



New Zealand House of Representatives
Te Whare Māngai o Aotearoa

Foreign Affairs, Defence and Trade Committee

Komiti Whiriwhiri Take Aorere, Take Waonga, Take Tauhoko

54th Parliament

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**2024/25 Annual review of the Ministry of
Defence**

**2024/25 Annual review of the New
Zealand Defence Force**

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Ministry of Defence and New Zealand Defence Force

Recommendation

The Foreign Affairs, Defence and Trade has conducted the annual reviews of the Ministry of Defence and the New Zealand Defence Force for 2024/25 and recommends that the House take note of its report.

About the defence sector

The Ministry of Defence and the New Zealand Defence Force (NZDF) work together to ensure New Zealand’s national security. The agencies have distinct responsibilities but common goals. Together they protect New Zealand’s borders, people, values, and interests. For this annual review cycle, we continued our practice of holding a joint hearing with both agencies and considering their spending as complementary to each other. We refer to the Ministry and NZDF collectively as “Defence” in this joint report. We focus on 2024/25 performance but also discuss more recent events and operations.

Brook Barrington is the Secretary of Defence. He is the principal adviser to the Government on defence matters and was appointed in June 2024. Air Marshal Tony Davies is the Chief of Defence Force. He is the principal adviser to the Government on military matters and was appointed in June 2024.

Before our joint meeting with the ministry and NZDF, we heard from the Associate Minister of Defence and the Minister for Veterans, Hon Chris Penk.

At our meeting, we expressed our gratitude to the Defence leadership, officials, staff, and personnel for their ongoing work for the protection and prosperity of New Zealand.

About the Ministry of Defence | Manatū Kaupapa Waonga

The Ministry of Defence is the Government’s lead civilian adviser on defence. The ministry employs 184 people and has four key functions and objectives:

- Planning—To regularly assess strategic trends and identify emerging or evolving issues and advise the Government on policy issues and investment options.
- Equipping—To manage the purchase of major equipment and be responsible for successful delivery.
- Partnering—To work alongside NZDF, to shape New Zealand’s relationships with international counterparts and organisations, and provide advice on deployments.
- Assessing—To audit NZDF and military procurement.

Summary of 2024/25 performance and audit results

The Ministry of Defence underspent the funding it was allocated in both its departmental and capital appropriations in 2024/25. The ministry explained why. Capital funding was allocated for the procurement of Boeing P8-A Poseidon planes, which had not yet been fully paid for. It

underspent departmental funding as a planned contingency to allow for early project establishment costs, prior to the allocation of capital funding.

Financial trends

	2021/22 \$million	2022/23 \$million	2023/24 \$million	2024/25 \$million	Change in 2024/25
Revenue	27.9	31.0	28.8	27.3	(5.2%)
Expenditure	22.5	28.6	28.6	26.9	(5.9%)
Net surplus or (deficit)	5.4	2.4	0.2	0.4	—

Audit results

The auditor issued an unmodified opinion on the ministry’s financial statements and non-financial performance reporting. The auditor assessed and graded the ministry’s management control environment as “very good”, its financial information systems and controls as “very good”, and its performance information and associated systems and controls as “good”.

Non-financial performance

The ministry measures its performance of ministerial and capability advice and servicing, and on capability procurement and delivery.¹ In 2024/25, it met all of its targets on quality and timeliness of ministerial papers, and the quality of its policy advice was independently assessed as 3.55 out of 5. The ministry met all three of its defence capability and procurement measures, and exceeded its 80 percent minimum target on its two measures related to scheduling. It aimed to achieve accuracy on cost forecasting within 10 percent of the actual costs, but delayed payment for procurement led to its result of -23.8 percent.

About the New Zealand Defence Force | Te Ope Kātua o Aotearoa

The New Zealand Defence Force (NZDF) provides armed forces to the Government. It comprises three services: the New Zealand Army, the Royal New Zealand Navy, and the Royal New Zealand Air Force. NZDF’s mission is “to secure New Zealand against external threat, to protect and promote our sovereign interests, including in the exclusive economic zone, and to be able to take action to meet likely contingencies in our strategic areas of interest”.

The NZDF aims to protect and advance New Zealand’s security interests. Internationally, NZDF supports New Zealand diplomacy and the rules-based order. This involves participating in international exercises, providing training and support to other militaries, and providing aid in humanitarian crises. Its operations over 2024/25 have included giving

¹ “The Ministry of Defence purchases major equipment which becomes a capability when it is used by the personnel of the New Zealand Defence Force.” For more information, see [Ministry of Defence](#).

support to Ukraine, upholding maritime security in the Red Sea, and ongoing operations and support in the Middle East, Asia, Africa, Antarctica, and the Pacific.

