foster partnered ways of working.

As set out on page 35, the Ministry has taken this forward into its organisation design for the new Capability Delivery Division. Partnering will also be a key element of an operating model for capability delivery that we will develop with the New Zealand Defence Force in 2017.

A sustainable, contemporary Ministry of Defence

Another programme has been underway within the Ministry to take advantage of the increase in scale to move the Ministry from a small agency with bespoke processes to one with the systems, people and processes it needs to sustain core capabilities effectively.

The Ministry has already implemented modern, fit for purpose policies that meet the demands of more staff, as well as the needs of managers with greater spans of control. In the next year, the Ministry will finish work on systems improvements, budget management delegations and internal controls to support an increased number of people.

Over the next two to three years it will implement career pathways for each of its professional disciplines. This includes a career pathway that enables staff to move through the highly specialised project management roles that exist in the new Capability Delivery Division of the Ministry. We are developing our career pathways so they connect with those offered by partner agencies, so we contribute to and benefit from a strong sector workforce.

It is also a priority for us to continue to change our workforce so it is steadily more representative of New Zealand. Our intentions for this are set out in the next section.

Independent review of the Defence system

The Ministry carries out independent reviews, assessments of performance, and audits of the Defence Force functions, duties and projects, as well as the Ministry's capability delivery activities. This role is mandated under the Defence Act 1990.

These reviews are directed or approved by the Minister of Defence. The work programme comprises topics that align with strategic risks to Defence, and is focused on the performance of system-level functions or core capabilities that support government objectives. Each assessment or audit aims to

provide findings, insights and recommendations that can be used by the Defence Force and the Ministry to support continuous improvement.

Key stakeholders are consulted on proposed topics for reviews. Stakeholders include those whose work will be the subject of a review, or who have responsibility for implementing review outcomes. Consultation ensures recommendations are relevant, and provides opportunities for continued engagement.

Independent reviews, assessments of performance and audits use evidence and data to make objective findings. A focus is the collection and use of data to enable better insights.

The Ministry develops its people and offers them a career in a national security workforce

The Ministry's September 2014 Performance Improvement Framework Follow-up Review identified the challenges of being a small agency in our sector. These include that we can only develop the future workforce we need in partnership with others. We see a sector approach to workforce development as important to the Ministry's future sustainability.

The Ministry offers some of the public service's best and most challenging opportunities. These range from providing strategic advice two to three decades out, to delivering major defence procurements, to managing government-to-government defence relationships with other countries. All Ministry people operate close to key decision-makers. As our sector moves to offer greater career mobility, we will make sure our offer to potential secondees or transferees is compelling.

The Ministry will continue to prioritise developing its people, as well as expanding opportunities in the external and security sector. We will work with our partners to consider what talent the whole sector will need over time and how this can be delivered.



Meeting of representatives from the Peoples Liberation Army, Peoples Republic of China and the Ministry of Defence and New Zealand Defence Force

5. DEFENCE IS OPEN, TRANSPARENT, ACCESSIBLE AND TRUSTED

Defence has the people, relationships, policies and combat capabilities to respond to concurrent and diverse security challenges

Defence is open, transparent, accessible and trusted			
Goals			
Defence operates an open, ethical, high-integrity environment	Defence maintains preventative controls on fraud and corruption	The Ministry communicates proactively and in plain English	The Ministry develops and delivers a deliberate programme of outreach to universities, industry and interest groups
What will be achieved			
Participation in a global anti-corruption network with defence partners	Address recommendations from the 2015 Transparency International Government Defence Index	Annual and tri-annual reporting on the detail of major Defence acquisition work, with a focus on reporting proactively and transparently	
Ensure acquisition projects incorporate programmes, ongoing probity and anti-corruption requirements	Internal processes will support Ministry documents to be in plain English, use active language and be accessible to the audience	Strengthen relationships with key stakeholders, including Defence Industry, science institutions, etc	
How we'll know we've been successful			
New Zealand maintains or improves its Defence Global Anti-Corruption Index rating	Regular assessment of controls and awareness of fraud and corruption show improvement	Surveyed level of satisfaction with Defence by the Minister of Defence	Surveyed level of satisfaction with Defence by stakeholders, including academics and industry

The Ministry will actively pursue initiatives to enhance trust and understanding of the national security sector. The Ministry will be more open, transparent, accessible and trusted by stakeholders, partners and New Zealanders by ensuring it operates in an open, ethical and high-integrity environment. This will involve creating partnerships and distributing accessible information on New Zealand's defence policy and major project activity, including on how stakeholders can become involved.

