

AGENCY RESOURCES AND PLANNED PERFORMANCE

**Department of Defence
Defence Materiel Organisation
Defence Housing Australia**

DEPARTMENT OF DEFENCE

AGENCY RESOURCES AND PLANNED PERFORMANCE

Section 1: Agency overview and resources

- 1.1 Strategic direction
- 1.2 Defence resourcing
- 1.3 Budget Measures
- 1.4 Capital Investment Program
- 1.5 People

Section 2: Outcomes and planned performance

- 2.1 Outcomes and performance information

Section 3: Explanatory tables and budgeted financial statements

- 3.1 Explanatory tables
- 3.2 Budgeted financial statements

DEPARTMENT OF DEFENCE

Section 1: Defence overview and resources

1.1 Strategic direction

Defence's primary focus continues to be to protect and advance Australia's strategic interests by providing military forces and the appropriate support of those forces for the direct defence of Australia and its unique strategic interests. To achieve this, Defence prepares for and conducts military operations and other tasks as directed by the Government.

Apart from the conduct of current operations, the Government's key initiative in 2010-11 will be implementing the first stages of the Strategic Reform Program (SRP).

STRATEGIC REFORM PROGRAM

The SRP comprises a comprehensive set of reforms that will fundamentally overhaul the entire organisation, driving efficiency and creating around \$6.4b in cost reductions over the Forward Estimates that are necessary to deliver Force 2030. These cost reductions incorporate and build on the savings already identified in the previous Minister's Defence Savings Program.

The Government has endorsed a package of reforms and the SRP has moved into its implementation phase, with a particular emphasis on tracking progress of reform against milestones and savings targets. This will deliver Australia a genuinely strategic national advantage: significantly enhancing capability while constraining the call on national resources.

The implementation of the White Paper and the deep reform of how Defence does business is a critical national priority. The Government will closely monitor the implementation of the program and progress will be regularly measured and assessed through a range of mechanisms including by independent auditors as part of the five-year White Paper process. The program will:

- provide a vehicle for deep and enduring reform within Defence
- enhance management performance within Defence
- ensure that productivity within Defence is increased and able to be sustained, so that the maximum possible level of resources are directed to the front end of capability
- improve the way Defence does business, in terms both of efficiency and effectiveness
- help ensure that the goals set out in the White Paper are delivered.

ORGANISATIONAL STRUCTURE

The following changes have taken place since the *Portfolio Additional Estimates Statements 2009-10*.

Senior executive changes

- Mr Peter Jennings was promoted and appointed as Deputy Secretary Strategy.
- Mr Brendan Sargeant was recruited on promotion and appointed to the new position of Deputy Secretary Strategy (Operations). Subsequently, he was appointed as Deputy Secretary Strategic Reform and Governance to replace Dr Margot McCarthy who left Defence to take up the role of Deputy National Security Adviser, Department of the Prime Minister and Cabinet.
- Mr Simeon Gilding is acting Deputy Secretary Strategy (Operations), replacing Mr Brendan Sargeant.

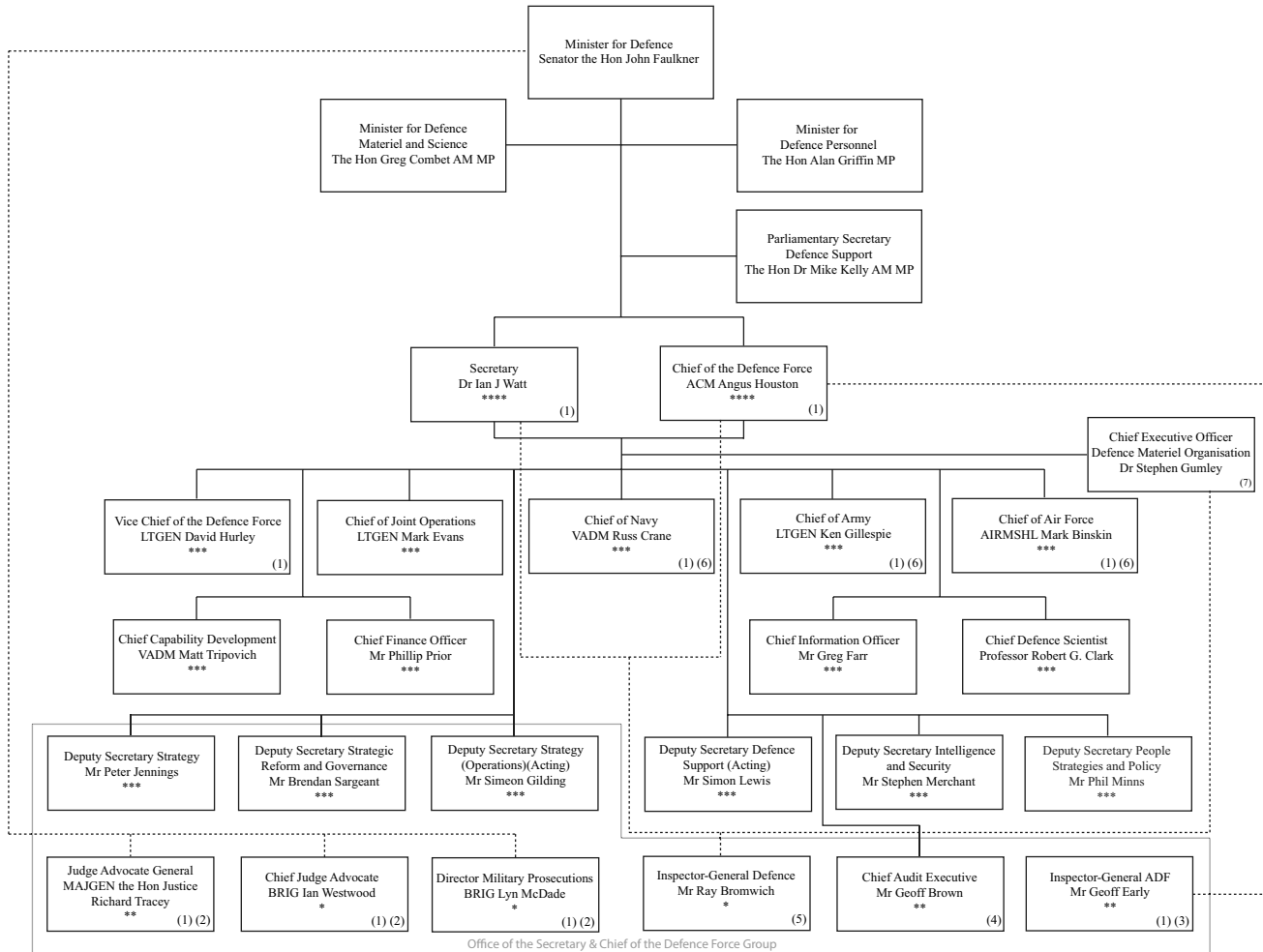
- Mr Martin Bowles was transferred to the Department of Climate Change and Energy Efficiency. Mr Simon Lewis transferred from the Department of Finance and Deregulation to fill the role of Deputy Secretary Defence Support, replacing Mr Martin Bowles.

Organisational Structure

The following changes to Defence's organisational structure have been implemented:

- The position of Deputy Secretary Strategy (Operations) was created within the Office of the Secretary and Chief of the Defence Force Group. This was done as a consequence of the increasing responsibilities of Strategy Executive and to help ease the very heavy load in relation to operations in Afghanistan and the wider Middle East Area of Operations.
- With effect 6 April 2010, the separate organisations of the Audit Division and the Fraud Control and Investigations Branch were combined into the Audit and Fraud Control Division. The position of Chief Audit Executive continues to lead the combined Division. The position of Inspector General - Defence remains as the Head of the Fraud Control Investigations Branch. Both the Chief Audit Executive and Inspector General - Defence continue to have direct access to both the Secretary and the Chief of the Defence Force in relation to their respective roles.

Figure 2: Defence Organisational Chart



* Stars refer to ADF Star rank or SES Band levels

(1) Statutory appointment.

(2) Reports directly to the Minister for Defence in accordance with Section 196A of the *Defence Force Discipline Act 1982*.

(3) The Inspector-General ADF is directly responsible to the Chief of the Defence Force (CDF).

(4) Chief Audit Executive reports directly to the Secretary and CDF.

(5) The Inspector-General Defence reports directly to the Secretary and CDF, and CEO DMO on investigative matters.

(6) Section 9(3) of the *Defence Act 1903* requires the Service Chiefs to advise the Minister on matters relating to their command.

(7) Under the agreed business model for DMO as a prescribed agency, the CEO DMO Ministerial Directives identifies that the CEO DMO is directly accountable to the Minister for DMO's performance but remains accountable to the Secretary and CDF.

1.2 Defence resourcing

The Government has provided Defence with additional funding of \$1.6b over the decade to 2019-20, including \$1.3b over the Budget year and forward estimates. The revised total Defence funding for 2010-11 is \$26,896.6m, comprised of:

- an appropriation for Departmental Outputs (\$22,194.8m)
- an equity injection (\$3,578.2m)
- net drawdown of appropriations carried forward (\$62.9m)
- return of equity to Government (-\$99.0m)
- capital receipts (\$134.3m)
- own source revenue (\$1,025.4m).

The net increase in funding of \$949.4m for 2010-11 is made up of:

- an increase of \$1,377.8m associated with departmental budget measures
- a decrease of \$614.8m for other budget adjustments
- a decrease of \$30.3m in capital receipts
- a increase of \$216.6m in own source revenue.

There are several measures and adjustments which have affected Defence's funding. These are:

- \$1,138.0m in the budget year and \$1,516.6m over the forward estimates for Operations
- \$221.6m in the budget year for enhanced force protection measures
- \$13.7m in the budget year and \$35.2m over the forward estimates for the Moorebank intermodal terminal
- \$4.0m in the budget year and -\$521.0m over the forward estimates for reprogramming activities
- \$0.5m in the budget year and -\$2.2m over the forward estimates for centralisation of Australian Government personnel security vetting
- -\$662.4m in the budget year and -\$1,606.8m over the forward estimates for foreign exchange movements since 2009-10 Additional Estimates
- \$33.2m in the budget year and \$158.7m over the forward estimates for the DMO's direct appropriation adjustments
- \$30.3m in the budget year and -\$63.8m over the forward estimates for adjustments to the property disposals program
- -\$15.8m in the budget year and -\$63.4m over the forward estimates for foreign exchange adjustments to Australia's contribution to the Afghan National Army trust fund.

Table 3: Total Defence Resourcing

Serial No	2009-10 Estimated Actual \$'000		2010-11 Previous Estimate \$'000	2010-11 Budget Estimate \$'000	Variation \$'000	%	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Defence resourcing									
1	21,923,646	Appropriation for departmental outcomes	21,292,435	22,192,662	900,227	4.2	21,687,141	22,415,581	24,026,458
2	2,418,961	Equity injection appropriation ^[1]	3,745,005	3,578,161	-166,844	-4.5	3,242,151	2,096,207	2,371,724
3	-	Prior Year Appropriation ^{[2] [3]}	-	2,100	2,100	-	-	-	-
4	24,342,607	Current year's appropriation (1+2+3)	25,037,440	25,772,923	735,483	2.9	24,929,292	24,511,788	26,398,182
5	147,285	Draw down of appropriations carried forward	65,000	65,000	-	-	6,389	-	-
6	2,100	Other appropriation receivable movements ^{[2] [3]}	-	-2,100	-2,100	-	-	-	-
7	-62,017	Returns to the OPA	-128,613	-98,989	29,624	-23.0	-73,087	-42,901	-116,490
8	87,368	Funding from/to the OPA (5+6+7)	-63,613	-36,089	27,524	-43.3	-66,698	-42,901	-116,490
9	24,429,975	Funding from Government (4+8)	24,973,827	25,736,834	763,007	3.1	24,862,594	24,468,887	26,281,692
10	87,915	Capital receipts	164,560	134,285	-30,275	-18.4	108,036	77,926	151,536
11	853,759	Own source revenue (s31 receipts) ^[4]	808,817	1,025,446	216,629	26.8	896,784	933,852	976,107
12	941,674	Funding from Other Sources (10+11)	973,377	1,159,731	186,354	19.1	1,004,820	1,011,778	1,127,643
13	25,371,649	Total Defence funding (9+12)	25,947,204	26,896,565	949,361	3.7	25,867,414	25,480,665	27,409,335
Administered									
14	3,432,834	Administered special appropriations ^[1]	3,590,808	3,743,719	152,911	4.3	3,909,131	4,088,314	4,270,236
15	984,205	Own source revenue	885,779	1,046,060	160,281	18.1	1,091,043	1,145,214	1,226,256
16	-1,033,858	Returns to the OPA	-957,679	-1,247,948	-290,269	30.3	-1,211,416	-1,199,174	-1,282,416
17	47,343	Dividends	68,800	48,987	-19,813	-28.8	46,393	49,040	50,230
18	201,480	Administered Payments to CAC Act bodies	50,100	44,100	-6,000	-12	-	-	-
19	3,632,004	Total Administered Funding (14+15+16+17+18)	3,637,808	3,634,918	-2,890	-0.1	3,835,151	4,083,394	4,264,306
20	29,003,653	Total Defence Resourcing (13+19)	29,585,012	30,531,483	946,471	3.2	29,702,565	29,564,059	31,673,641
Appropriation carried forward									
21	343,092	Appropriation Receivable including previous year's outputs	223,914	280,192	56,278	25.1	273,803	273,803	273,803
22	28,088	Cash in bank	28,088	28,088	-	-	28,088	28,088	28,088
23	371,180	Total appropriations carried forward (21+22)	252,002	308,280	56,278	22.3	301,891	301,891	301,891
24	29,374,833	Total Defence Resourcing (20+23)	29,837,014	30,839,763	1,002,749	3.4	30,004,456	29,865,950	31,975,532

Notes

1. The 2009-10 Estimated Actual excludes \$141.4m in prior year outputs appropriated in 2009-10. This is included in the 2009-10 Appropriation Receivable figure at serial 21.
2. These are accrual figures.
3. 2009-10 amounts for Force Protection and Centralisation of security vetting were drawn in 2009-10 but appropriated in 2010-11.
4. All figures are net of GST.

DEFENCE RESOURCE STATEMENT

Table 4: Defence Resource Statement

Serial No.		Estimate of Prior Year Amounts Available in	Proposed at Budget	Total Estimate	Total Estimated Actual
		2010-11	2010-11	2010-11	2009-10
		\$'000	\$'000	\$'000	7] \$'000
	ORDINARY ANNUAL SERVICES				
	Outcome 1 ^{[1] [2]}	-	20,607,041	20,607,041	20,269,518
	Outcome 2	-	1,572,469	1,572,469	1,641,502
	Outcome 3	-	15,252	15,252	12,626
1	Total Departmental outputs	-	22,194,762	22,194,762	21,923,646
2	Total ordinary annual services	-	22,194,762	22,194,762	21,923,646
	OTHER SERVICES ^[3]				
	Departmental non-operating				
	Equity injections	-	3,578,161	3,578,161	2,418,961
	Previous years' programs	-	-	-	-
3	Total Departmental non-operating	-	3,578,161	3,578,161	2,418,961
	Administered non-operating				
	Payments to CAC Act bodies ^[4]	-	44,100	44,100	201,480
4	Total Administered non-operating	-	44,100	44,100	201,480
5	Total other services (3+4)	-	3,622,261	3,622,261	2,620,441
6	Total Available Annual Appropriation (2+5)	-	25,817,023	25,817,023	24,544,087
	SPECIAL APPROPRIATIONS				
	Special appropriations limited by criteria/entitlement				
	<i>Defence Forces Retirement Benefits Act, 1948 Part VIC, s.82ZJ (1)</i>	-	76,947	76,947	91,430
	<i>Defence Force Retirement and Death Benefits Act, 1973 Part XII, s.125 (3)</i>	-	1,533,053	1,533,053	1,519,570
	<i>Military Superannuation and Benefits Act, 1991 Part 5, s.17</i>	-	2,015,000	2,015,000	1,742,000
	<i>Defence Force (Home Loan Assistance) Act, 1990 Part IV, s.38</i>	-	3,830	3,830	5,353
	<i>Defence Home Ownership Assistance Scheme Act 2008 Part VI, s.84</i>	-	114,889	114,889	74,481
7	Total Special Appropriations	-	3,743,719	3,743,719	3,432,834
8	Total Appropriations (6+7)	-	29,560,742	29,560,742	27,976,921
	Other Resources				
	Funding from other sources ^[5]	-	2,205,791	2,205,791	1,925,879
	Returns to the OPA	-	-1,346,937	-1,346,937	-1,095,875
	Previous year's outputs (appropriation receivable) ^[6]	343,092	-	343,092	492,477
	Cash Available	28,088	-	28,088	28,088
	Dividends	-	48,987	48,987	47,343
9	Total Other Available Resources	371,180	907,841	1,279,021	1,397,912
10	Total Resourcing (8+9)	371,180	30,468,583	30,839,763	29,374,833
	Special Accounts				
	Opening Balance	-	85,925	85,925	76,342
	Appropriation Receipts	-	42,368	42,368	102,252
	Appropriation Receipts - other agencies	-	-	-	-
	Non-Appropriation Receipts to Special Accounts	-	-	-	-
11	Total Special Accounts	-	128,293	128,293	178,594

Notes

1. Appropriation Bill (No. 1) 2010-11.
2. The 2009-10 figure includes \$2.1m for Force Protection and centralisation of security vetting.
3. Appropriation Bill (No. 2) 2010-11.
4. This includes a payment to the Defence Housing Authority of \$44.1m.
5. This includes capital receipts and own source revenue.
6. Estimated adjusted balance carried from previous year for annual appropriations.
7. The 2009-10 Estimated Actual includes foreign exchange movements since the *Portfolio Additional Estimates Statements 2009-10*.