NZDF plays a domestic role in relation to emergency management, security, and other defence functions. Its annual report includes information on its assistance to the New Zealand Police, as well as support to the Department of Conservation and search and rescue.

NZDF also houses the Veterans' Affairs unit, which provides services and support to ex-service personnel, and policy advice to Government.

Summary of 2024/25 performance and audit results

NZDF's total expenditure in 2024/25 was \$3.8 billion. NZDF reports that it has experienced ongoing challenges relating to its operational readiness, workforce "hollowness", and estate and infrastructure. The loss of the HMNZS *Manawanui* in October 2024 added cost pressures to an already constrained budget.

The Defence Capability Plan (DCP), released in April 2025, outlines \$12 billion of investment over four years to address its challenges. It is preparing business plans for the first tranche of DCP investments.

Financial trends

	2021/22 \$million	2022/23 \$million	2023/24 \$million	2024/25 \$million	Change in 2024/25
Revenue	3,212	3,336	3,576	3,749	4.8%
Expenditure	3,147	3,238	3,590	3,795	5.4%
Net surplus or (deficit)	65	98	(14)	(46)	—

Audit results

The auditor issued an unmodified opinion on the financial statements and non-financial performance reporting of NZDF. The auditor assessed and graded NZDF's management control environment, its financial information systems and controls, and its performance information and associated systems and controls as "good".

The audit report noted three instances of unappropriated expenditure. Two were costs connected to the HMNZS *Manawanui* sinking and included an ex-gratia compensation payment to the government of Samoa. The third was a significant increase in the Crown's veterans' entitlement liability.

A High Court decision (the Veterans' Entitlements Appeal Board decision) in October 2024 has led to revised interpretations of the NZDF's legal obligations under the Veterans' Support Act 2014. This has required a substantial increase to the estimation of veterans' entitlement liability as at 30 June 2025. The actual "Defined Benefit Liability" as at 30 June 2025 was \$4.1 billion compared to \$2.9 billion as at 30 June 2024. The audit report drew

attention to significant uncertainties in the valuation of the veterans' entitlement liability, which are exacerbated by limited data.

This issue and related matters are discussed in more detail later in this report.

Non-financial performance

NZDF measures its performance against eight outputs in its Statement of Intent 2024/25 to 2027/28, each with several performance measures. One of these, "response to the sinking of the HMNZS *Manawanui*", is a new output created in 2024/25.

In 2024/25, NZDF met 82 percent of its performance measures. All performance measures under the following outputs were met:

- Army capabilities prepared for joint operations and other tasks
- Operations contributing to New Zealand's security, stability, and interests
- Response to the sinking of HMNZS *Manawanui*.

In our 2023/2024 Annual Review we said that we hoped to see more about how its performance of space policy and security activities will be measured in future. We note that space-related activities feature in both agencies' 2025 annual reports. We look forward to the development of performance measures to reflect the importance of this sphere of strategic competition.

We will also be interested in the development of performance measures relating to implementing the Defence Capability Plan and the Defence Industry Strategy.

Veterans' support and entitlements

As noted above, the estimation of veterans' entitlement liability as at 30 June 2025 has increased substantially. NZDF unsuccessfully appealed the determination that led to this change in the High Court.

The Veterans' Entitlements Appeal Board decision

The Veterans' Entitlements Appeal Board determined that a claim for a veteran's injury, illness, or death must be accepted if it is consistent with a reasonable hypothesis that the claim is service-related. This places a higher burden of proof on Veterans' Affairs when it declines claims. It told us it had previously relied on the Statement of Principles (SOPs) as a key tool in claim assessment.² We heard that the implications of the decision were being worked through. The updated legal interpretation was already being applied. The support scheme is currently only at 13 percent uptake by veterans; however, the claim acceptance rate has jumped from 75 percent to 98 percent.

The limited data available to support assumptions about future claims is a significant challenge, which adds to the uncertainty about both the potential volume of claim applications and the valuation of the entitlement liability. We heard that although there is

² Statement of Principles (SOPs) were introduced with the passing of the Veterans' Support Act 2014. They are legal instruments based on medical scientific evidence, which guide decision makers on the relationships between medical conditions and service. For more information, see [Veterans' Affairs](#).

reasonable data on the overall veteran population (approximately 45,000), there is insufficient data to calculate who may now be eligible to make a claim, and what future claim patterns may look like. It will take time for data to be collected to improve forecasting accuracy.

Implications for delivery of support

The decision has implications for Veterans' Affairs and its capacity to administer support as demand is expected to increase beyond what the department is able to manage. NZDF told us that there is potential to improve efficiency, such as upgrading from the current pen and paper application process and developing an interface for veterans that would better connect with other government systems. We also heard that additional funding had already helped reduce the historical backlog of applications and improve response times.