As part of this work, the Ministry contributes to the Five Partners Defence Sector Fraud and Anti Corruption Network, with defence partners in the United States, United Kingdom, Canada and Australia. This network will enhance Defence's activity to combat fraud, bribery, corruption and other economic crime, by building system-level integrity and accountability mechanisms, and sharing information to enhance economic crime prevention, detection and response.

In 2015, New Zealand's Defence and Security Sector was assessed by the Transparency International Government Defence Anti-Corruption Index as having a very low risk of corruption. It is important that Defence continues to strive for excellence. The Ministry is committed to the active maintenance of and improvement in the preventative controls on fraud and corruption within the defence sector.

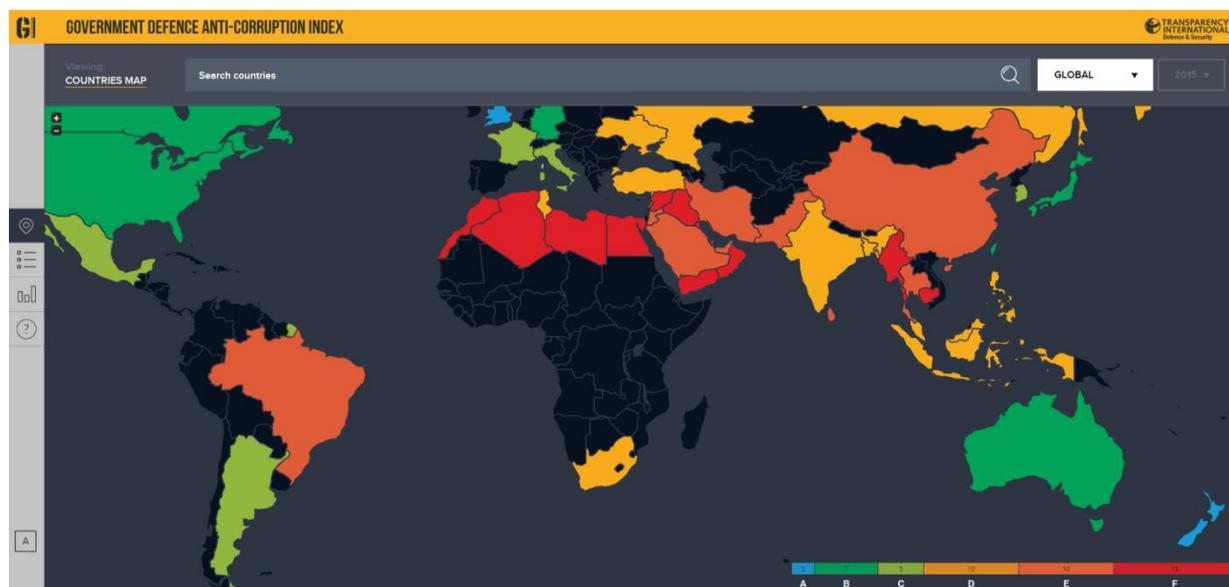


Figure 5: The results of Transparency International's 2015 Government Defence Anti-corruption Index, with blue being assessed as a Very Low risk of corruption

Working with the Defence Force, the Ministry is assessing and identifying areas of potential vulnerability to accountability and integrity issues within Defence, with a view to closer analysis of individual risks and control regimes. Our participation in global networks with defence partners also allows us to pursue best practice and identify risks and mitigations that will inform and provide a benchmark for our own endeavours.