Table 5: Third Party payments from and on behalf of other agencies

	2009-10	2010-11
	\$'000	\$'000
Revenue received from the Defence Materiel Organisation for the provision of goods and services (Departmental)	437,685	456,505
Revenue received from the Defence Housing Australia for interest on loans, dividends and competitive neutrality payments (Administered)	90,569	106,710
Payments made to the Defence Materiel Organisation for the provision of goods and services (Departmental)	9,733,514	10,536,764
Payments made to Defence Housing Australia for the provision of services (Departmental)	568,964	599,976
Payments made to the Department of Veterans' Affairs for the provision of services (Departmental)	2,310	3,100
Payments made to the Australian Strategic Policy Institute for the provision of services (Departmental)	2,768	3,000
Payments made to Defence Housing Australia for loans and equity injections (Administered)	201,480	44,100

DRAWDOWN OF APPROPRIATIONS CARRIED FORWARD**Table 6: Appropriations Receivable**

2009-10	2010-11	2011-12	2012-13	2013-14
Estimated	Budget	Budget	Budget	Budget
Actual	Estimate	Estimate	Estimate	Estimate
\$'000	\$'000	\$'000	\$'000	\$'000
492,477 Opening balance of Appropriation Receivable ⁽¹⁾	343,092	280,192	273,803	273,803
-149,385 Net Drawdown	-62,900	-6,389	-	-
343,092 Closing balance appropriation receivable	280,192	273,803	273,803	273,803

Note

1. Cross reference to Total Defence Resourcing table.

FUNDING FROM OTHER SOURCES**Own Source Revenue****Table 7: Variations in own source revenue**

2009-10	2010-11	2011-12	2012-13	2013-14
Estimated	Budget	Forward	Forward	Forward
Actual	Estimate	Estimate	Estimate	Estimate
\$'000	\$'000	\$'000	\$'000	\$'000
797,524 Previous Estimate ⁽¹⁾	808,817	834,954	862,717	897,399
56,235 Variation in own source revenue	216,629	61,830	71,135	78,708
853,759 Own source revenue	1,025,446	896,784	933,852	976,107

Note

1. As published in the *Portfolio Additional Estimates Statements 2009-10* table 12.

Net Capital Receipts

Table 8: Variations to Net Capital Receipts

2009-10 Estimated Actual	2010-11 Budget Estimate	2011-12 Forward Estimate	2012-13 Forward Estimate	2013-14 Forward Estimate
\$m	\$m	\$m	\$m	\$m
69.0 Previous Estimate^[1]	54.0	68.9	66.9	36.0
- Capital return associated with disposals program Proceeds from sales associated with the disposals program	30.3	-	-	-94.1
	-26.3	-	-	124.2
69.0 Total Net Capital Receipts^[2]	58.0	68.9	66.9	66.1

Notes

- As published in the *Portfolio Additional Estimates Statements 2009-10* Variations in Estimates of Retained Capital Receipts table.
- Cross reference to Total Capital Investment Program and Net Capital Receipts tables.

PURCHASER-PROVIDER ARRANGEMENTS

Payments to the DMO

Table 9: Total Payments to the DMO

Serial	2010-11 Budget Estimate	2011-12 Forward Estimate	2012-13 Forward Estimate	2013-14 Forward Estimate	Total
	\$m	\$m	\$m	\$m	\$m
	250.1	749.0	1,284.9	2,572.9	4,856.9
	5,430.2	4,300.2	3,189.9	2,641.4	15,561.7
1	5,680.2	5,049.3	4,474.8	5,214.3	20,418.6
	13.1	14.6	13.6	2.5	43.8
	60.4	42.1	6.7	0.1	109.2
	27.8	10.8	3.7	0.8	43.1
	4.5	2.5	0.3	-	7.3
	0.8	0.2	-	-	1.1
2	106.6	70.3	24.2	3.4	204.5
	3.6	18.4	19.3	23.1	64.4
	8.3	28.3	58.4	64.3	159.3
	6.2	27.8	31.8	33.3	99.2
	31.4	22.1	23.8	24.5	101.8
	0.3	0.3	0.3	0.3	1.3
	1.0	-	-	-	1.0
3	50.9	97.0	133.7	145.5	427.0
4	157.5	167.2	157.9	148.9	631.5
5	5,837.8	5,216.5	4,632.7	5,363.2	21,050.1
	1,224.9	1,209.8	1,203.9	1,206.8	4,845.5
	1,683.8	1,466.0	1,441.9	1,360.5	5,952.2
	1,563.8	1,549.8	1,590.1	1,645.3	6,348.9
	15.0	20.1	17.0	15.4	67.5
	36.3	33.0	33.9	35.0	138.1
	8.5	9.2	9.5	9.7	36.8
	5.5	5.7	5.8	5.9	23.0
	161.1	243.4	345.2	559.5	1,309.2
6	4,699.0	4,536.9	4,647.3	4,838.1	18,721.3
7	10,536.8	9,753.4	9,280.0	10,201.2	39,771.4

Payments to Defence Housing Australia (DHA)

Overview

DHA provides housing and relocation services for ADF members. DHA has a formal agreement with Defence titled the *Services Agreement for Housing and Related Requirements* (the Services Agreement). The Services Agreement was amended in 2009 to incorporate the responsibility for the allocation and tenancy management of Service residences on behalf of Defence. Under the Service Agreement, DHA is to provide suitable housing for Defence members to meet the operational needs of Defence. Defence requires DHA to provide appropriate numbers of houses in suitable locations in accordance with Defence policy. Effective from 1 July 2010, DHA is no longer responsible for the provision of Relocation Administration Services previously provided to Defence under the Relocation Services Agreement. With effect 1 July 2010, contracting for relocation administration will transition from DHA to Toll Transitions.

Control Arrangements

DHA is a statutory authority responsible, through its board, to the Minister for Defence and the Minister for Finance and Deregulation. It was established in 1987, commenced operations on 1 January 1988, and provides a range of housing and housing-related services to Defence and other *Financial Management and Accountability Act 1997* agencies.

The *Defence Housing Authority Amendment Act 2006* took effect on 23 November 2006. This act enables DHA to expand the scope of its operations to provide services that are ancillary to housing and housing-related services to both Defence and other Australian Government agencies as defined in the *Financial Management and Accountability Act 1997*. These changes created a smaller, streamlined, more commercially-focused board.

Information on the DHA Board and Advisory Committee is available in the DHA section on page 205.

Resourcing

The 2010-11 estimate for the purchase of services from DHA is \$600.0m as reported in Table 5 - Third Party Payments from and on behalf of other agencies.

1.3 Funding from Government

22

2010-11 Budget Measures and other Budget adjustments

Budget measures relating to Defence are detailed in *Budget Paper No. 2, Budget Measures 2010-11*.

Table 10: 2010-11 Budget Measures and other Budget adjustments

		2010-11	2011-12	2012-13	2013-14	Total FE	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	TOTAL
	Program	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Budget Measures													
Expenditure Measures													
Middle East Area of Operations - continuation and enhancement of Australia's military contribution	2.2	915.6	207.2	136.1	-	1,258.8	-	-	-	-	-	-	1,258.8
Timor Leste - continuation of Australia's commitment to helping to maintain security and stability	2.1	151.1	25.6	7.7	-	184.4	-	-	-	-	-	-	184.4
Solomon Islands - continued Australian Defence Force assistance to the Regional Assistance Mission to Solomon Islands (RAMSI)	2.1	42.5	1.4	-	-	44.0	-	-	-	-	-	-	44.0
Australia's civilian engagement in Afghanistan – an integrated whole-of-government approach	2.2	19.6	-	-	-	19.6	-	-	-	-	-	-	19.6
Afghanistan - enhancement of force protection measures for Australian troops	2.2	221.6	-	-	-	221.6	-	-	-	-85.9	-86.0	-	49.7
Baghdad Embassy - transition towards civilian security arrangements	2.2	9.2	-1.3	1.8	-	9.7	-	-	-	-	-	-	9.7
Moorebank Intermodal Terminal - implementation strategy	1.6	13.7	21.5	-	-	35.2	-	-	-	-	-	-	35.2
Reprogramming of funding to better align with Defence's requirements	Various	4.0	52.0	80.0	-657.0	-521.0	-	-	521.0	-	-	-	-
Australian Government personnel security vetting - centralisation	Various	0.5	-0.9	-0.9	-1.0	-2.2	-0.9	-0.9	-0.9	-0.9	-0.9	-1.0	-7.7
Total Budget Measures		1,377.8	305.6	224.7	-658.0	1,250.1	-0.9	-0.9	520.1	-86.9	-86.9	-1.0	1,593.7
Other Budget Adjustments													
Foreign Exchange Movements	Various	-662.4	-520.3	-277.6	-146.6	-1,606.8	-229.0	-437.5	-704.0	-681.3	-812.9	-894.1	-5,365.7
DMD Direct Appropriation Adjustments	Various	33.2	33.8	42.5	49.2	158.7	50.8	55.3	64.0	72.3	80.2	82.3	563.6
Property Disposals	1.6	30.3	-	-	-94.1	-63.8	-	-	-	-	-	-	-63.8
ANA Trust Fund Parameter Adjustments for Operations	2.2	-15.8	-15.8	-15.8	-15.8	-63.4	-	-	-	-	-	-	-63.4
Total Other Budget Adjustments		-614.8	-502.3	-250.9	-207.4	-1,575.3	-178.2	-382.2	-640.0	-609.0	-732.7	-811.8	-4,929.2
Variation to Defence Funding		763.0	-196.7	-26.2	-865.3	-325.2	-179.0	-383.0	-119.9	-695.9	-819.7	-812.8	-3,335.5

Table 11: Budget Measures agreed at the 2009-10 Portfolio Additional Estimates^[1]

		2009-10 Revised Estimate \$m	2010-11 Revised Estimate \$m
	Program		
Middle East Area of Operations - infrastructure development ^[2]	2.2	16,812	31,934
Timor Leste - reduction in the number of Australian Defence Force personnel deployed ^[3]	2.1	-14,078	-
Adjustment to security detachment in Iraq (Operation Kruger) ^[4]	2.2	2,955	-8,045
Total Budget Measures agreed at the 2009-10 Portfolio Additional Estimates Statements		5,689	23,889

Notes

1. Refer to Table 3 in the *Portfolio Additional Estimates Statements 2009-10*.
2. This measure relates to building works in Tarin Kowt, which is included in the 2010-11 Budget Estimate for Operation Slipper.
3. Decisions taken not yet announced in the *Portfolio Additional Estimates Statements 2009-10*.
4. Decisions taken not yet announced in the *Portfolio Additional Estimates Statements 2009-10*. This relates to a revision of the estimates for Operation Kruger.

Operations summary

The ADF is involved in a number of deployments around the world, including United Nations Peacekeeping and regional assistance missions, and border protection and domestic security operations. Defence plans to spend \$1,366.6m in 2010-11 on the net additional costs of its operational deployments and \$487.1m for enhanced force protection capabilities in Afghanistan.

Operations Measures**Middle East Area of Operations - continuation and enhancement of Australia's military contribution**

Operation Slipper is the ADF's contribution to the international coalition against terrorism. The Government has provided \$1,125.7m in 2010-11 for the net additional cost of extending the operation to 30 June 2011. This includes \$19.6m for Defence support to an increase in Australian Government civilian officials through a dedicated security protection force, and the provision of engineering and life support to this wider Government contribution.

Timor Leste - continuation of Australia's commitment to helping to maintain security and stability

Operation Astute is the ADF contribution to assist the Government of East Timor in the restoration of stability, security and confidence to the country. Due to an improved security environment in East Timor Defence will make greater use of Reservists, as is currently the case in Solomon Islands. The Government has provided \$170.0m in 2010-11 for the net additional cost of extending the operation until 30 June 2011.

Solomon Islands - continued Australian Defence Force assistance to the Regional Assistance Mission to Solomon Islands (RAMSI)

Operation Anode is the ADF's contribution to the Regional Assistance Mission to Solomon Islands. The Government will provide \$42.5m in 2010-11 for the net additional cost of extending the operation until 30 June 2011. The Government has continued its use of Reservists on this operation.

Afghanistan - enhancement of force protection measures for Australian troops

Over the period 2009-10 to 2012-13, the Australian Government will invest \$1.1b for enhanced force protection capabilities in Afghanistan. This initiative includes \$487.1m of expenditure in 2010-11.

This investment will predominately be funded from Defence's existing capital investment programs with the Government providing Defence with an additional \$221.6m in 2010-11.

The Government's investment in force protection capabilities includes a range of measures to provide direct protection for Australian Defence Force members from small-arms, improvised explosive devices and indirect fire, as well as improving intelligence and surveillance capabilities. This investment also includes the acquisition of a Counter Rocket Artillery and Mortar sense and warn capability.

Baghdad Embassy - transition towards civilian security arrangements

The Government has provided \$13.1m in 2010-11 for the net additional cost of Operation Kruger to provide security for Australian Embassy personnel in Iraq. The ADF security role will transition to a contracted security arrangement administered by the Department of Foreign Affairs and Trade.

Coastal Surveillance

Operation Resolute is the ADF's ongoing contribution to Australian whole of government efforts to protect Australia's offshore maritime areas. It includes unauthorised arrivals, illegal fishing and smuggling. The Government has provided \$15.3m in 2010-11 for the net additional cost of extending the operation until 30 June 2011.