NZDF told us that there are wider questions about who is best placed to respond to the increased demand for support and service. It also noted the changing nature of support needed by veterans to address mental health and post-traumatic stress disorder (PTSD). NZDF is providing advice to the Minister for Veterans about ensuring people receive the supports that they need, as well as which providers are best placed to give support and fiscal impact. The Minister told us he is considering all options, and that this could hypothetically include a legislative response. NZDF was not undertaking public consultation on any potential changes at this stage.

Defence Capability Plan

The Defence Capability Plan (DCP) was released in April 2025. It is the Government's plan for strengthening Defence over the next 15 years. The DCP outlines investments to enhance combat capability, and replace critical assets including physical and digital infrastructure. It contains an indicative commitment of \$12 billion towards Defence capability and infrastructure over the next four years.

Robust procurement processes

We asked about the implementation of the DCP, and whether existing procurement processes were robust enough to deliver plan effectively. We heard there was a well-established Capability Management System (CMS) for managing the delivery of major programmes and projects, covering all phases of the capability project lifecycle.

However, implementing the DCP is likely to require faster investment approval and procurement than has occurred in previous years. The ministry told us that the CMS is a scalable, resilient, and proven system. It cited recent delivery of five C-130J Hercules, frigate upgrades, and procurement of Boeing Poseidon P8s as examples, undertaken alongside many other operational activities. It was taking steps to strengthen process, governance, and the quality of procurement business cases.

We heard that strong domestic procurement rules, practice, and contract enforcement ensured compliance with international human rights law and effective risk management.

Risk appetite and minimum viable capability

We heard that in a “sharper” and less predictable international environment, and the fast pace of technology development, procurement needs to be faster and more agile. There was a need to move to a different “risk appetite” to keep up with quickly evolving technology, placing a higher value on speed of delivery. The Ministry of Defence described this approach as needing to be prepared to potentially “fast fail”, rather than be slow to act and left behind.

The ministry illustrated this by pointing out that for some new and fast-moving technologies, unit costs were quite low. If, for instance, it was possible to purchase a drone from an electronics retailer for \$5,000 as opposed to \$50,000, it might be worth spending the \$5,000 upfront to determine if such a capability was fit for purpose. The ministry described this as a “minimum viable capability” approach which would prioritise speed over “bells and whistles”. However, it emphasised that it would be important to effectively channel and manage increased speed, agility, and innovation to avoid recklessness.

Defence Industry Strategy and Technology Accelerator

The Defence Industry Strategy, released in October 2025, outlines actions to deliver capability faster and support the implementation of the DCP. It specifically encourages investing in domestic suppliers as part of the implementation. We heard that as part of a more agile procurement approach, Defence want to partner with industry to seek input on potential solutions, rather than taking a prescriptive approach.

Included in the strategy is indicative funding of \$100–\$300 million for a Technology Accelerator, which will support Defence’s ability to partner with the advanced technology sector. The accelerator will target New Zealand companies and start-ups. While the focus will be on developing advanced technologies for military use by the NZDF, procurement decisions will also consider export potential.³

Workforce strategy and recruitment

We asked about planning related to recruitment and capability, noting its importance to both the implementation of the DCP and the introduction of new technologies. The Ministry of Defence said that its workforce strategy, along with other key work on estate and infrastructure, would underpin the DCP.

We heard that NZDF is developing a workforce strategy which set out a programme of workforce regeneration to deliver defence outputs, potentially increase operational activity, and support the capabilities identified in the DCP. It has been allocated \$26 million in funding to progress strategic responses across eight lines of effort, including building a scalable workforce and “rebooting” the recruitment system.

Over time, NZDF would like to grow the size of the force by between 2,000 and 2,500 members over a 15-year period. That growth is needed to fill existing gaps, support DCP capabilities, and deliver more operations in a worsening security environment. The

³ Ministry of Defence, [Defence Industry Strategy](#), 2025.

Workforce Savings Programme reduced civilian personnel numbers, enabling the reallocation of funding to recruit more uniformed staff.⁴

Recruitment

NZDF told us it was doing significant work on its recruitment system.

We heard that applications to join the NZDF had increased over the past two years and more people were now applying to join than the NZDF could take on. To address loss of experienced personnel in recent years, there had also been efforts to encourage international recruitment, which had seen significant interest.

At the time of our hearing, it was attesting (the process whereby applicants formally become NZDF recruits) around 700 recruits a financial year, and has a goal to expand the capacity of the recruitment system to 1,500. This meant that, should it be necessary, NZDF could rapidly increase its intake.