The Ministry will work to improve Defence's interaction with external organisations, including active outreach with universities, scientific institutions and industry. As opportunities present themselves, the Ministry will provide exemplars of how New Zealand ensures the defence and security systems are highly transparent, with mechanisms to ensure effective oversight across all defence and security risk areas.

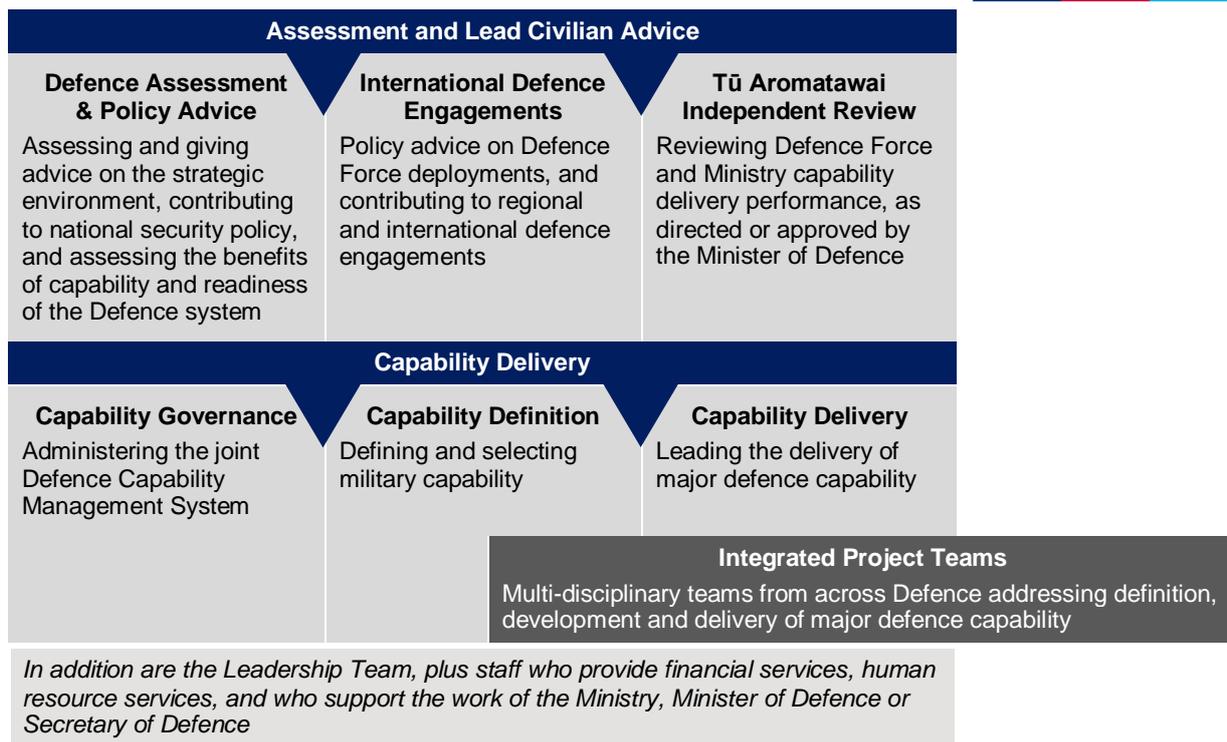
Our strategy for engaging with Industry

Defence has issued its joint Defence strategy for engaging with Industry – *Smart Customers and Smart Suppliers*. It sets out a strategy for good engagement between Defence and Industry, which includes getting the right two-way communications, being open to early partnership engagement and making an effort to understand each party's constraints. In it, Defence commits to five enabling principles:

- early engagement
- effective two-way communication
- a whole of life view of materiel
- collaboration and partnering
- commercial good practice.

OUR CAPABILITY

HOW WE ARE ORGANISED



The Ministry is organised around its civilian advice and capability delivery roles. It operates a small centre that provides in-house financial services, human resources, strategy and governance, security and other back office services.