Table 12: Net Additional Cost of Operations from 1999-00 to 2013-14

	1999-00 to 2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total
	Actual Result \$m	Actual Result \$m	Actual Result \$m	Actual Result \$m	Revised Estimate [1] [2] [3] \$m	Budget Estimate \$m	Forward Estimate \$m	Forward Estimate \$m	Forward Estimate \$m	\$m
Operation Astute ^[4]	3,214.1	191.4	205.6	164.7	199.5	170.0	26.0	7.7	-	4,179.0
Operation Bel Isi	47.7	-	-	-	-	-	-	-	-	47.7
Operation Slipper ^[5]	582.0	223.3	394.9	701.9	1,398.7	1,125.7	299.2	179.6	43.5	4,948.8
Operation Resolute	87.6	9.3	7.0	10.0	12.6	15.3	-	-	-	141.8
Operation Catalyst	1,162.2	398.5	501.5	290.9	2.2	-	-	-	-	2,355.3
Operation Anode	130.9	17.3	23.7	25.1	29.6	42.5	1.4	-	-	270.6
Operation Sumatra Assist	44.5	-	-	-	-	-	-	-	-	44.5
Operation Acolyte	10.5	-	-	-	-	-	-	-	-	10.5
Operation Deluge	-	2.7	4.0	-	-	-	-	-	-	6.7
Operation Pakistan Assist	9.8	-	-	-	-	-	-	-	-	9.8
Operation Outreach	-	-	12.3	2.3	-	-	-	-	-	14.6
Operation Kruger	-	-	-	-	60.7	13.1	1.0	1.8	-	76.6
Enhanced Force Protection in Afghanistan ^[6]	-	-	-	-	101.8	487.1	356.0	190.6	-	1,135.5
Total Net Additional Costs^[7]	5,289.3	842.5	1,149.1	1,194.9	1,805.1	1,853.7	683.6	379.8	43.5	13,241.5
Sources of Funding for Operations:										
Government Supplementation	5,279.5	842.5	1,127.5	112.5	1,615.6	1,588.1	327.6	189.2	43.5	11,125.9
Department of Foreign Affairs and Trade	9.1	-	-	-	-	-	-	-	-	9.1
Department of Defence (Absorbed)	0.7	-	21.6	1,082.4	189.5	265.6	356.0	190.6	-	2,106.4
Total Cost	5,289.3	842.5	1,149.1	1,194.9	1,805.1	1,853.7	683.6	379.8	43.5	13,241.4

Notes

1. The 2009-10 Revised Estimate includes \$40.0m which is to be absorbed by Defence for additional force protection and is reported against Outcome 1.
2. The 2009-10 Revised Estimate and the 2010-11 Forward Estimate includes \$8.576m and \$0.440m respectively for Service Fee which has been directly appropriated to DMO.
3. The Revised Estimate and Forward Estimate include foreign exchange adjustments.
4. The 2010-11 estimate for Operation Astute includes a reduction of \$14.1m associated with a draw down in ADF numbers which was approved in the 2009-10 Portfolio Additional Estimates Statements.
5. The 2010-11 Operation Slipper estimate includes \$31.9m for building works in Tarin Kowt which was approved in the *Portfolio Additional Estimates Statements 2009-10*.
6. Of the \$487.1m allocated for Force Protection in 2010-11, Government will provide additional supplementation of \$221.6m of which \$171.9m will be repaid in 2017-18 and 2018-19.
7. The figures presented in the table above are comprised of elements of Outcomes 1, 2 and 3.

OTHER BUDGET MEASURES

Moorebank Intermodal Terminal – implementation strategy

Funding of \$35.2m has been provided to Defence over the next two years (\$13.7m in 2010-11 and \$21.5m in 2011-12). This initiative is for the development of a detailed business case associated with the relocation of the School of Military Engineering from Steele Barracks at Moorebank to Holsworthy Barracks as part of the proposed development of the Moorebank Intermodal Terminal.

Reprogramming of funding to better align with Defence's requirements

Government has approved net reprogramming of \$521m over the forward estimates to align with Defence's anticipated requirements mainly related to the equipment and facilities programs.

Australian Government personnel security vetting – centralisation

The Government has decided to establish a centralised personnel security vetting agency within Defence for most commonwealth agencies. The Australian Government Security Vetting Agency (AGSVA) will become the sole authority for the granting, revalidating and re-evaluating of all Commonwealth security clearances except for agencies identified by the Government as exempt. Defence will charge agencies on a cost recovery basis for all clearances. Over four years Defence will return savings of \$2.2m to Government.

OTHER BUDGET ADJUSTMENTS

In addition to the above measures, the following adjustments will be made to Defence's Departmental estimates.

Table 13: Other budget adjustments

Program		2010-11	2011-12	2012-13	2013-14	Total
		Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate	
		\$m	\$m	\$m	\$m	\$m
Foreign Exchange Movements	Various	-662.4	-520.3	-277.6	-146.6	-1,606.8
DMO Direct Appropriation Adjustments	Various	33.2	33.8	42.5	49.2	158.7
Property Disposals	1.6	30.3	-	-	-94.1	-63.8
ANA Trust Fund Parameter Adjustments for Operations	2.2	-15.8	-15.8	-15.8	-15.8	-63.4
Total Other Budget Adjustments		-614.8	-502.3	-250.9	-207.4	-1,575.3

Foreign Exchange Movements

Under 'no-win/no-loss' arrangements, Defence is required to return to the Government any surplus foreign exchange supplementation for an appreciation of the Australian dollar relative to other currencies as part of the Budget process. Conversely, where the Australian dollar depreciates relative to other currencies, the exchange rate set for Defence is supplemented under these arrangements. Defence will return \$662.4m in 2010-11, as a result of the difference between current and previously estimated exchange rates since the 2009-10 Additional Estimates. Over the Budget year and forward estimates period a total of \$1.6b is planned to be returned.

DMO Direct Appropriation Adjustments

The DMO receives a portion of its funding via a direct appropriation from Government. These adjustments amount to an increase to Defence's appropriations of \$33.2m for the current year and \$158.7m for the forward estimates respectively, with a commensurate decrease in the DMO's appropriation.

Property Disposal

Adjustments have been made to the Property Disposal Program since the 2009-10 Additional Estimates. This has resulted in a reduction in the sale of properties and consequently a reduction in equity returned to Government of \$30.3m for the Budget year. Conversely, there has been an increase in the Property Disposals Program in 2013-14 by \$94.1m.

Afghan National Army Trust Fund parameter adjustments for Operations

The Government agreed to provide an annual contribution of US \$40.0m per annum for five years to the Afghan National Army Trust Fund in the 2009-10 Budget. As a result of foreign currency movements, \$15.8m has been returned to Government in 2010-11 and \$63.4m over the Budget year and forward estimates period.

1.4 Capital Investment Program

The Capital Investment Program is comprised of the Defence Capability Plan (DCP), the Approved Major Capital Investment Program (AMCIP), the Capital Facilities Program, Other Capital purchases, and Capital Receipts.

Table 14: Total Capital Investment Program

Serial No.		2010-11	2011-12	2012-13	2013-14	Total
		Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate	
		\$m	\$m	\$m	\$m	\$m
	Defence Capability Plan					
	Planned Payment to DMO for projects awaiting Government Approval ^[1]	250.1	749.0	1,284.9	2,572.9	4,856.9
	Defence Groups	27.8	83.2	142.8	285.9	539.7
1	Total Defence Capability Plan	277.9	832.3	1,427.6	2,858.8	5,396.6
2	Approved Major Capital Investment Program	5,516.6	4,357.5	3,223.6	2,659.4	15,757.1
3	Major Capital Investment Program (1+2)	5,794.5	5,189.7	4,651.2	5,518.2	21,153.6
	Capital Facilities					
	Approved Capital Facilities projects ^[2]	1,325.4	733.6	380.3	162.0	2,601.3
	Unapproved Capital Facilities projects	183.5	646.3	772.3	1,036.7	2,638.8
	<i>Total Capital</i>	1,413.6	1,290.3	1,086.0	1,127.5	4,917.4
	<i>Total Operating</i>	95.2	89.6	66.6	71.1	322.7
4	Total Capital Facilities Program	1,508.9	1,379.9	1,152.6	1,198.7	5,240.1
5	Other Investment ^[3]	630.8	873.2	609.2	463.6	2,576.7
6	Total Capital Investment Program (3+4+5)	7,934.2	7,442.8	6,413.0	7,180.5	28,970.5
	<i>Capital component</i>	7,487.7	7,059.7	5,994.1	6,502.6	27,044.0
	<i>Operating component</i>	446.5	383.2	418.9	677.9	1,926.4
7	Net Capital Receipts ^[4]	-58.0	-68.9	-66.9	-66.1	-259.8
8	Net Capital Investment Program (6+7)	7,876.2	7,373.9	6,346.1	7,114.4	28,710.7

Notes

1. Cross references with Total Payments to the DMO table.
2. Cross references with Program 1.6 Defence Support Approved Major Capital Facilities projects and Approved Medium Capital Facilities projects.
3. This includes plant and equipment, Minor Capital Investment projects and purchase of repairable items.
4. Cross references with Net Capital Receipts table.

MAJOR CAPITAL INVESTMENT PROGRAM

The Unapproved Major Capital Investment Program (also known as the DCP) is a costed, detailed development plan for Australia's military capabilities over a ten-year period. The plan is reviewed regularly to take account of changing strategic circumstances, new technologies and changed priorities, in the context of the overall Defence budget.

Further details in relation to the DCP can be found in Program 1.11 Capability Development.

The AMCIP is comprised of projects, usually costing more than \$20m, which are funded from the Unapproved Major Capital Investment Program and which, following approval, are generally transferred to the DMO for the acquisition phase.

As an enabling organisation to Defence, the DMO contributes to Defence's outputs. The DMO budget is detailed separately in the DMO's Section Two - Planned Outcome Performance, including an overview of the top 30 projects.

CAPITAL FACILITIES PROGRAM

The Capital Facilities Program comprises approved and unapproved major and medium projects.

The Capital Facilities Program gives priority to projects that support the Approved Major Capital Investment Program, sustain current capability requirements, support other government initiatives, meet legislative obligations, and assist initiatives that support Defence personnel. A significant proportion of the program funding is directed towards the provision of basic engineering and infrastructure services, either in support of new projects or upgrades to existing facilities.

Further details in relation to Capital Facilities can be found in Program 1.6 Defence Support.

OTHER INVESTMENT

Other Investment consists of Plant and Equipment, including Information and Communication Technology equipment, Minor Capital Investment projects, and purchase of repairable items. Minor capital projects cover new equipment, modifications to existing equipment or enhancements to new equipment. After approval, funding for minor projects is generally transferred to the DMO for the acquisition phase. Defence plans to spend \$630.8m on other investment in 2010-11 as part of the \$2,576.7m in spending over the Budget and forward estimates period.

NET CAPITAL RECEIPTS

Table 15: Net Capital Receipts

Serial No.		2010-11	2011-12	2012-13	2013-14	Total
		Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate	
		\$m	\$m	\$m	\$m	\$m
	Property Sales					
	Proceeds from sale of land and buildings	100.3	84.9	52.2	124.2	361.5
	Revenue from the sale of housing	20.0	20.3	20.8	21.3	82.4
	Less capital return to Government	-98.3	-72.2	-42.0	-115.5	-328.0
1	Proceeds retained by Defence	22.0	33.0	31.0	30.1	115.9
2	Proceeds from sale of infrastructure, plant and equipment	35.9	35.8	35.9	36.2	143.9
3	Retained Capital Receipts (1+2)^[1]	58.0	68.9	66.9	66.1	259.8

Note

1. Cross reference to Variations to Net Capital Receipts table.

1.5 People

WORKFORCE OVERVIEW

The Defence White Paper 2009 articulates the Government's requirements for Defence, which in turn guides our future workforce (People) requirements in both size and capability.

The publication *People in Defence - Generating the Capability for the Future Force* provides our first response to the Government's mandate - that Defence develop a strategic approach to People matters. It provides a vision and blueprint to facilitate the delivery of our overarching People goal, namely to attract and retain the people we need to deliver on Defence White Paper 2009 targets, and it provides guidance for efficiency cost reductions to be achieved through the Workforce and Shared Services stream of the Strategic Reform Program.

Further, *People in Defence - Generating the Capability for the Future Force* identifies that success will be achieved by building and communicating an attractive and compelling employment offer; developing a work environment and supporting arrangements that deliver Defence's commitments to its People; and reforming the People System to achieve more consistently effective People outcomes with greater cost effectiveness.

Against this, the primary challenge for Defence is to meet workforce requirements within the context of continuing high operational tempo and skills shortages in a range of occupations, against the backdrop of an uncertain and challenging economic environment and outlook. The vision also identifies a range of initiatives aimed at creating a more agile, productive and capable Defence organisation which delivers sustainable People capability. In addition, through these initiatives Defence will work towards addressing shortages within its critical categories and target women, Indigenous Australians and those from non-English speaking backgrounds to consider careers in Defence.

To support the introduction of new military equipment and systems over the next decade, there will be a net growth in the full-time ADF workforce to approximately 59,000 members and the ADO civilian workforce to 23,000 (including the DMO). These numbers reflect the outcome of the detailed diagnostic program completed as part of the Strategic Reform Program. The increase to the workforce numbers previously estimated is due to the greater level of fidelity achieved in determining the Defence workforce necessary to meet White Paper capability requirements while providing the cost reductions necessary for the Strategic Reform Program. This includes determining the best, cost effective mix across Defence's military, civilian and contractor workforces.

WORKFORCE SUMMARY

The 2010-11 workforce allocation to the Defence portfolio totals 101,958. Detailed information on the DMO workforce is shown in the DMO section of this document. The DMO's civilian workforce (APS and contractors) totals 5,874 and the ADF workforce allocated to DMO is included in the Defence ADF workforce. Defence, excluding the DMO, is forecast to have a total workforce of 96,084 in 2010-11, comprising:

- Permanent forces (60 per cent) of:
 - 14,238 Navy Personnel
 - 28,811 Army Personnel
 - 14,227 Air Force Personnel
- 22,018 Reserve forces (23 per cent)
- 16,043 APS staff (17 per cent)
- 747 Contractors (less than 1 per cent).

The total planned strength of the Defence workforce, excluding the DMO civilian workforce which is shown separately in the DMO section, is shown in Table 16. The planned strength of the total workforce in 2010-11 is 1,413 more than the projected result for 2009-10, including ADF permanent

forces (-501), ADF reserve forces (+444), and civilian APS staff (+1,421). The increase in the civilian APS staff is due to increases associated with the White Paper, civilianisation of military positions and conversion of contractor positions associated with the Strategic Reform Program and delays in recruitment resulting in a lower budget forecast outcome for 2009-10.

Table 16: Planned workforce allocation for the 2010-11 budget and forward estimates

	2009-10 Projected result	2010-11 Budget estimate	2011-12 Forward estimate	2012-13 Forward estimate	2013-14 Forward estimate
ADF Permanent Force					
	13,842	14,238	14,216	14,257	14,309
	29,392	28,811	29,291	29,654	30,098
	14,543	14,227	14,041	14,105	14,162
1	57,777	57,276	57,548	58,016	58,569
Active Reserve Force					
	2,250	2,300	2,300	2,300	2,300
	15,768	16,018	16,268	16,518	16,768
	2,100	2,200	2,300	2,400	2,500
2	20,118	20,518	20,868	21,218	21,568
High Readiness Reserve					
	-	-	-	-	-
	810	900	1,026	1,026	1,026
	646	600	600	600	600
3	1,456	1,500	1,626	1,626	1,626
4	21,574	22,018	22,494	22,844	23,194
5	79,351	79,294	80,042	80,860	81,763
6	14,622	16,043	16,290	16,477	16,462
7	698	747	678	648	634
8	15,320	16,790	16,968	17,125	17,096
	94,671	96,084	97,010	97,985	98,859

Note

1. Contractors are individuals under contract performing agency roles. Contractors are not APS employees.

Over the forward estimates, the total workforce is funded to grow by 2,775 from the forecast of 96,084 in 2010-11 to 98,859 in 2013-14.

Table 17: Breakdown of personnel numbers by Service and rank

	2009-10 Projected Result	2010-11 Budget Estimate
Navy ^[1]		
One Star and above	50	50
Senior Officers ^[2]	514	528
Officers	2,738	2,813
Other Ranks	10,363	10,682
Gap Year Participants ^[3]	177	165
Sub-total: Permanent Navy	13,842	14,238
Reserve Forces ^[4]	2,250	2,300
Total Navy	16,092	16,538
Army ^[1]		
One Star and above	74	74
Senior Officers ^[2]	770	740
Officers	5,408	5,235
Other Ranks	22,881	22,468
Gap Year Participants ^[3]	259	294
Sub-total: Permanent Army	29,392	28,811
Reserve Forces ^[4]	16,578	16,918
Total Army	45,970	45,729
Air Force ^[1]		
One Star and above	50	50
Senior Officers ^[2]	640	573
Officers	3,956	3,940
Other Ranks	9,784	9,614
Gap Year Participants ^[3]	113	50
Sub-total: Permanent Air Force	14,543	14,227
Reserve Forces ^[4]	2,746	2,800
Total Air Force	17,289	17,027
APS ^[1]		
Senior Executives ^[5]	125	128
Senior Officers ^[2]	4,187	4,520
Other APS Staff	10,310	11,395
Total APS	14,622	16,043
Contractors ^[6]	698	747
Total Workforce	94,671	96,084

Notes

1. Permanent forces and APS numbers are forecasts of the average strength for 2010-11. Numbers for the APS and Contractors exclude the DMO.
2. Senior Officers are of Colonel or Lieutenant Colonel rank equivalent and substantive APS Executive Level 1 and 2.
3. ADF Recruitment and Retention Initiative.
4. Reserve figures represent the actual numbers of Active and High Readiness Reservists who render service. Reservists on full-time service are reported in the permanent force.
5. The figures for Senior Executive Service include the Secretary of the Department of Defence.
6. Contractors are individuals under contract performing agency roles. Contractors are not APS employees.