Work had also been done to reduce the average recruitment time from 300 days to below 200, through business improvement and efficiency work. The long recruitment time frame, which was partly due to fixed training dates, led to people dropping out of the process. NZDF hoped to have the timeframe reduced to 90 days by its next annual review. We look forward to an update on progress at the next annual review.

Recruitment also needed to consider rapid advancements in technological capability, to ensure that NZDF had people with the skills to operate emerging technology. Different skills would be needed to what may have been traditionally required.

Service conditions

Remuneration was acknowledged as a long-standing issue. While a major adjustment was made several years ago, we heard that the pay gap between uniformed and civilian roles was again widening. Remuneration for 24 percent of uniformed roles was now 10 percent below market parity.

At the same time, previously high rates of attrition have come down and stabilised at just under 7 percent. While improvements in pay and conditions had contributed to this, we heard that a sense of purpose and pride was also very important. Investment in equipment and commitment to deployments supported that sense of purpose.

Other matters considered

We also discussed the following matters. For more detail, refer to the pages noted below in the [*Hansard* transcript of our hearing](#), available on the Parliament website.

- **Defence estate**—NZDF spent around \$242 million on the Defence estate in 2024/25, which included approximately \$110 million on maintenance and approximately \$132 million on capital works. We discussed prioritisation of work and current projects. (*Transcript pp 32–34.*)

⁴ New Zealand Defence Force, [Annual Report 2025](#), p 88.

- **International engagement**—In 2024/25, the ministry supported 80 bilateral engagements and 32 Ministerial engagements. (*Transcript p 12.*)
- **Operations in 2024/2025**—NZDF gave us an overview of the various operations and deployments undertaken throughout the year. (*Transcript pp 11–13.*)
- **Loss of HMNZS *Manawanui* and Operation Resolution**—We asked the NZDF about lessons, costs, and ongoing response (Operation Resolution) to the sinking of the HMNZS *Manawanui*. Our discussion covered studies into the environmental effects, its interim replacement with HMNZS *Otago*, accounting measures and compensation paid to the Samoan Government. (*Transcript pp 17–20.*)
- **Cyber security**—We heard about the large number of regular “hits” on Defence systems each week, with approximately 15 to 20 more serious attacks investigated each month. (*Transcript p 22.*)
- **Space policy and security**—We heard about the work of 62 Squadron, including its participation in groupings with like-minded counterparts such as the Multinational Force Operation Olympic Defender. (*Transcript p 23.*)
- **Pacific relationships**—We heard about the good relationships with New Zealand’s “Pacific family” across a range of areas, including Defence procurement and infrastructure. (*Transcript p 10, pp 47–48.*)
- **Australia relationship**—The ANZUS treaty is the legal grounds for the defence relationship between Australia and New Zealand. We discussed how our respective defence forces cooperate on capability, innovation, and procurement. (*Transcript pp 45–47.*)
- **Use and security of devices**—Defence devices have strong security settings, and strong monitoring is in place on appropriate use. (*Transcript p 49.*)
- **Operation Respect**—Operation Respect is a programme launched in 2016 to eradicate unacceptable behaviours from NZDF to ensure it is looking after its people and can recruit and retain women. NZDF referred us to a forthcoming Office of the Auditor-General report on this programme, due in early 2026, and told us that funding had been optimised to get the best out of the programme. (*Transcript p 29.*)

Appendix

Committee procedure

We conducted annual reviews of the Ministry of Defence and the New Zealand Defence Force for the 2024/25 financial year. On 2 December 2025 we heard from the Associate Minister of Defence and Minister for Veterans, Hon Chris Penk, for 33 minutes. We heard from the Ministry of Defence and the New Zealand Defence Force for 2 hours and 34 minutes. We received advice from the Office of the Auditor-General. We sent written questions to the Ministry of Defence and the New Zealand Defence Force for response. We met again on 12 March 2026 to finalise this report.

Committee members

Tim van de Molen (Chairperson)
Hon Damien O'Connor
Tim Costley
Laura McClure
Hon Peeni Henare (to 15 March 2026)
Dana Kirkpatrick
Teanau Tuiono

Greg O'Connor also contributed to this annual review.

Related resources

The following material is available on the [Parliament website](#):

- the [Ministry of Defence's annual report](#)
- the [New Zealand Defence Force's annual report](#)
- [Office of the Auditor-General \(Briefing on the Ministry of Defence and the New Zealand Defence Force\)](#)
- [Ministry of Defence \(Responses to written questions\)](#)
- [New Zealand Defence Force \(Responses to written questions\)](#)
- [the structured agenda for our joint hearing with the Ministry of Defence and the New Zealand Defence Force](#)
- [the Hansard transcript of our hearing](#)
- [a recording of our hearing](#).