The Ministry has shared services arrangements with the New Zealand Defence Force for property, IT and communications services, and some security services. This involves a shared services agreement, and an agreed work programme or priorities for delivery.

OUR STEWARDSHIP PRIORITIES

The Ministry has to manage itself in the same way it manages its business activities – with both the short term and the longer term in mind. It is using its current change programme to position the Ministry for success over both time horizons.

Our current operating model is to deliver through people and partnerships, for customers and results. Our people are our most valuable asset and we will seek to maximise their contributions through a strong learning and development culture.

The components of our current operating model can be summarised as:

- **People.** People who can deliver results through partnership, in accordance with our values, and who get the best opportunities through their role with the Ministry of Defence.
- **Partnerships.** We deliver in partnership with our sector, Defence Industry suppliers who can contribute at each step of the process, our international defence partners who help us advance New Zealand's interests, and our partner agency the New Zealand Defence Force.
- **Customers.** We deliver for the government, which decides our priorities through Defence White Papers, for the Minister of Defence, who receives advice on Defence system performance and risk, and for the Defence Force service men and women, who use defence equipment as defence capabilities.
- **Results.** Our overall results are a credible deployable Defence Force that can meet the government's objectives now and in the future, transparent defence choices for the government, and a strong external and security sector.

OUR PEOPLE: MAKING SURE EVERY PERSON COUNTS

We believe our size is an advantage because each person can see the results of their own effort in what we collectively deliver. In this way, every person counts. This contributes to high levels of engagement within the Ministry.

To continue our success, we have to attract and retain the best people. Because of this, our aim is to be a place where people do their best work, get the best opportunities, and where development and performance in-role is recognised.

The Ministry established a People Strategy in 2016. As well as advancing the above objectives, it sets out how we will balance the demands to manage growth without diluting our culture, recruit into new specialist capability delivery roles, establish the systems we need to manage a larger organisation, and continue demographic change.



The Ministry is committed to the State Services Commission’s *Equality and Diversity Policy*, which means it treats people fairly and respectfully, ensuring equality of access to opportunities (equality), and understands, appreciates and realises the benefits of individual differences (diversity).

A MORE DIVERSE MINISTRY

Gender diversity

A major, continued focus is to shift the Ministry’s results in respect of gender and diversity. The Ministry, like the sector around it, faces challenges in shifting its profile, and success will require sustained progress over time.

The Ministry pays men and women the same remuneration for the same work.

At 30 June 2017, most staff were women (51 per cent). However, our gender pay gap is amongst the highest in the public service, due to the make-up of our Capability Delivery Division, which is mostly comprised of project management professionals who lead multi-million dollar projects to acquire military equipment for the Defence Force. These people frequently have complex project management or engineering backgrounds, as they are purchasing ships, aircraft and the like. The Ministry has a large number of highly paid men in senior project management roles in this Division. This reflects the labour market they are drawn from and is what causes our large gender pay gap.

The Ministry has taken a number of steps to support careers of all staff, particularly women:

- changes to human resources policies
- providing private sector secondments for high potential staff
- requiring shortlists for management roles to include at least one woman candidate
- progressive policies that include support with parental leave and flexible working arrangements
- reimbursing some childcare costs, including when staff have to travel
- being the first public service department to provide free flu vaccinations for dependent children, and
- making sure that, where people have to pause their career or change hours, we help them to maintain pay and career advancement.