WORKFORCE EXPENSES**Table 18: Employee Expenses**

	2010-11 Budget Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m
Military employees				
Salary, allowances, superannuation and leave ^[1]	6,590.0	6,381.9	6,619.0	6,989.4
Housing	687.0	704.2	732.3	780.0
Health services	318.7	337.6	400.8	435.9
Fringe Benefits Tax	354.6	352.4	358.1	368.1
1 Total military employee expenses	7,950.4	7,776.0	8,110.2	8,573.3
Civilian employees				
Salary, allowances, superannuation and leave	1,525.6	1,583.0	1,655.6	1,712.6
Other expenses including Fringe Benefits Tax	10.1	10.1	10.4	10.7
2 Total civilian employee expenses	1,535.7	1,593.1	1,666.1	1,723.2
3 Total employee expenses	9,486.1	9,369.2	9,776.2	10,296.5

Note

1. This includes estimates for Reservists.

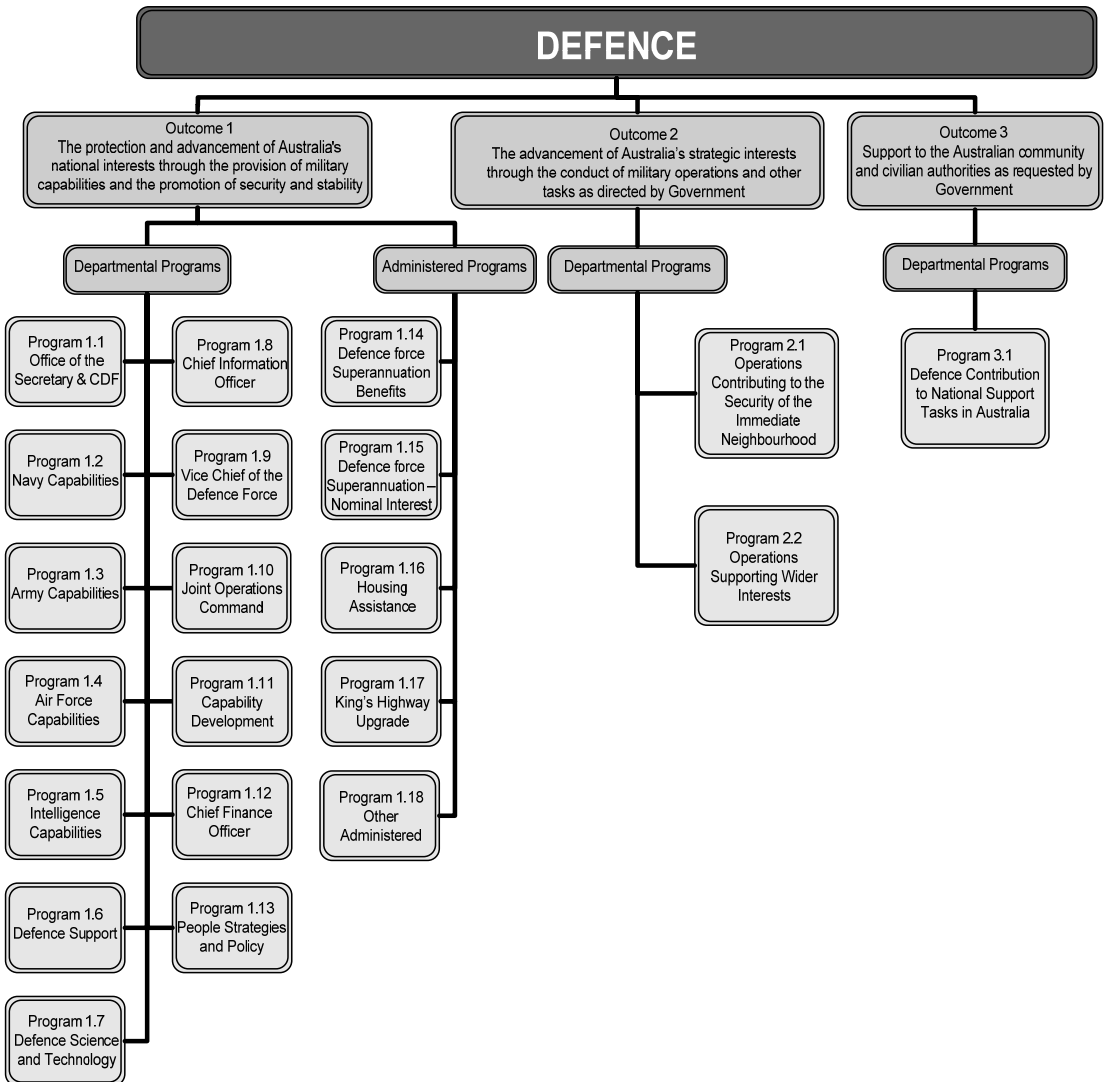
Section 2: Outcomes and planned performance

2.1 Outcomes and performance information

Australian Government agencies are required to measure their intended and actual performance in terms of outcomes. Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Agencies are required to identify the programs that contribute to Government outcomes over the Budget and forward years.

Each outcome is described below by program, specifying the performance indicators and targets used to assess and monitor the performance of Defence in achieving Government outcomes.

Figure 3: Structure of Defence's Outcomes



Outcome 1: The protection and advancement of Australia's national interests through the provision of military capabilities and the promotion of security and stability

OUTCOME 1 STRATEGY

Outcome 1 addresses the strategic objectives set out in the 2009 Defence White Paper, namely:

- shaping and building a defence capability that provides options for a credible response wherever Australia's security interests are engaged
- building strong security relationships both regionally and globally.

The primary focus of Outcome 1 is on maintaining the capacity to support current commitments and provide response options to the Government to meet the range of potential future security contingencies. It also covers working collaboratively with our neighbours and the broader international defence community, and contributing to coalition operations in support of Australia's national interests. As well as the provision of military capabilities, this outcome encompasses all of the policy, command and support functions undertaken by the organisation.

Defence's administered appropriations relating to superannuation, housing support services for current and retired Defence personnel and Other Administered are covered by Outcome 1.

Apart from supporting current operations, which are described in detail under Outcomes 2 and 3, the priorities that will be progressed under Outcome 1 in 2010-11 are:

- working towards delivering the capabilities identified in the Defence White Paper that will form the foundation of our future Defence capabilities
- implementing the Strategic Reform Program (SRP) to improve effectiveness and efficiency and enhance governance
- improving cost-consciousness across Defence
- supporting the program of efficiency and economy measures to ensure that all areas of Defence are fully able to support and deliver future military capability requirements
- continuing the strong commitment on the recruitment and retention of ADF personnel.

OUTCOME 1 RESOURCES

Table 19: Total budgeted resources available for Outcome 1^[1]

	2009-10 Revised Estimate 2009-10 \$'000	2010-11 Budget Estimate 2010-11 \$'000	2011-12 Forward Estimate 2011-12 \$'000	2012-13 Forward Estimate 2012-13 \$'000	2013-14 Forward Estimate 2013-14 \$'000
Program 1.1 Office of the Secretary and CDF					
Departmental outputs	185,508	203,357	217,731	179,110	182,155
Program 1.2 Navy Capabilities					
Departmental outputs	4,031,425	3,699,293	3,698,150	3,754,414	3,895,103
Program 1.3 Army Capabilities					
Departmental outputs	4,462,320	4,724,623	4,895,940	5,008,392	5,215,219
Program 1.4 Air Force Capabilities					
Departmental outputs	4,126,879	3,751,170	3,810,850	3,900,166	4,003,347
Program 1.5 Intelligence Capabilities					
Departmental outputs	564,265	581,772	561,665	556,645	587,457
Program 1.6 Defence Support					
Departmental outputs	3,288,473	3,791,755	3,695,583	4,044,312	4,419,574
Program 1.7 Defence Science and Technology					
Departmental outputs	395,219	435,623	439,866	445,642	434,250
Program 1.8 Chief Information Officer					
Departmental outputs	847,717	832,435	738,296	731,145	656,388
Program 1.9 Vice Chief of the Defence Force					
Departmental outputs	867,201	849,162	825,620	913,618	901,651
Program 1.10 Joint Operations Command					
Departmental outputs	58,486	29,048	51,728	52,687	51,185
Program 1.11 Capability Development					
Departmental outputs	898,753	941,974	1,285,219	1,558,590	2,305,103
Program 1.12 Chief Finance Officer					
Departmental outputs	596,128	409,813	768,747	733,201	939,760
Program 1.13 People Strategies and Policy					
Departmental outputs	354,262	357,016	343,217	348,553	391,764
Program 1.14 Defence Force Superannuation Benefits and 1.15 Defence Force Superannuation-Nominal Interest					
<i>Defence Force Retirement Benefits Act, 1948</i>					
Part VIC, s.82ZJ (1)	91,430	76,947	76,182	75,417	74,700
<i>Defence Force Retirements and Death Benefits Act, 1973 Part XII, s.125 (3)</i>					
Military Superannuation and Benefits Act, 1991 Part 5, s.17	1,519,570	1,533,053	1,517,818	1,502,583	1,488,300
Total Administered Expenses	1,742,000	2,015,000	2,186,000	2,362,000	2,545,000
Total Revenue	3,353,000	3,625,000	3,780,000	3,940,000	4,108,000
Total Revenue	-861,033	-975,579	-1,014,447	-1,067,226	-1,147,301
Net costs of Program 1.14 & 1.15	2,491,967	2,649,421	2,765,553	2,872,774	2,960,699
Program 1.16 Housing Assistance					
<i>Defence Force (Home Loan Assistance) Act, 1990 Part IV, s.38</i>					
Defence Home Ownership Assistance Scheme Act 2008 Part VI, s.84	5,353	3,830	3,006	2,358	2,031
Total Administered Expenses	74,481	114,889	126,125	145,956	160,205
Total Revenue	79,834	118,719	129,131	148,314	162,236
Total Revenue	-5,469	-9,739	-12,390	-14,451	-16,302
Net costs of Program 1.16	74,365	108,980	116,741	133,863	145,934

Net costs of 1.17 Kings Highway Upgrade					
Administered Items	-	-	-	-	-
Net costs of 1.18 Other Administered					
<i>Parliamentary Entitlements Act, 1990 Part I, s.11</i>	-	-	-	-	-
<i>Administered Revenues from other sources</i>	-76,500	-78,454	-84,565	-85,086	-86,027
Net costs of Program 1.18	-76,500	-78,454	-84,565	-85,086	-86,027
Total Resourcing					
Total Departmental outputs ^{[3][5]}	20,676,636	20,607,041	21,332,612	22,226,475	23,982,956
Total Administered	2,489,832	2,679,947	2,797,729	2,921,551	3,020,606
Equity Injection ^[4]	2,380,428	3,576,161	3,242,151	2,096,207	2,371,724
Total Resources for Outcome 1					
	25,546,896	26,863,149	27,372,492	27,244,233	29,375,286

Notes

1. This table contains accrual figures.
2. As reported in the *Portfolio Additional Estimates Statements 2009-10*.
3. This excludes \$0.1m in 2009-10 for centralisation of security vetting.
4. This excludes \$38.5m in 2009-10 and \$2.0m in 2010-11 for force protection measures.
5. The 2010-11 Budget Estimate include \$1.993m for funding quarantined for overseas leases.

CONTRIBUTIONS TO OUTCOME 1

Program 1.1: Office of the Secretary and CDF**Program 1.1 objective**

The Office of the Secretary and CDF (OSCDF) Group's primary objective in delivering Program 1.1 is to support the Secretary and CDF so they can better respond to the demands of high operational tempo while delivering high quality policy advice to Government, driving organisational reform and exercising strategic leadership. The OSCDF Group closely monitor and manage the vast array of operational, policy, commercial, regulatory, risk and other matters associated with the Defence mission of defending Australia and its national interests.

A key focus during 2010-11 will be coordinating the implementation of the Defence Strategic Reform Program across Defence.

The Group comprises the personal offices of the Secretary and CDF; the Strategy Executive including the Office of the Deputy Secretary Strategy (Operations); the Strategic Reform and Governance Executive; the Audit and Fraud Control Division and a number of Military Justice agencies.

Program 1.1 Office of the Secretary and CDF expenses

	2009-10 Revised Estimate (\$'000)	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses					
Employees	83,999	82,534	83,242	81,809	83,110
Suppliers	101,889	121,131	134,925	97,628	99,398
Grants	383	340	217	219	222
Depreciation and amortisation	748	822	813	847	835
Finance Cost	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	187,019	204,827	219,197	180,503	183,565
Income					
Revenues					
Goods and Services	-1,511	-1,470	-1,466	-1,393	-1,410
Other revenue	-	-	-	-	-
Total Revenue	-1,511	-1,470	-1,466	-1,393	-1,410
Gains					
Reversals of previous asset write-downs	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-	-	-	-	-
Total income	-1,511	-1,470	-1,466	-1,393	-1,410
Program 1.1 Office of the Secretary and CDF	185,508	203,357	217,731	179,110	182,155

Note

1. As reported in the *Portfolio Additional Estimates Statements 2009-10*.

Program 1.1 deliverables

- oversee, integrate and coordinate the Strategic Reform Program (SRP)
- manage the SRP Strategic Planning Reform Stream
- ensure Group-specific SRP reform and savings initiatives have been achieved
- ensure Defence input to Cabinet and the National Security Committee of Cabinet is timely, relevant and appropriately robust
- ensure policy advice provided to the Government is accurate, timely and responsive, and offers practical and cost-effective approaches to fulfil the Government's defence responsibilities
- ensure both Defence strategic policy and corporate strategy align with Government direction and priorities, provide clear guidance for the activities of Defence, and are responsive to external developments
- provide overarching strategic guidance, policy and supporting plans to inform Defence decision making including the development and use of Defence capability and the deployment of the ADF
- ensure Defence's international relationships complement broader foreign policy goals, promote security and enhance productive Defence partnerships, particularly regionally, including through the Defence Cooperation Program (DCP) as discussed on page 40
- manage Australian export controls and provide policy advice on arms control and international collaborative programs
- enhance Defence's governance framework, through clearer authority and accountability and more rigorous performance management, risk management, assurance and audit processes
- continue implementation of the reforms to the military justice system
- promote and protect Defence's reputation by increasing public awareness of Defence activities and achievements.

Program 1.1 key performance indicators

- the Ministers are satisfied with the timeliness and quality of advice, including Cabinet documentation, provided by the Department
- Group-specific outcomes and programs are delivered within allocated resources and meet directed efficiency and economy measures
- staff skills are developed and personnel management practices successfully balance competing priorities.

Defence Cooperation Program

Defence's investment in international engagement complements the Government's broader foreign policy goals to build confidence and transparency in the Asia-Pacific Region and other regions of Defence interest. The Defence International Engagement Plan constitutes a robust policy for business planning and management of Defence's international engagement, and particularly for the Defence Cooperation Program (DCP). The aims and objectives of the DCP are to support the Government's strategic objectives by:

- contributing to regional security
- working with allies, regional partners and others to shape a stable environment
- consolidating acceptance of Australia as an obvious and legitimate participant in deliberations on regional security issues
- encouraging and assisting with the development of defence self-reliance within regional countries.

These objectives are enhanced by assisting regional security forces in the areas of defence reform and governance, strategic planning, analysis, command and control, counter terrorism, maritime security, peacekeeping, humanitarian assistance and disaster relief, communications, logistic support, education and training, countering the threat of improvised explosive devices, and preparedness for chemical, biological, radiological and explosive incidents and pandemics. By assisting the development of professional and sustainable defence forces and Pacific police forces in the region, the DCP is improving the ability of our partners to contribute to national and regional security objectives. Australian assistance includes ADF advisers, a range of training initiatives and bilateral exercises, capacity building initiatives, and equipment and infrastructure projects.

A key element of the DCP is the Pacific Patrol Boat Program, through which Australia has provided 22 Patrol Boats (with associated personnel and technical assistance) to 12 countries. The Program engages Pacific navies and police maritime wings and is designed to help Pacific island countries improve their ability to independently police their maritime zones. Other important areas of focus are the development of the East Timor Defence Force, our support to Papua New Guinea's Defence Reform Program and the Joint Philippines Australia Army Watercraft Project.

Table 20: Defence Cooperation Program budget 2010-11

Region	2009-10		2010-11	
	Estimated Actual		Budget Estimate	
	\$'000		\$'000	
Papua New Guinea	10,719		10,946	
South Pacific Region	52,224		53,552	
South-East Asia	22,691		20,604	
Other regional activities	4,737		5,615	
Defence International Training Centre ^[1]	4,923		5,452	
Total	95,294		96,169	

Note

1. The Defence International Training Centre provides training in Australia to the defence forces of South-East Asia and South Pacific nations and to other selected overseas personnel. The Defence International Training Centre is managed by Air Force Group.

Table 21: South Pacific region budget 2010-11

South Pacific	2009-10		2010-11	
	Estimated Actual		Budget Estimate	
	\$'000		\$'000	
East Timor	9,960		10,721	
Vanuatu	1,264		1,600	
Solomon Islands	1,019		872	
Tonga	1,971		1,829	
Samoa	674		579	
Cook Islands	334		308	
Fiji	4		-	
Republic of the Marshall Islands	732		853	
Federated States of Micronesia	798		765	
Tuvalu	780		978	
Kiribati	937		1,044	
Palau	673		852	
DCP Housing	-		1,234	
Multilateral General Assistance	33,078		31,917	
Total	52,224		53,552	

Table 22: South-East Asia region budget 2010-11

South-East Asia	2009-10		2010-11	
	Estimated Actual		Budget Estimate	
	\$'000		\$'000	
Singapore	164		110	
Philippines	4,377		4,680	
Thailand	4,384		3,002	
Malaysia	4,636		4,151	
Indonesia	5,291		5,315	
Vietnam	2,671		2,201	
Cambodia and Laos	1,087		1,109	
Brunei	81		36	
Total	22,691		20,604	

Program 1.2: Navy Capabilities

Program 1.2 objective

The Navy's primary objective in delivering Program 1.2 is to provide maritime forces that contribute to the ADF's capacity to defend Australia, contribute to regional security, support Australia's global interests, shape the strategic environment and protect our national interests. This is achieved by providing maritime patrol and response, interdiction and strategic strike, protection of shipping and offshore territories and resources, maritime intelligence collection and evaluation, hydrographic and oceanographic operations, and escort duties. Peacetime activities include maritime surveillance and response within Australia's offshore maritime zones, hydrographic, oceanographic and meteorological support operations, humanitarian assistance, and maritime search and rescue.

In 2010-11, the Navy will aim to maintain sufficient maritime combatant forces to deploy on operations, as directed by the CDF, while managing key challenges such as shortages of trained personnel and upgrades to a number of major fleet units. The Navy will continue to support ongoing ADF operations and conduct operational deployments as directed by the CDF, and maintain a rapid response to provide humanitarian assistance and disaster relief.

The New Generation Navy initiative will continue to drive reform within the Navy and provide strategies to manage challenges and meet objectives. A priority is to stabilise, recover and grow the workforce, particularly in submarine and engineering disciplines. Focus will also continue towards the future introduction of new capabilities in area air warfare, littoral warfare, amphibious lift, anti-ship missile defence and naval aviation.

Program 1.2 Navy Capabilities expenses

	2009-10 Revised Estimate M\$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses					
Employees	1,459,125	1,516,264	1,571,440	1,673,515	1,768,729
Suppliers	1,462,398	1,220,011	1,320,725	1,311,454	1,371,850
Grants	-	-	-	-	-
Depreciation and amortisation	1,042,691	899,742	745,999	711,358	700,150
Finance Cost	-	14,534	14,081	13,201	12,428
Write-down of assets and impairment of assets	266,904	227,643	230,636	235,100	238,519
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	1	1
Total expenses	4,231,118	3,878,194	3,882,881	3,944,629	4,091,677
Income					
Revenues					
Goods and Services	-46,570	-47,149	-50,325	-52,524	-56,203
Other revenue	-98	-72	-88	-77	-92
Total Revenue	-46,668	-47,221	-50,413	-52,601	-56,295
Gains					
Reversals of previous asset write-downs	-153,025	-131,680	-134,318	-137,614	-140,279
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-153,025	-131,680	-134,318	-137,614	-140,279
Total income	-199,693	-178,901	-184,731	-190,215	-196,574
Program 1.2 Navy Capabilities	4,031,425	3,699,293	3,698,150	3,754,414	3,895,103

Note

1. As reported in the *Portfolio Additional Estimates Statements 2009-10*.

Program 1.2 deliverables

- maintain preparedness of Navy capability as directed by the CDF
- provide timely, accurate and high quality advice on Navy capabilities to the CDF, the Secretary and the Government
- deliver Group-specific reform and savings to the SRP, without detriment to agreed levels of Navy capability.

The Navy's capability-based deliverables are detailed in tables 23 to 25.

Table 23: Navy deliverables (Unit Ready Days)^[1]

Deliverables		2009-10 Revised Budget	2010-11 Budget ^[2]	2011-12 Forward year 1	2012-13 Forward year 2	2013-14 Forward year 3
18	Major combatants ^[3]	3,822	4,171	4,562	4,105	5,190
22	Minor combatants ^[4]	6,024	5,573	5,618	5,568	4,836
11	Amphibious and Afloat Support ^[5]	3,467	3,682	3,451	2,246	2,190
5	Maritime Teams ^[6]	1,820	1,820	1,825	1,820	1,820
9	Hydrographic Force ^[7]	2,633	2,923	3,062	2,613	3,053

Notes

1. Unit Ready Days (URD) are the aggregate number of days that constituent force elements are available for tasking.
2. The Navy currently does not have a mature system to forecast non-financial performance data with a high degree of accuracy beyond the current financial year. The forecasts provided over the forward years are based on the best information available.
3. Major Combatants include the Adelaide class frigates, Anzac class frigates, and submarines.
4. Minor Combatants include patrol boats, coastal mine hunters, and auxiliary minesweepers.
5. Amphibious and Afloat Support comprises the oil tanker, replenishment ship, amphibious landing ships, heavy landing ship, and heavy landing craft.
6. Maritime Teams comprise clearance diving teams, the deployable geospatial support team, and mobile meteorological and oceanographic teams.
7. Hydrographic Force comprises the hydrographic ships, survey motor launches, chart production office, and meteorological and oceanographic centres.

Table 24: Navy deliverables

Deliverables	2009-10 Revised Budget	2010-11 Budget ^[1]	2011-12 Forward year 1	2012-13 Forward year 2	2013-14 Forward year 3
Navigation Chart Production:					
New charts/editions	50	50 ^[2]	50	–	–
New electronic navigational chart cells	100	100 ^[2]	50	–	–

Notes

1. The Navy currently does not have a mature system to forecast non-financial performance data with a high degree of accuracy beyond the current financial year. The forecasts provided over the forward years are based on the best information available.
2. The production of new Electronic Navigational Chart (ENC) cells and chart coverage of the Australian Charting Area will be completed in 2011-12, when it is anticipated that all cell boundaries will be defined and will remain unchanged. From 2012-13 onwards, chart production efforts will focus on maintenance, updates and continuous improvement of the content of existing products.

Table 25: Navy deliverables (flying hours)

Deliverables		2009-10 Revised Budget	2010-11 Budget ^[1]	2011-12 Forward year 1	2012-13 Forward year 2	2013-14 Forward year 3
16	Seahawks	3,400	3,600 ^[2]	4,200	4,200	4,200
6	Sea Kings	1,100	1,100 ^[3]	400	–	–
13	Squirrels	3,600	4,000 ^[4]	4,000	4,000	4,000
1	Laser airborne depth sounder aircraft	901	1,050	1,050	1,050	1,050

Notes

1. The Navy currently does not have a mature system to forecast non-financial performance data with a high degree of accuracy beyond the current financial year. The forecasts provided over the forward years are based on the best information available.
2. Seahawk helicopters will continue carrying an additional tasking burden in the absence of Seasprite helicopters until a replacement capability is introduced from 2014 under project AIR 9000 Phase 8 Future Naval Aviation Combat System.
3. Multi Role Helicopters (MRH-90) will progressively replace the Sea Kings. The MRH-90 flying hours planned while the capability is being developed are reflected in Army Aviation.
4. Squirrel flying hours will increase in 2010-11 to reflect a higher trainee demand.

Program 1.2 key performance indicators

- achieve levels of preparedness directed by the CDF for military response options with a warning time of less than 12 months
- achieve a level of training that maintains core skills and professional standards across all outputs
- achieve mission capability for assigned tasks
- achieve *Hydroscheme 2010-2012* data and surveying tasking requirements to meet national hydrographic surveying and charting obligations.

Program 1.3: Army Capabilities**Program 1.3 objective**

The Army's primary objective in delivering Program 1.3 is to contribute to the achievement of the Government's defence objectives through the provision of capabilities for land and special operations. The Army also provides forces for peacetime national tasks, including forces with a capability to enhance the national domestic security response to terrorist, chemical, biological, radiological or explosive incidents. The Army provides capabilities that centre around light and medium combined arms operations; army aviation; special forces; combat and logistic support; and units for protective operations. The Army intends to achieve its performance milestones in 2010-11 by balancing the requirement to support operations with the need to meet existing preparedness requirements and to develop core capabilities.

In 2010-11, the Army's first priority will be to continue to support forces and individuals deployed on operations. The Army will remain heavily committed across a spectrum of operations at the domestic, regional and global level. The Army will continue to sustain or preserve the ability to deploy and sustain a brigade group and a battalion group, in a different area of operations, for a prolonged period of time in our primary operational environment. A major activity during 2010-11 will be Rebalancing the Army and Reserve reform, to ensure that the Army's internal balance and mix of full-time and part-time land force elements can meet its objectives. The use of the Reservists on operations will alleviate some of the concurrency and sustainment issues that Army is experiencing. The Army will continue further development and refinement of the Army Sustainment Campaign Plan to ensure the Army is capable of supporting current operations; concurrently posturing itself to meet potential future operations; and meeting its Force 2030 milestones. It will ensure that it delivers and is able to employ the land warfare capabilities required in an adaptive and changing environment.

Program 1.3 Army Capabilities expenses					
	2009-10	2010-11	2011-12	2012-13	2013-14
	Revised	Budget	Forward	Forward	Forward
	Estimate	Estimate	Estimate	Estimate	Estimate
	1) \$'000	\$'000	\$'000	\$'000	\$'000
Expenses					
Employees	2,835,418	3,091,223	3,148,783	3,235,570	3,427,784
Suppliers	1,108,154	1,186,804	1,334,160	1,379,977	1,407,047
Grants	167	159	80	82	284
Depreciation and amortisation	537,342	466,470	434,803	417,769	409,700
Finance Cost	-	6,319	5,250	4,055	2,720
Write-down of assets and impairment of assets	152,847	141,392	148,489	156,319	163,697
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	4,633,928	4,892,367	5,071,565	5,193,772	5,411,232
Income					
Revenues					
Goods and Services	-66,095	-65,925	-67,906	-71,062	-75,221
Other revenue	-15,000	-15,391	-15,637	-15,982	-16,384
Total Revenue	-81,095	-81,316	-83,543	-87,044	-91,605
Gains					
Reversals of previous asset write-downs	-89,587	-84,608	-89,733	-95,255	-100,501
Net gains from sale of assets	-926	-1,820	-2,349	-3,081	-3,907
Other gains	-	-	-	-	-
Total gains	-90,513	-86,428	-92,082	-98,336	-104,408
Total income	-171,608	-167,744	-175,625	-185,380	-196,013
Program 1.3 Army Capabilities	4,462,320	4,724,623	4,895,940	5,008,392	5,215,219
Note					
1. As reported in the <i>Portfolio Additional Estimates Statements 2009-10</i> .					

Program 1.3 deliverables

- the Army will implement reform through the Adaptive Army framework, Army Continuous Modernisation Plan and The Army Plan while continuing preparation of force elements for operational commitments and contingencies
- deliver Group-specific reform and savings to the SRP, without detriment to agreed levels of the Army's capability, including the revamping of the Army's governance, risk, budgeting and performance achievement management
- develop the Rebalancing the Army and Reserve Plan
- undertake collective training to ensure force elements are prepared for deployment
- improve the linkage between resource inputs and collective training outputs within the Army's force generation and preparation continuum
- deliver a single training continuum that unifies the majority of the Army's conventional individual and collective training, namely force generation
- conduct force generation and force preparation for Special Operations
- in consultation with Capability Development Group and the DMO, continue to develop the Army's combat capabilities through improvements in mobility, firepower and force protection
- the Army will introduce into service new capabilities that meet operational requirements
- continue to contribute to domestic security operations
- maintain preparedness of the Army's capability as directed by the CDF.

Table 26: Army deliverables (Rate of Effort – flying hours)

Deliverables		2009-10 Revised estimate	2010-11 Budget	2011-12 Forward year 1	2012-13 Forward year 2	2013-14 Forward year 3
6	CH-47 Chinook	1,570	1,570	1,570	1,570	1,570
34	S-70A9 Blackhawk	7,500	7,500	7,125	4,375	2,250
41	B-206 Kiowa	8,360	9,360 ^[1]	9,360 ^[1]	9,360 ^[1]	6,360
22	Armed Reconnaissance Helicopter (ARH) Tiger ^[2]	4,000	6,000	6,000	6,000	6,000
46	Multi-Role Helicopter (MRH-90) ^[3]	(15 Aircraft) 1,050	(23 Aircraft) 3,420	(30 Aircraft) 5,600	(37 Aircraft) 7,165	(46 Aircraft) 8,900

Notes

1. 173 Sq (B-206 Kiowa) ROE authorised until 2013 when it reverts back to steady ROE.
2. ROE may vary over the years depending on aircraft operational availability.
3. Six MRH-90 are allocated for Navy use.

Program 1.3 key performance indicators

- achieve levels of preparedness directed by the CDF
- execute force generation and preparation in a manner that balances operational commitments and contingency planning
- achieve a level of training that maintains core skills and professional standards across all outputs
- provide timely, accurate and considered advice on Army capabilities to the CDF, Secretary and the Government.

Program 1.4: Air Force Capabilities**Program 1.4 objective**

The Air Force's primary objective in delivering Program 1.4 is in applying capabilities to protect Australia and its national interests by providing a unique combination of flexibility, reach, precision and speed of response. The Air Force's fundamental capabilities enable the conduct of offensive and defensive counter air operations, land and maritime strike operations and offensive air support. Airlift enables quick deployment of forces over large distances and follow-on sustainment. Information superiority provides better situational awareness, enhancing the effectiveness of command and control systems. Australian and global communities also benefit directly from the Air Force's contribution to search and rescue operations, disaster relief, humanitarian assistance and other protective functions.

During 2010-11, sufficient air combatant forces will be maintained to provide airpower response options as required in military preparedness directives. The Air Force will continue to support the range of ongoing ADF operations, conduct operational deployments as directed by the CDF and provide rapid disaster response when necessary.

As part of the SRP, the Air Force will conduct an end-to-end system review of the delivery of Air Force Capabilities, move to a more comprehensive business model and identify the associated principal cost drivers. Air Force will then undertake to implement a series of deep and sustainable reform activities focussed on reducing the cost of capability delivery and to instil a culture of cost consciousness in the service. This is a multi-year program.

Program 1.4 Air Force Capabilities expenses

	2009-10 Revised Estimate (\$'000)	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses					
Employees	1,422,137	1,506,757	1,543,821	1,618,522	1,703,239
Suppliers	1,774,526	1,516,556	1,680,822	1,733,352	1,796,411
Grants	-	-	-	-	-
Depreciation and amortisation	922,599	741,780	604,950	572,034	533,274
Finance Cost	-	2,073	1,722	1,330	892
Write-down of assets and impairment of assets	272,608	237,055	243,620	251,512	258,804
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	1	1
Total expenses	4,391,870	4,004,221	4,074,935	4,176,751	4,292,621
Income					
Revenues					
Goods and Services	-108,609	-115,357	-121,226	-127,965	-135,259
Other revenue	-	-	-	-	-
Total Revenue	-108,609	-115,357	-121,226	-127,965	-135,259
Gains					
Reversals of previous asset write-downs	-156,382	-137,694	-142,859	-148,620	-154,015
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-156,382	-137,694	-142,859	-148,620	-154,015
Total income	-264,991	-253,051	-264,085	-276,585	-289,274
Program 1.4 Air Force Capabilities	4,126,879	3,751,170	3,810,850	3,900,166	4,003,347

Note

1. As reported in the *Portfolio Additional Estimates Statements 2009-10*.

Program 1.4 deliverables

- maintain preparedness of the Air Force’s capability as directed by the CDF
- provide timely, accurate and high-quality advice on Air Force capabilities to the CDF, the Secretary and the Government
- deliver Group-specific reform and savings to the SRP, without detriment to agreed levels of Air Force capability, through:
 - improving accountability within the Air Force
 - improving the Air Force’s strategic and corporate planning that supports the delivery of air power, and
 - enhance productivity by increasing the Air Force's effectiveness and improving efficiency.
- continue to implement Force 2030 as described in the 2009 Defence White Paper
- establish a comprehensive business model that is underscored by a culture of cost consciousness
- maintain robust relationships with our international partners.