We have made it a priority to:

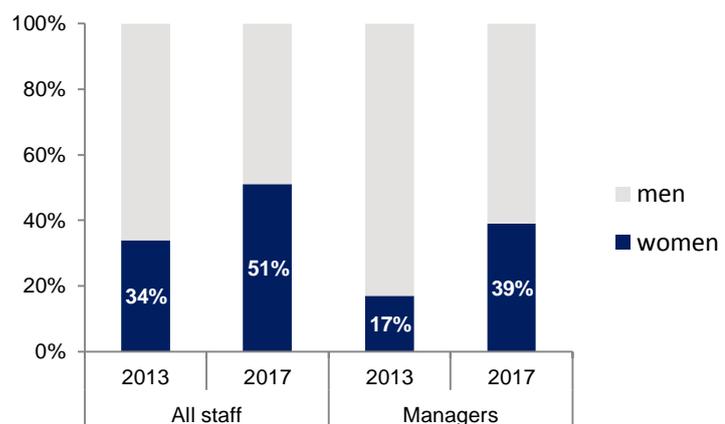
- attract women to roles in the Ministry – especially to those traditionally held by men
- encourage them to apply, and
- support them in their careers.

To work towards closing our gender pay gap, we have set the following targets:

- a 40-40-20 gender basis across both managers and the Ministry generally – that is 40 per cent women, 40 per cent men, and 20 per cent of any gender.
- At least 50 per cent of appointments to the Capability Delivery Division in each year to be women.

Achieving these changes has required sustained effort for the organisation and more will be needed over the next few years to achieve the level of change we are seeking.

Figure 6: How the Ministry’s gender diversity has changed



Improving ethnic diversity

One of the five priorities for our People Strategy is to improve diversity within the Ministry, under the heading “More ideas, more influence”.

The Ministry has had a static, low level of ethnic diversity. We believe that multiple factors are contributing to this. A constraint we share with our sector partners is the requirement that candidates meet citizenship criteria and have a checkable background history. We may not be able to achieve the level of improvement seen in other parts of government, but there are opportunities for us as New Zealand’s demographics change.

We are at an earlier stage with ethnic diversity than we are in respect of our work on gender diversity, but the measures we have been putting in place include:

- participating in the Tupu Tau Pasifika intern programme
- promoting the Ministry as an inclusive organisation, where a variety of people would want to work
- participating in a stocktake of our Diversity and Inclusion practices
- introducing training for all our people managers on the management of unconscious bias, as well as managing diverse teams.
- actively engaging with universities so that we get in front of a broader range of people
- identifying and addressing biases in the way we advertise and recruit, and making sure managers have the skills they need to get the best from diverse teams
- gathering better data on diversity, from those who express an interest in working here through those we employ.

How we measure success

Achieving change will happen over a period longer than four years. Our strategy is to create the conditions for success, monitor change, and learn.

We are monitoring the changing profile of staff, as well as indicators of how the Ministry is creating opportunities for advancement. These include:

- diversity of interested people, applicants, and appointed staff
- turnover, by level and type of role
- numbers of promotions within the Ministry
- what development opportunities have been agreed and delivered
- how our level of improvement compares to the other agencies in our sector, with which we share most of our workforce.

Figure 7: Disclosed ethnicities within the Ministry as at 30 June 2017

Ethnicity	%
NZ European/Pakeha	78%
Māori	2%
Pacific Peoples	1%
Asian	6%
Middle East, Latin America	1%
Other – Rest of World	13%

PARTNERSHIP: DELIVERING DEFENCE CAPABILITY

From Acquisition to Capability Delivery

As part of structural changes relating to the delivery of defence capability, the Ministry's Acquisition Division has become the Capability Delivery Division. The key roles of the Division are to lead the multi-disciplinary teams that draw on expertise across Defence and ensure a fully-integrated approach to the definition, development and delivery of military capability for the Defence Force to meet the government's defence policy objectives (Integrated Project Teams).