The Air Force's capability-based deliverables are detailed in Table 27.

Table 27: Air Force deliverables (flying hours)

Deliverables	2009-10 Revised Budget	2010-11 Budget	2011-12 Forward Year 1	2012-13 Forward Year 2	2013-14 Forward Year 3
64 PC-9 ^[1]	20,352	21,852	21,852	21,852	21,852
16 B300 King Air 350 ^[2]	6,500	10,400	11,400	11,400	11,400
12 C-130H Hercules	3,200	3,200	3,200	3,200	Withdrawn from service
12 C-130J Hercules	7,350	7,350	7,350	7,350	10,550
4 C-17 Globemaster III	3,450	4,000	4,500	4,800	4,800
5 KC-30A ^[3]	—	1,350	2,400	3,100	3,100
13 DHC-4 Caribou ^[4]	1,100	Withdrawn from service	Withdrawn from service	Withdrawn from service	Withdrawn from service
2 B737 BBJ	1,600	1,600	1,600	1,600	1,600
3 CL604 Challenger	2,403	2,403	2,403	2,403	2,403
19 P-3 Orion	8,300 ^[8]	7,900	7,900	7,900	7,900
6 B737 – Airborne Early Warning & Control Aircraft ^[5]	500	2,000	2,600	3,600	3,600
71 F/A-18A/B Hornet	12,000	13,000	13,000	13,000	10,400
24 F/A-18F Super Hornet ^[6]	500	2,100	3,500	4,800	5,200
18 F-111 ^[7]	2,700	800	Withdrawn from service	Withdrawn from service	Withdrawn from service
33 Hawk Lead-in Fighter	6,800	8,000	8,000	8,000	8,000

Notes

1. Figures include Training, Forward Area Control, and Aerospace Operational Test Support aircraft.
2. Includes three aircraft transferred from the Army and provision of five leased aircraft in service at the end of 2009-10.
3. Figures subject to delivery schedule - expect two aircraft to be in service in 2010-11 with the final aircraft to be delivered in 2012-13.
4. DHC-4 withdrawn from service December 2009.
5. Figures subject to delivery schedule - two aircraft available for familiarisation in 2009-10 with the final aircraft to be delivered in 2010-11.
6. Figures subject to delivery schedule - expect 12 aircraft to be in service in 2009-10 with remainder to be in service in 2010-11.
7. F-111 planned withdrawal date is December 2010.
8. Rate of effort increased due to Operational requirements.

Program 1.4 key performance indicators

- achieve levels of preparedness as directed by the CDF for military response options within a warning time of less than twelve months
- achieve a level of training that maintains core skills and professional standards across all fundamental capabilities
- achieve mission capability for assigned tasks on time and within agreed resources
- achieve an organisational cultural change to include cost consciousness
- execute force generation and preparation whilst maintaining a balance between operational commitments and contingency planning.

Program 1.5: Intelligence Capabilities**Program 1.5 objective**

Intelligence and Security Group delivers Program 1.5 through the two main objectives of delivering intelligence capability for Defence and leading the development of security policy, standards and plans to meet Defence's protective security requirements.

As Defence's ability to preserve its intelligence capability edge is critically dependent on the availability of skilled and experienced ADF and civilian personnel, the Group has increased and broadened its recruitment and retention strategies through programs such as: targeted university recruitment drives, incentives for staff with specific language and technical talents, and enhanced use of online recruitment tools. These initiatives will continue in 2010-11.

The Defence Security Authority leads the Defence security community in minimising the security risks to Defence's people, information and material. The Authority is responsible for developing security policy, reporting on security performance, investigating serious security incidents and undertaking personnel security vetting for Defence and defence industry.

Program 1.5 Intelligence Capabilities expenses

	2009-10 Revised Estimate (\$'000)	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses					
Employees	264,613	283,108	291,239	305,571	318,082
Suppliers ^[2]	253,705	270,458	251,886	239,980	261,311
Grants	-	-	-	-	-
Depreciation and amortisation	46,549	36,108	29,253	21,068	18,478
Finance Cost	-	-	-	-	-
Write-down of assets and impairment of assets	9,752	8,598	8,267	8,611	8,810
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	1	1
Total expenses	574,619	598,272	580,645	575,231	606,682
Income					
Revenues					
Goods and Services	-1,370	-8,557	-11,335	-10,627	-11,081
Other revenue	-148	-153	-155	-157	-162
Total Revenue	-1,518	-8,710	-11,490	-10,784	-11,243
Gains					
Reversals of previous asset write-downs	-8,836	-7,790	-7,490	-7,802	-7,982
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-8,836	-7,790	-7,490	-7,802	-7,982
Total income	-10,354	-16,500	-18,980	-18,586	-19,225
Program 1.5 Intelligence Capabilities	564,265	581,772	561,665	556,645	587,457

Notes

- As reported in the *Portfolio Additional Estimates Statements 2009-10*.
- This excludes \$0.1m for centralisation of security vetting.

Program 1.5 deliverables

- provide timely, accurate and high quality intelligence and security support in accordance with Government priorities to support the ADF, policy and wider security operations
- deliver enhanced capabilities to better exploit next generation technologies, including cyber- operations, and enhance the security of the Australian Government's information
- develop an agreed Defence geospatial strategy in 2010^[1]
- consolidate human resource services and information and communications technology intelligence capabilities
- provide advice and assistance to the Government on the security and integrity of electronic information, cryptography and communications technology
- establish the Australian Government Security Vetting Agency
- ensure the effectiveness of the intelligence and security compliance framework
- strengthen the workforce through targeted recruitment, retention and training initiatives
- ensure effective and efficient transfer of expertise, capabilities and intelligence across key international partnerships
- contribute to SRP outcomes.

Note

1. The geospatial strategy is still being staffed and consultation with key stakeholders is occurring. The strategy is expected to be completed in August 2010.

Program 1.5 key performance indicators

- deliver intelligence and security policy and support to meet Defence and Government requirements
- develop next generation intelligence, geospatial and security capabilities
- strengthen the approach to security across Defence and Government
- achieve best practice in intelligence and security compliance
- ensure that the intelligence and security workforce is developed and skilled
- deliver capability dividends through international partnerships.

Program 1.6: Defence Support**Program 1.6 objective**

Program 1.6 is delivered by the Defence Support Group (DSG). DSG is responsible for delivering most of the shared services that support the ADF and Defence Groups, and is fundamental to generating Defence capability through the services it provides.

DSG supports Defence through the provision of a range of products and services including: legal services; personnel administration; housing; a range of personnel support functions; business services; base support services including catering, accommodation, cleaning and grounds maintenance; and managing, developing and sustaining the Defence estate, including the substantially increased Major Capital Facilities Program.

Linked to: Programs 1.14 and 1.15 (Defence Force Superannuation Benefits) and 1.16 (Housing Assistance).

Program 1.6 Defence Support expenses

	2009-10 Revised Estimate (\$'000)	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses					
Employees	1,026,375	1,136,004	1,147,269	1,184,159	1,244,029
Suppliers	1,498,117	1,918,527	1,786,167	2,078,962	2,374,642
Grants	11,381	1,417	1,440	1,473	1,509
Depreciation and amortisation	787,045	826,258	863,589	892,908	920,470
Finance Cost	68,426	51,954	50,518	48,841	47,422
Write-down of assets and impairment of assets	110,895	120,467	130,437	140,931	152,819
Net losses from sale of assets	-	-	-	-	-
Other expenses	872	895	909	935	957
Total expenses	3,503,111	4,055,522	3,980,329	4,348,209	4,741,848
Income					
Revenues					
Goods and Services	-203,557	-251,924	-272,023	-290,351	-307,315
Other revenue	-6,574	-6,258	-6,373	-6,535	-6,715
Total Revenue	-210,131	-258,182	-278,396	-296,886	-314,030
Gains					
Reversals of previous asset write-downs	-3,839	-4,573	-5,017	-5,230	-5,942
Net gains from sale of assets	-668	-1,012	-1,333	-1,781	-2,302
Other gains	-	-	-	-	-
Total gains	-4,507	-5,585	-6,350	-7,011	-8,244
Total income	-214,638	-263,767	-284,746	-303,897	-322,274
Program 1.6 Defence Support	3,288,473	3,791,755	3,695,583	4,044,312	4,419,574

Note

1. As reported in the *Portfolio Additional Estimates Statements 2009-10*.

Program 1.6 deliverables

DSG's core responsibilities focus on day-to-day support to the ADF to enable Defence capability. Particular deliverables for 2010-11 and the forward estimate years include:

- provision of timely, accurate and high quality advice on Defence Support matters to the CDF, the Secretary and the Government
- continue to drive DSG reform as part of the broader Defence SRP initiative including leading the Non-Equipment Procurement and Estate streams of reform and contributing to the Shared Services Reform stream
- development and delivery of the 2010-11 Major Capital Facilities Program and 2010-11 Facilities Operations Program within scope and budget
- provision of facilities, housing and other DSG support services to support the Enhanced Land Force
- development of environmental policies and strategies in accordance with Defence's obligations towards the *Environment Protection and Biodiversity Conservation Act 1999*
- management of Defence's property leasing, acquisition and disposal programs
- developing options for Government to consolidate the Defence estate
- provision of specialist legal support to Defence and legal support for ADF operations
- formulate concept, policy, legislation and procedure for a new military justice structure
- continue implementation of a consolidated regional structure for the delivery of Defence support products and services throughout Australia
- continue progress on establishment of a centre of excellence for advice and standardisation of procurement practices for non-equipment procurement in Defence
- provision of garrison and other base support services to support Defence bases and establishments throughout Australia
- provision of nationally delivered whole-of-Defence business services, including accounts processing and travel
- implementation of key pay structures and other military pay reforms in accordance with policy and business requirements, including rectifying current deficiencies in the ADF payroll system, and accelerating the introduction of an improved pay system in support of the ADF Payroll Remediation Task Force
- continue development of enhanced support to Defence families through development of a national service delivery model
- processing applications for Defence medals that reward excellence, achievement and outstanding service
- administration of the Defence Home Ownership Assistance Scheme
- continue implementation of the Base Accountabilities Model across all Defence bases to provide a clear separation of responsibility for base management and support services from responsibility for capability
- implementation of DSG elements of the base security improvement program
- provision of medical/rehabilitation and redeployment/redundancy product management, conduct and performance support and continued expansion of opportunities through the Defence Work Experience Program.

Program 1.6 key performance indicators

- improve business outcomes as part of broader Defence reform, including ongoing implementation of the revised responsibilities and accountabilities for base support
- deliver products and services on time and on budget to support the development and delivery of Defence capability
- develop industry engagement and collaborative relationships to ensure the effective and efficient delivery of products and services
- support ADF operational capability, including through the deployment of ADF lawyers to provide access to relevant and timely legal support
- provide ADF members with high quality service residences, relocation and travel services using cost-effective contract arrangements
- manage, develop and sustain the Defence estate to meet Defence and Government requirements by developing and delivering major estate and environment programs on time and to budget
- provide professional support services to ADF members and families, including delivery of family support programs and bereavement support in the situation of death and serious casualties
- ensure timely recognition of ADF members and ex-serving members in accordance with the Australian and Imperial Honours and Awards systems and civilian long service recognition.

CAPITAL FACILITIES PROGRAM DELIVERABLES

The Capital Facilities Program comprises approved and unapproved major and medium projects.

Major capital facilities projects are defined as having expenditure over \$15m and are subject to Government approval and review by the Parliamentary Standing Committee on Public Works (PWC). Medium facilities projects have an expenditure of between \$250,000 and \$15m. Projects between \$8m and \$15m are subject to Government approval, but are not formally reviewed by the PWC. Details of these projects are provided in this section.

The Capital Facilities Program gives priority to projects that support the AMCIP, sustain current capability requirements, support other government initiatives, meet legislative obligations and assist initiatives that support Defence personnel. A significant proportion of the program funding is directed towards the provision of basic engineering and infrastructure services, either in support of new projects or upgrades to existing facilities.

Approved major capital facilities projects

Table 14 and the following descriptions provide details on progress and expenditure during 2010-11 on major capital facilities projects.

Table 28: Approved major capital facilities projects by state and federal electorate

	Total Estimated Expenditure \$m	Estimated Cumulative Expenditure to 30 June 2010 \$m	2010-11 Budget Estimate \$m
NEW SOUTH WALES			
Gilmore			
HMAS Albatross			
Multi Role Helicopter Facilities ^[1]	-	26.1	5.7
Hughes			
Holsworthy			
Special Operations Working Accommodation and Base Redevelopment Stage 1	207.7	197.1	3.0
Enhanced Land Force Stage 1 Works ^[2]	-	10.0	9.6
Hunter			
Singleton			
Enhanced Land Force Stage 1 Works ^[2]	-	14.0	32.4
Enhanced Land Force Stage 2 Works ^[3]	-	0.3	26.6
Riverina			
Kapooka			
Enhanced Land Force Stage 1 Works ^[2]	-	35.3	57.0
Sydney			
Garden Island			
Enhanced Land Force Stage 2 Works ^[3]	-	0.1	3.7
Warringah			
HMAS Penguin			
Enhanced Land Force Stage 2 Works ^[3]	-	0.1	0.3
Total New South Wales	207.7	283.0	138.3
VICTORIA			
Corangamite			
Defence facilities at HMAS Harman and other locations ^[4]			
	-	13.0	10.0
Indi			
Bandiana			
Joint Logistics Unit Victoria Warehousing	36.4	26.3	4.1
Jagajaga			
Watsonia			
Defence Force School of Signals	101.3	85.5	7.6
Enhanced Land Force Stage 2 Works ^[3]	-	0.3	18.7
McEwen			
Puckapunyal			
Puckapunyal Redevelopment	41.7	19.3	6.4
Enhanced Land Force Stage 1 Works ^[2]	-	13.4	36.9
Total Victoria	179.4	157.8	83.7
QUEENSLAND			
Blair			
Amberley			
RAAF Base Amberley Redevelopment Stage 3	331.5	222.5	38.7
Australian Super Hornet Facilities ^[5]	110.1	68.0	17.5
Enhanced Land Force Stage 1 Works ^[2]	-	63.0	33.5
Brisbane			
Enoggera			
Base Redevelopment Stage 1	80.2	64.0	2.0
Enhanced Land Force Stage 2 Works ^[3]	-	16.5	194.6
Forde			
Canungra			
Enhanced Land Force Stage 2 Works ^[3]	-	1.4	2.6

	Total Estimated Expenditure \$m	Estimated Cumulative Expenditure to 30 June 2010 \$m	2010–11 Budget Estimate \$m
Groom			
Oakey			
Multi Role Helicopter Facilities ^[1]	-	31.9	4.1
Herbert			
Townsville			
Lavarack Barracks Redevelopment Stage 4	207.2	177.1	27.8
Multi Role Helicopter Facilities ^[1]	-	16.1	8.9
Enhanced Land Force Stage 1 Works ^[2]	-	76.0	84.5
Enhanced Land Force Stage 2 Works ^[3]	-	0.4	50.5
Kennedy			
Townsville Field Training Area (High Range)			
Enhanced Land Force Stage 1 Works ^[2]	-	10.0	3.4
Enhanced Land Force Stage 2 Work ^[3]	-	-	3.0
Rankin			
Greenbank Training Area			
Enhanced Land Force Stage 2 Works ^[3]	-	0.8	21.0
Wide Bay			
Wide Bay Training Area			
Enhanced Land Force Stage 2 Works ^[3]	-	1.7	7.9
Total Queensland	729.0	749.4	500.0
SOUTH AUSTRALIA			
Barker			
Murray Bridge Training Area			
Hardened and Networked Army Facilities ^{[6] [7]}	-	4.4	6.5
Wakefield			
Edinburgh Defence Precinct			
Hardened and Networked Army Facilities ^{[6] [7]}	-	363.6	152.5
RAAF Base Edinburgh			
Redevelopment Stage 2	99.6	10.5	50.0
Enhanced Land Force Stage 1 Works ^[2]	-	11.9	15.0
Enhanced Land Force Stage 2 Works ^[3]	-	-	5.0
Total South Australia	99.6	390.4	229.0
WESTERN AUSTRALIA			
Curtin			
Campbell Barracks			
Enhanced Land Force Stage 1 Works ^[3]	-	4.5	0.4
Pearce			
RAAF Base Pearce – Redevelopment Stage 1	142.2	97.4	32.0
Heavy Airlift Capability – Permanent Facilities ^[8]	-	5.7	5.5
Total Western Australia	142.2	107.6	37.9
NORTHERN TERRITORY			
Lingiari			
RAAF Base Tindal			
Redevelopment Stage 5	58.7	17.6	36.0
Airborne Early Warning and Control Aircraft Facilities	64.2	19.1	40.9
Solomon			
Darwin			
Robertson Barracks Redevelopment	72.1	13.8	42.8
RAAF Base Darwin Redevelopment Stage 2	49.8	5.6	25.0
Total Northern Territory	244.8	56.1	144.7

	Total Estimated Expenditure	Estimated Cumulative Expenditure to 30 June 2010	2010-11 Budget Estimate
	\$m	\$m	\$m
AUSTRALIAN CAPITAL TERRITORY			
Canberra			
Defence Facilities at HMAS Harman and Other Locations ^[4]	-	18.1	58.5
Australian Defence Force Academy: Living-In Accommodation Refurbishment	34.7	5.8	11.6
Fraser			
HMAS Creswell			
Redevelopment	83.6	45.5	35.0
Majura Field Training Area			
Enhanced Land Force Stage 2 Works ^[3]	-	0.6	18.2
Royal Military College			
Enhanced Land Force Stage 2 Works ^[3]	-	0.1	9.6
Total Australian Capital Territory	118.3	70.1	132.9
VARIOUS LOCATIONS ^[9]			
Multi Role Helicopter Facilities	137.2	-	-
Heavy Airlift Capability – Permanent Facilities	268.2	-	-
Enhanced Land Force – Facilities Stage 1 ^[2]	793.1	-	-
Hardened and Networked Army Facilities ^{[6][7]}	597.4	-	-
Defence facilities at HMAS Harman and other locations ^[4]	129.2	-	-
Enhanced Land Force – Facilities Stage 2 ^[3]	1,457.8	-	-
Total Various	3,382.9		
TOTAL	5,103.9	1,814.4	1,266.5

Notes

- Multi Role Helicopter Facilities has an approved budget of \$168.7m covering four locations: HMAS Albatross (Nowra), RAAF Base Townsville, the Army Aviation Centre (Oakey) and Gallipoli Barracks, Enoggera (construction completed) (includes \$31.5m for simulation facilities being delivered and reported by the DMO).
- Enhanced Land Force Stage 1 has an approved budget of \$793.1m covering the following locations: RAAF Base Richmond (construction completed), Holsworthy, Singleton, Kapooka, Puckapunyal, RAAF Base Amberley, Lavarack Barracks, Townsville High Range Training Area, RAAF Base Edinburgh and Campbell Barracks.
- Enhanced Land Force Stage 2 has an approved budget of \$1,457.8m covering the following locations: Singleton, Garden Island, HMAS Penguin, Watsonia, Puckapunyal, RAAF Base Amberley, Enoggera, Canungra, Lavarack Barracks, Townsville Field Training Area, Greenbank Training Area, Wide Bay Training Area, Cultana Training Area, RAAF Base Edinburgh, Majura Field Training Area, Royal Military College Duntroon.
- Defence Facilities at HMAS Harman and Other Locations has an approved budget increase to \$129.2m. This project covers two locations: Army facilities in Victoria and Defence facilities at HMAS Harman, ACT.
- The \$117.1m budget for Australian Super Hornet Facilities includes both the development and delivery phase budgets. The delivery phase budget of \$110.1m has been adjusted to reflect the final expenditure from the development phase.
- The \$623.7m budget for Hardened and Networked Army Facilities includes the development and delivery phase budgets. The delivery phase budget of \$597.4m has been adjusted to reflect the final expenditure from the development phase.
- Hardened and Networked Army Facilities project covers three locations Edinburgh Defence Precinct, Murray Bridge Training Area and Cultana Training Area. The project does not include similarly named works at Robertson Barracks.
- Heavy Airlift Capability - Permanent Facilities has an approved budget of \$268.2m covering five locations: RAAF Base Amberley, RAAF Base Edinburgh, RAAF Base Darwin, RAAF Base Townsville and RAAF Base Pearce. Construction works at RAAF Bases Amberley, Townsville, Edinburgh and Darwin are complete.
- These projects cross state boundaries. Expenditure estimates for 2010-11 are provided in the table per location.

New South Wales

Holsworthy - Special Operations Working Accommodation and Base Redevelopment Stage 1

This project will provide facilities to support Special Operations Command elements including the Tactical Assault Group (East) and the Incident Response Regiment. It also includes an upgrade of base infrastructure. Major contracts for construction have been awarded and the works have been delivered progressively from mid-2007. The remaining works are scheduled to be completed in 2010.

Victoria

Bandiana-Joint Logistics Unit Victoria Warehousing

This project will provide new and upgraded warehousing, storage and ancillary support facilities at Bandiana. Construction commenced in mid-2009 and is scheduled to be completed in mid-2011.

Watsonia-Defence Force School of Signals

This project will provide new working accommodation, improved security arrangements and upgraded living-in accommodation for the Defence Force School of Signals at Simpson Barracks. Construction commenced in October 2008 and completion is scheduled for 2011.

Puckapunyal - Puckapunyal Redevelopment

This project will address a number of shortcomings in existing training facilities, engineering infrastructure, security provisions and personnel facilities at the base. Construction commenced in September 2009 and completion is scheduled for mid-2011.

Queensland

Amberley - RAAF Base Amberley Redevelopment Stage 3

This project will provide new trainee living-in accommodation and messing facilities, physical fitness facilities, office, medical and working accommodation, consolidation of maintenance facilities, construction of a new fuel farm and a base security upgrade. Construction commenced in 2008.

Some key facilities were completed in 2009 and works will continue to be completed progressively from 2010 through to late 2011.

Amberley - Australian Super Hornet Facilities

This project will provide new, expanded and modified facilities and infrastructure at RAAF Base Amberley to support the introduction of the Super Hornet aircraft. Key facilities have been progressively completed from late 2009. Construction is scheduled to be completed in late 2010.

Enoggera - Base Redevelopment Stage 1

This project will provide new working accommodation for Headquarters 7th Brigade, upgrade base engineering services, and upgrade messing facilities. Key facilities have been progressively completed from late 2009. Construction is scheduled to be completed in late 2010.

Townsville - Lavarack Barracks Redevelopment Stage 4

This project will provide upgraded working accommodation for Army elements located at Lavarack Barracks. Construction commenced in 2007 and key elements are scheduled to be completed progressively by 2011. Facilities for 4th Field Regiment and 3rd Combat Engineer Regiment are scheduled to be completed in 2010.

South Australia

Edinburgh - RAAF Base Edinburgh Redevelopment Stage 2

This project will provide new working accommodation and upgrades to engineering services. Construction is expected to commence in mid-2010, with completion scheduled in early 2012.

Western Australia

Pearce - RAAF Base Pearce Redevelopment Stage 1

This project will provide new and refurbished operational, training, domestic support and aircraft maintenance facilities, improvements and upgrading of engineering services and demolition of redundant facilities. Construction commenced in 2008, with completion scheduled in 2011.

Northern Territory

Katherine - RAAF Base Tindal Redevelopment Stage 5

This project comprises a number of elements to expand and upgrade existing working accommodation, construct new working accommodation and to augment electrical and water supply infrastructure. Construction commenced in 2009, with completion scheduled in 2011.

Katherine - RAAF Base Tindal Airborne Early Warning and Control Facilities

This project will provide facilities and infrastructure at RAAF Base Tindal to support the introduction of the new airborne early warning and control aircraft. The works include new taxiways, operational facilities and working accommodation. Construction commenced in 2009, with completion scheduled in 2010.

Darwin - Robertson Barracks Redevelopment

This project comprises three individual project elements: the Robertson Barracks redevelopment project; LAND 907 facilities project; and the Hardened and Networked Army facilities project (which is separately funded and distinct from the Hardened and Networked Army facilities project supporting the hardened and networked capability). The Robertson Barracks redevelopment project will provide new and upgraded facilities for training, emergency response, working accommodation and equipment support. The LAND 907 facilities project will provide parking and working accommodation for heavy tank transport vehicles and other tank support services. The Hardened and Networked Army Facilities project will provide additional working accommodation and other support facilities. Construction commenced in 2009, with completion scheduled in 2011.

Darwin - RAAF Base Darwin Redevelopment Stage 2

This project will provide new and upgrade existing facilities including fuel farms and workshops. Construction will commence in mid-2010, with completion scheduled in early 2012.

Australian Capital Territory

Australian Defence Force Academy Living-In Accommodation Refurbishment

This project will refurbish existing living-in accommodation for the Australian Defence Force Academy cadets. Construction is expected to commence mid-2010, with completion scheduled in mid-2013.

HMAS Creswell Redevelopment

This project will provide new and upgraded facilities for the training of Navy officers upon initial entry and senior sailors in the areas of leadership, management and personal development. The works include upgrades to base engineering services and infrastructure, new and refurbished classrooms, office and living-in accommodation and specialised training facilities. Construction commenced in 2009, with completion scheduled in mid-2011.

Various locations

Multi Role Helicopter Facilities

This project will provide a range of helicopter shelters, maintenance and operational facilities, simulator buildings and deeper maintenance facilities to support the introduction of the Multi Role Helicopter aircraft. The works involve new facilities and refurbishment of existing facilities. The proposed facilities and infrastructure will be located at HMAS Albatross (Nowra), Gallipoli Barracks, Enoggera (Brisbane), RAAF Base Townsville and the Army Aviation Centre (Oakey). The works at Enoggera are now complete. The remaining works are scheduled to be progressively completed during 2010.

Heavy Airlift Capability Permanent Facilities

This project will provide new facilities for the C-17 Globemaster III aircraft. The works include a headquarters, maintenance facilities, air movements and cargo facilities, a simulator, warehousing and support facilities and airfield pavement works at the Amberley home base. The upgrading of airfield pavements, movements and cargo facilities and supporting infrastructure at RAAF Bases Edinburgh, Townsville, Darwin and Pearce will also be included. Construction commenced in 2008. The works at RAAF Bases Amberley, Townsville, Edinburgh and Darwin were completed in late 2009. The works at RAAF Base Pearce are scheduled to be completed in 2010.

Enhanced Land Force-Facilities Stage 1

This project will provide modern, purpose-built facilities and supporting infrastructure for the relocation of the 3rd Battalion of the Royal Australian Regiment from Sydney to Townsville. The works involve the construction of new and refurbished accommodation and training facilities, as well as the construction of common use facilities and site infrastructure upgrades at Townsville and other Defence sites across five states.

Facilities at Kapooka, Singleton, Holsworthy and Puckapunyal will provide modern accommodation and supporting infrastructure for increased Army initial employment training. At RAAF Bases Amberley, Edinburgh and Richmond, new facilities will be provided for joint enabling elements supporting the enhanced land force capabilities. The works at RAAF Base Richmond will be completed by mid-2010. Construction commenced in mid-2009 and completion of the remaining elements is scheduled by late 2011.

Edinburgh Defence Precinct-Hardened and Networked Army Facilities

This project will provide facilities and infrastructure to support the establishment of a mechanised battle group in the Edinburgh Defence Precinct. Some additional infrastructure will also be provided at Murray Bridge and in the Cultana Training Area. Construction commenced in late 2008. While the project is not planned to be complete until 2012, progressive occupation of facilities is scheduled to start in December 2010.

Defence Facilities at HMAS Harman and Other Locations

The expenditure forecast has been revised to reflect the current construction schedule. Construction of the Army facilities started in mid-2009. The remaining works are scheduled to be completed in 2011.

Enhanced Land Force-Facilities Stage 2

This project will provide modern purpose-built facilities and supporting infrastructure for the 8th/9th Battalion of the Royal Australian Regiment and supporting elements of the Army's 7th Brigade at Gallipoli Barracks in Enoggera, Brisbane. The project will involve the construction of new and refurbished accommodation and training facilities, as well as common use facilities and site infrastructure upgrades at Enoggera and other Defence sites across four states and both mainland territories.

Facilities at Townsville, Singleton, Duntroon and Watsonia will provide modern accommodation and supporting infrastructure for increased Army career training. In Sydney and at RAAF Bases Amberley and Edinburgh and at nine Defence Training Areas, new and refurbished facilities and site infrastructure upgrades will be provided for Army and joint enabling elements supporting the enhanced land force capabilities. Construction is planned to commence in mid 2010 and is scheduled to be completed by late 2014.

Status of Major Projects Foreshadowed For Government and Parliamentary Standing Committee on Public Works (PMC) Consideration in 2010-11

During 2010-11, Defence expects to present a number of facilities proposals to the Government and the PWC. Table 29 provides details of the proposed major capital projects expected to be referred to the PWC in 2010-11. In some cases, the projects may require the Government's approval before referral to the committee.

Table 29: Program of Major Works by state, federal electorate and locality

	Actual/ Indicative Referral Date ^[1]	Actual/ Indicative Hearing Date ^[2]	Current Status
NEW SOUTH WALES			
Warringah			
HMAS Penguin and Pittwater Annexe Redevelopment Stage 1	May 2010	July 2010	In development
Holsworthy			
Liverpool Military Area: High Voltage Reticulation System Upgrade	Late 2010	Late 2010	In development
Gilmore			
HMAS Albatross Redevelopment Stage 3	Late 2010	May 2011	In development
AUSTRALIAN CAPITAL TERRITORY			
Fraser			
Australian Defence Force Academy – Redevelopment	June 2010	August / September 2010	In development
VARIOUS LOCATIONS			
Facilities for Project LAND 121	June 2010	July / August 2010	In development
Aircraft Pavements and Airfield Lighting at HMAS Albatross, RAAF Base Pearce, RAAF Gin Gin and the Army Aviation Training Centre (Oakey) ^[3]	-	-	In development – PWC exemption to be sought

Notes

1. Referral and hearing dates may be affected by the timing of the 2010 Federal election.
2. Hearing dates will be subject to the committee's consideration and agreement.
3. Defence proposes to seek exemption from the PWC scrutiny of this project on the grounds that the work is declared repetitive in accordance with Section 18(8A) of the *Public Works Act 1969*.

New South Wales***HMAS Penguin and Pittwater Annexe Redevelopment Stage 1***

This project will provide a comprehensive upgrade of base wide engineering services infrastructure, security works and working accommodation for training and support functions. Subject to Government approval and Parliamentary clearance, construction is expected to commence in mid-2010 and be completed in 2013.

Liverpool Military Area: High Voltage Reticulation System Upgrade

This project will provide an upgraded electrical supply and electrical distribution system to Holsworthy Barracks. Subject to Parliamentary clearance, construction is expected to commence in early 2011, with completion scheduled in late 2012.

HMAS Albatross Redevelopment Stage 3

This project will provide a comprehensive upgrade of base-wide engineering services infrastructure, security works, airfield refuelling and working accommodation for training and support functions. Subject to Government approval and Parliamentary clearance, construction is expected to commence in late 2011, with completion expected in mid-2014.

Australian Capital Territory***Australian Defence Force Academy - Redevelopment***

This project will provide a combination of new and upgraded facilities to meet current and future military and academic training needs. The works may include an upgrade of the Cadets' Mess new training facilities and the refurbishment of working accommodation. Subject to Government approval and Parliamentary clearance, construction is expected to commence in mid-2011, with completion scheduled in 2013.

Various locations

Facilities for Land 121 Stage 1

This project will provide the facilities to enable vehicle and conversion training for drivers and vehicle maintainers. Subject to the necessary approvals and Parliamentary clearance, construction is expected to commence in 2010, with completion scheduled in 2011.

Aircraft Pavements and Airfield Lighting

This project will involve the resurfacing of asphalt pavement and replacement of airfield lighting at RAAF Base Pearce, RAAF Gin Gin, HMAS Albatross and the Army Aviation Training Centre (Oakey). Subject to Government approval and PWC exemption, construction is expected to commence in January 2011, with completion expected in mid-2011.