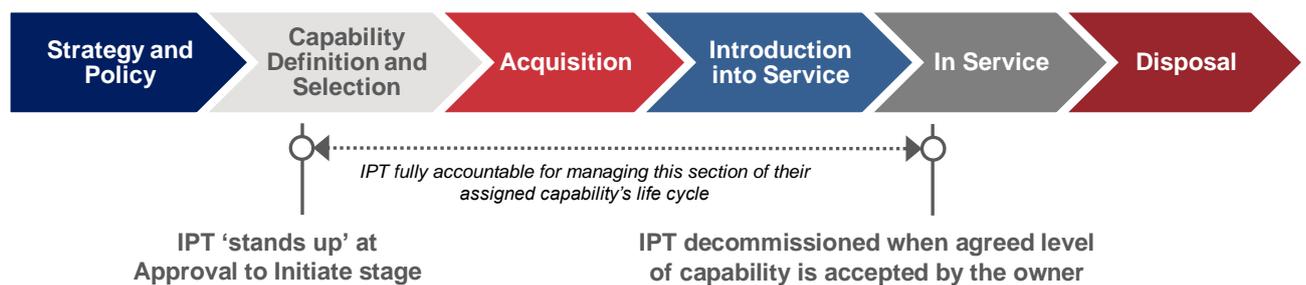
The 2010 Defence White Paper defined these stages of the capability process, and made the Secretary of Defence primarily responsible for the process up to and including the acquisition phase, with the Chief of Defence Force primarily responsible for the remaining phases. Until now, these functions have been managed by working closely together but with clear delineation. As this has matured, the Ministry and the Defence Force have established that they can be more effective by taking a genuinely partnered approach to defining, acquiring and introducing capability.

The Capability Delivery Division in the Ministry establishes and manages integrated project teams, and ensures these deliver best-in-class project management, policy and requirement development, acquisition (procurement/purchasing) methodology and practice, and business integration. It also houses an Industry liaison function focused on suppliers with an interest in major capability projects.

Integrated Project Teams

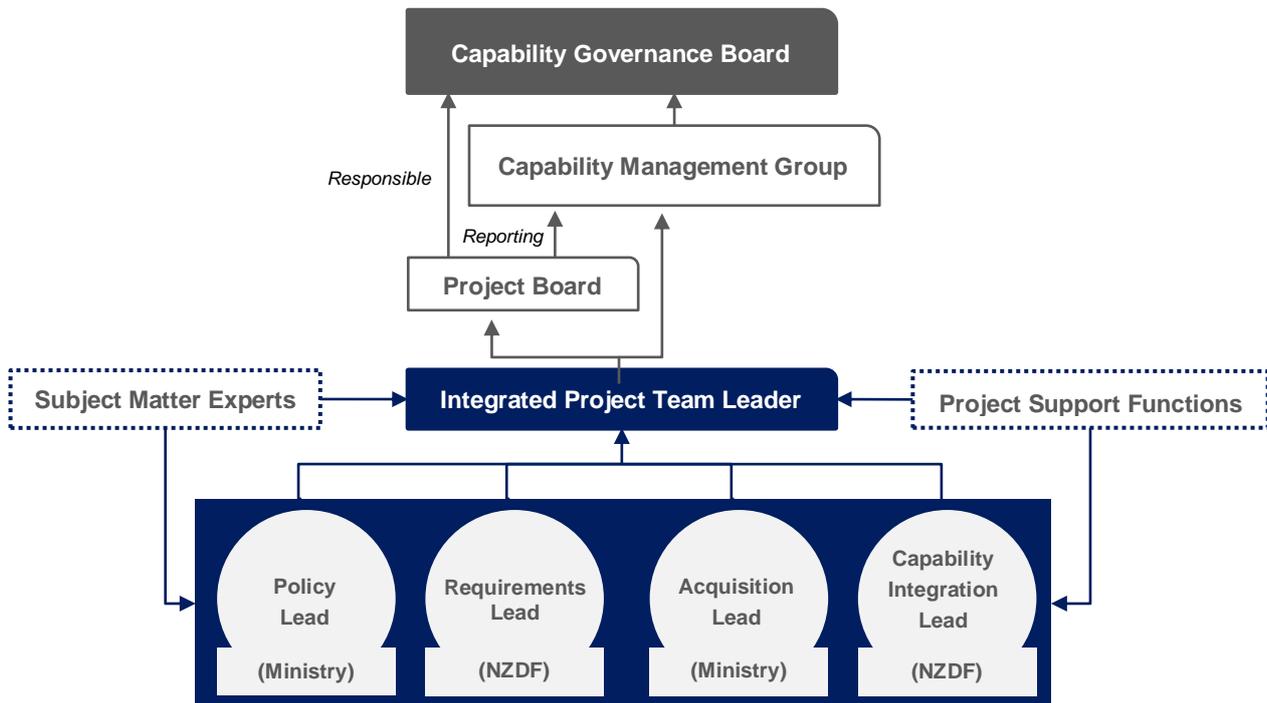
One of the key components of the changes to Defence Capability Management Systems has been the introduction of Integrated Project Teams (IPTs). In February 2017, the Defence agencies introduced six IPTs for major capability projects. These bring Ministry and Defence Force staff together into a single team that spans capability definition and selection, and acquisition (for which the Secretary of Defence is primarily responsible) and introduction into service (for which the Chief of Defence Force is primarily responsible) phases of each capability project.

Figure 8: How Integrated Project Teams fit in the lifecycle of a defence capability



The Leaders of these teams are employed by the Ministry. Each team includes a Requirements Lead and a Capability Integration Lead employed by the Defence Force; and a Policy Lead and Acquisition Lead employed by the Ministry. They also have access to dedicated project management and other specialist support. These teams facilitate a smarter approach to procurement through earlier, broader involvement and integration of personnel and critical stakeholders, including Defence Industry, in the design and delivery of major capability projects.

Figure 9: Roles and reporting lines for Integrated Project Teams



Portfolio, programme and project management across Defence

Portfolio, programme and project management across Defence is a distributed model with shared accountabilities and dispersed responsibilities. The Ministry has now also established a Practice Office, which partners with the Defence Force Project Management Office. The Practice Office is focused on improvements to Defence programme and project standards, techniques and processes – ensuring these new and changed functions are successful and impactful in their supporting roles, and that they can quickly operate in a highly collaborative and effective way.

Within the coming year this includes agreeing and implementing a Portfolio, Programme and Project Management Leadership Framework, along with well-defined responsibilities, functions and roles, and setting a programme of work that will provide maximum support to Integrated Project Teams and the portfolio governance functions.

The final phase will then involve consolidation activity – moving the business as usual arrangements in 2017/18.

Governance of major defence capability projects

Defence has undertaken significant work to update the Capability Management Framework for major defence capability projects. As part of this work, seven project boards have been established to provide ongoing assurance that the project will successfully deliver expected outcomes and benefits.

The project boards have included co-chairs and representatives from each Defence agency, as well an external member as appropriate. The external member is appointed as an advisory member to strengthen the board's expertise and experience in the governance of relevant complex and large scale projects.

TRANSPARENT PRIORITISATION AGAINST GOVERNMENT PRIORITIES

The key elements of the Ministry's work programme are set directly by Ministers and the Cabinet, and it has mechanisms in place to manage its resources transparently against government decisions. These are:

- the *Defence White Paper 2016*, which sets the overall priorities for Defence, including priorities for reform for the two agencies to pursue together
- the *Defence Capability Plan 2016*, which sets the priorities and overall timeframes for major investments in defence capability
- the *Defence International Engagement Strategy*, which allocates Ministry and Defence Force resources against an agreed set of priorities
- the Tū Aromatawai Independent Review Work Programme, which is approved or directed by the Minister of Defence.

CONTINUOUS IMPROVEMENT

The Ministry believes in continuous improvement. We support this across Defence through the activities of our Tū Aromatawai Independent Review Division, and it is also something we are embedding in our own organisation.

As part of the Defence Capability Change Action Programme, we are establishing an embedded focus on continuous improvement as part of a refreshed Capability Management System. Work on this was started in 2016/17.

Each part of the organisation has some mechanism to provide assurance or review. This includes an annual review of the quality of policy advice, external peer review, an annual audit programme, and mechanisms that ensure regular review of our internal controls framework and policies. In addition, the Capability Delivery Division holds accreditation to the ISO 9001 standard.