Approved projects being developed for private financing arrangements

Project Single Living Environment and Accommodation Precinct (Single LEAP) Phase 2

Project Single LEAP Phase 2 is an extension of delivery of new single living-in accommodation facilities at various sites around Australia, commenced under Project Single LEAP Phase 1. Due to delays in progressing the project and changes in Defence strategic priorities since the project was initiated, the scope of Phase 2 was amended in October 2009 and is now intended to deliver a further 3,015 units at 14 bases around mainland Australia. Table 30 provides details of the 14 elements of Phase 2. Defence is currently preparing advice to Government on the next step.

Table 30: Single LEAP Phase 2⁽¹⁾ by state, federal electorate and locality

State	Electorate	Locality
New South Wales	Gilmore	Nowra: HMAS Albatross
	Riverina	RAAF Base Wagga Kapooka: Blamey Barracks
Victoria	Indi	Albury/Wodonga: Bandiana
	Jagajaga	Watsonia: Simpson Barracks
	McEwen	Puckapunyal
Queensland	Herbert	Townsville: Lavarack Barracks
South Australia	Wakefield	RAAF Base Edinburgh
Western Australia	Brand	Garden Island: HMAS Stirling
	Curtin	Swanbourne: Campbell Barracks
Northern Territory	Solomon	Darwin: Robertson Barracks
		Darwin: HMAS Coonawarra
Australian Capital Territory	Fraser	Royal Military College Australian Defence Force Academy

Notes

- The original scope of Single LEAP Phase 2 was 3,535 units at 17 locations. Randwick Barracks, RAAF Base Pearce and RAAF Base Laverton have been removed from the scope, and the number of units at the Edinburgh Defence Precinct increased.

Approved medium capital facilities projects

Table 31: Spending in 2010-11 for medium facilities projects

	Total Estimated Expenditure \$'000	Estimated Cumulative Expenditure to 30 June 2010 \$'000	2010-11 Budget Estimate \$'000
NEW SOUTH WALES			
Eden-Monaro			
Joint Logistics Command Depot			
Non-Explosive Storage Facility	1,800	1,600	100
Wentworth			
Victoria Barracks			
Military Law Centre / Asia Pacific Centre for Military Law	7,825	-	7,133
Total New South Wales	9,625	1,600	7,233
VICTORIA			
East Sale			
RAAF Base East Sale			
School of Air Traffic Control – Tower Visual Simulator Facility	3,110	2,800	300
Melbourne Ports			
Defence Science and Technology Organisation			
Environmental Test Chamber	4,100	3,048	350
Victoria Barracks			
Defence Computing Data Centres – Infrastructure Upgrades ^[1]	-	800	2,257
Total Victoria	7,210	6,648	2,907
QUEENSLAND			
Capricornia			
Shoalwater Bay Training Area			
Camp Growl Stage 2	7,377	-	7,057
Groom			
Oakey			
Fuel Farm Upgrade	9,259	-	9,097
Herbert			
Lavarack Barracks			
Hydrotherapy Pool	1,840	-	1,840
Total Queensland	18,476	-	17,994
WESTERN AUSTRALIA			
Curtin			
Campbell Barracks			
Helicopter Underwater Escape Training Facility	9,723	1,600	6,248
Pearce			
Bindoon Training Range			
Access Control Facility	4,230 ^[2]	2,255	795
Total Western Australia	13,953	3,855	7,043
NORTHERN TERRITORY			
Lingiari			
Shoal Bay			
Receiving Station Facilities Upgrade	12,322	2,000	9,500
Solomon			
Darwin			
Naval Fuel Installation Rectification	10,690 ^[2]	2,931	7,421
Total Northern Territory	23,012	4,931	16,921
AUSTRALIAN CAPITAL TERRITORY			
Canberra			
Defence Computing Data Centres – Infrastructure			
Upgrades Deakin and Tuggeranong ^[1]	-	2,400	6,773
Total Australian Capital Territory	-	2,400	6,773

VARIOUS^[3]

Defence Computing Data Centres – Infrastructure Upgrades ^[1]	13,315	-	-
Total Various	13,315	-	-
TOTAL	85,591	19,434	58,871

1. Defence Computing Data Centres — Infrastructure Upgrades has an approved budget of \$13.315m covering three locations: Victoria Barracks Melbourne and Deakin, Tuggeranong Australian Capital Territory.
2. Budget increase approved after publication of the *Portfolio Additional Estimates Statements 2009–10*.
3. These projects cross state and electoral boundaries. Expenditure estimates for 2010–11 are provided in the table per location.

Proposed medium capital projects for consideration in 2010-11

Table 32 lists new medium capital facilities projects foreshadowed for consideration in 2010-11.

Table 32: Proposed medium capital projects for consideration in 2010-11

State	Federal Electorate	Locality	Status
New South Wales	Newcastle	RAAF Base Williamtown: Additional Accommodation - Tactical Fighter System Program Office	In development
	Riverina	RAAF Base Wagga: Headquarters Ground Training Wing	In development
Queensland	Blair	RAAF Base Amberley: C-17A Cargo Compartment Trainer Facility	In development
	Capricornia	Shoalwater Bay Training Area: Maritime Warfare Facilities (Triangular Island)	In development
South Australia	Grey	Woomera Prohibited Area: Disposal Explosive Ordnance Storage Facilities	In development
	Wakefield	Port Wakefield: Vibration Test Facility	In development
Western Australia	Pearce	RAAF Base Pearce: Upgrade of Potable Water Infrastructure	In development
Tasmania	Bass	Scottsdale: Specific Nutritional Capability	In development
Northern Territory	Lingiari	Mount Bunday: Medical Facilities Upgrade	In development
	Solomon	Robertson Barracks: 1 Aviation Regiment Facilities Upgrade	In development
Various		RAAF Base Darwin: Flood Mitigation Works	In development
		Countermine Capability Facilities (Land 144)	In development
		Special Operations: National Storage Facilities	In development
		Aviation Fire Trucks Facilities	In development
		ASLAV Additional Facilities	In development

Program 1.7: Defence Science and Technology

Program 1.7 objective

The Defence Science and Technology Organisation's (DSTO) principal objective in delivering Program 1.7 is to provide expert, impartial science and technology (S&T) advice, and innovative solutions to the Government, Defence and Australia's national security agencies to support the provision of military capabilities and the promotion of security and stability.

For Defence, this is achieved by enhancing capability, reducing risk and saving resources through applied research focussed on support to military operations, the current force, capability development and acquisition.

DSTO's enabling research program also contributes to future-proofing Defence, being aimed at developing the organisation's S&T capability in alignment with Defence's evolving technology requirements, including those arising from the challenges of emerging technologies.

In order to achieve its objectives, DSTO draws upon the scientific ability and reputation of its staff, world class research facilities, and extensive networks with external organisations such as international defence research agencies, local industry and academia.

Program 1.7 Defence Science and Technology expenses

	2009-10 Revised Estimate (\$'000)	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses					
Employees	272,339	316,936	324,372	333,399	332,392
Suppliers	149,059	129,478	127,780	125,545	115,088
Grants	-	-	-	-	-
Depreciation and amortisation	20,346	19,457	18,779	18,726	19,721
Finance Cost	-	-	-	-	-
Write-down of assets and impairment of assets	3,433	3,146	3,165	3,427	3,608
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	445,177	469,017	474,096	481,097	470,809
Income					
Revenues					
Goods and Services	-46,847	-22,332	-22,697	-23,405	-24,078
Other revenue	-	-8,211	-8,666	-8,945	-9,212
Total Revenue	-46,847	-30,543	-31,363	-32,350	-33,290
Gains					
Reversals of previous asset write-downs	-3,111	-2,851	-2,867	-3,105	-3,269
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-3,111	-2,851	-2,867	-3,105	-3,269
Total income	-49,958	-33,394	-34,230	-35,455	-36,559
Program 1.7 Defence Science and Technology	395,219	435,623	439,866	445,642	434,250

Note

1. As reported in the *Portfolio Additional Estimates Statements 2009-10*.

Program 1.7 deliverables

- timely, accurate and high-quality S&T advice on Defence related matters to the Secretary, CDF, and Government
- effective, relevant and timely S&T solutions and technical support to military operations, to the current force and to non-Defence national security agencies
- effective, relevant and timely S&T support to capability development and acquisition decision making, including technical risk assessment and certification for Defence Capability Plan projects
- a program of enabling research aimed at enhancing future Defence capabilities and maintaining world-class research expertise and facilities
- productive engagement with external organisations, in particular international partners, local industry and academia, via appropriate avenues including the management of the Capability and Technology Demonstrator Program
- contribute to SRP outcomes by:
 - completing the implementation of Science and Technology Stream reforms through monitoring and tracking the progress of reform as well as capturing the resultant benefits
 - continuing to seek and implement improvements in the way DSTO does business
 - continuing to work with other streams (including ICT, Workforce and Shared Services, Capability Development and Non-Equipment Procurement) to assist in implementing the SRP and understanding their potential impact on DSTO.

Program 1.7 key performance indicators

- advice to Defence and the Government on S&T matters is of high quality
- the applied research program is balanced in meeting the needs of Defence in support of operations, the current force, capability development and acquisition, and of non-Defence national security
- Group-specific S&T outputs and programs are delivered on time and within agreed resources
- outputs of the research program can be identified as innovative solutions that can be used to enhance Defence capability, reduce risk and save resources
- enabling research is focussed on supporting future Defence capability
- DSTO's S&T capability is contributed to by:
 - a workforce with world-class expertise and facilities
 - highly leveraged S&T engagement with international defence research organisations, local industry and academia.

Program 1.8: Chief Information Officer**Program 1.8 objective**

The Chief Information Officer Group's primary objective in delivering Program 1.8 is to provide Defence with dependable, secure and integrated information and communications technology (ICT) capabilities to support efficient and effective conduct of Defence operations, and the conduct of Defence business.

The Group have embarked on an ICT Reform Program to achieve greater ICT scalability, flexibility and adaptability; improved information speed and accuracy; continued technological capability edge; enhanced interoperability and improved business support. These objectives will be delivered through the strategic imperatives: optimise Defence ICT investment; closer stakeholder engagement and alignment; provide agreed priority solutions and strengthen ICT capability.

The Group manages a number of risks across the information domain, including increasing sophisticated security threats that may challenge defensive capabilities. In cooperation with other Defence and allied agencies the Group monitors, identifies and addresses new and emerging threats to information systems security.

Program 1.8 Chief Information Officer expenses

	2009-10 Revised Estimate M\$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses					
Employees	132,814	140,801	142,471	149,604	154,781
Suppliers	578,640	563,193	471,513	464,110	442,538
Grants	-	-	-	-	-
Depreciation and amortisation	138,310	124,682	122,703	118,085	61,488
Finance Cost	-	5,951	3,907	1,725	-
Write-down of assets and impairment of assets	8,007	7,345	6,990	7,165	7,983
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	857,771	841,972	747,584	740,689	666,790
Income					
Revenues					
Goods and Services	-2,800	-2,883	-2,955	-3,053	-3,169
Other revenue	-	-	-	-	-
Total Revenue	-2,800	-2,883	-2,955	-3,053	-3,169
Gains					
Reversals of previous asset write-downs	-7,254	-6,654	-6,333	-6,491	-7,233
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-7,254	-6,654	-6,333	-6,491	-7,233
Total income	-10,054	-9,537	-9,288	-9,544	-10,402
Program 1.8 Chief Information Officer	847,717	832,435	738,296	731,145	656,388

Note

1. As reported in the *Portfolio Additional Estimates Statements 2009-10*.

Program 1.8 deliverables

- priorities, concepts and policy for the Defence Information Environment (DIE) are developed and aligned with Defence priorities
- deliver the architectural design, policy and regulatory frameworks for the Defence ICT environment
- deliver efficient, transparent and informed decision making through ICT governance
- ensure ICT capabilities, infrastructure and products are developed, delivered and sustained in accordance with agreed stakeholder priorities
- deliver agreed ICT Services and Service Support in support of ADF operations and Defence outcomes
- deliver strategic communications support to ADF operations to the agreed service levels
- optimise Defence's ICT investment through the provision of cost transparency, improved stakeholder communication, prioritisation of spend and efficiency of ICT activities
- drive closer alignment with stakeholders through a stakeholder-centric organisation model, improving engagement and driving towards a collaborative approach to developing ICT capabilities
- provide agreed priority solutions through the establishment of a Defence-wide ICT Operation Model and Enterprise Architecture promoting standardisation and consolidation
- strengthen ICT capabilities through improvements to culture, leadership, processes, skills, sourcing and resource planning.
- contribute to Group-specific SRP reform and savings.

Program 1.8 key performance indicators^[1]

- ensure dependable, secure and responsive ICT services are provided in support of ADF operations and Defence business outcomes
- deliver and support Defence ICT capability to agreed service levels, cost and schedule
- ensure that the Defence ICT Workforce Planning is conducted and managed effectively
- ICT project and investment priorities are agreed with Defence Committee members and other stakeholders
- ensure ICT Reform Program initiatives are met through:
 - achieving greater ICT scalability, flexibility and adaptability
 - improving information speed and accuracy
 - continuing to achieve a technological capability edge
 - enhanced interoperability and improved business support.

Note

1. Performance indicators have been updated to reflect performance against the ICT Strategy and ICT Reform.

Program 1.9: Vice Chief of the Defence Force

Program 1.9 objective

The Vice Chief of the Defence Force Group's mission is to develop, deliver and enable Defence joint capability in order to protect and advance Australia's strategic and national interests. The Group enables Defence to meet its objectives through the provision of military strategic effects and commitments advice and planning, joint military professional education and training, logistics support, health support, ADF Cadet and Reserve policy, joint capability management, and joint and combined ADF doctrine.

In addition, the Group has responsibility for the Asia Pacific Civil-Military Centre of Excellence, the Australian Defence Simulation Office, the ADF Parliamentary Program, the Federation Guard, ADF ceremonial activities and the ADF Investigative Service.

Program 1.9 Vice Chief of the Defence Force expenses

	2009-10 Revised Estimate (\$'000)	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses					
Employees	498,531	529,622	549,461	616,032	654,688
Suppliers	630,460	603,516	566,680	588,727	550,775
Grants	-	-	-	-	-
Depreciation and amortisation	11,263	5,986	7,250	7,623	8,134
Finance Cost	-	-	-	-	-
Write-down of assets and impairment of assets	185,566	168,454	157,638	151,883	148,183
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	2	1
Total expenses	1,325,820	1,307,578	1,281,029	1,364,267	1,361,781
Income					
Revenues					
Goods and Services	-285,681	-291,284	-295,023	-293,163	-303,934
Other revenue	-43,504	-49,634	-50,432	-51,546	-52,837
Total Revenue	-329,185	-340,918	-345,455	-344,709	-356,771
Gains					
Reversals of previous asset write-downs	-129,434	-117,498	-109,954	-105,940	-103,359
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-129,434	-117,498	-109,954	-105,940	-103,359
Total income	-458,619	-458,416	-455,409	-450,649	-460,130
Program 1.9 Vice Chief of the Defence Force	867,201	849,162	825,620	913,618	901,651

Note

1. As reported in the *Portfolio Additional Estimates Statements 2009-10*.

Program 1.9 deliverables

- provide military strategic advice that enables the Government to continuously review its national strategic interests
- manage the SRP deliverables for Logistics; Reserves; Preparedness, Personnel and Operating Costs; and deliver agreed savings and reforms within the Group
- deliver coordinated logistic advice and services to the ADF and shape the delivery of logistic capability
- provide policy advice and health services that support Defence capability
- enhance Defence joint, inter-agency and combined capability coordination
- manage joint military professional education and training
- enhance the capacity of Reserves to support ADF capability
- provide a robust governance and accountability framework for the ADF Cadets
- provide administrative support to the Asia Pacific Civil-Military Centre of Excellence.

Program 1.9 key performance indicators

- ensure the ADF operational tempo is managed within concurrency constraints
- ensure Group-specific SRP reform and savings have been achieved
- ensure that ADF operations and exercises receive effective logistics support and services
- ensure ADF operations and exercises receive effective health support and services
- enhance ADF joint and combined operational capability
- ensure that ADF personnel are suitably trained to operate in a joint and/or combined operational environment
- ensure planning and policy frameworks are developed to enhance the contribution of the Reserves to Defence and the wider community
- develop governance and accountability frameworks to enhance the youth development experience within the ADF Cadets
- ensure the Asia Pacific Civil-Military Centre of Excellence delivers its goals effectively and efficiently in accordance with Government instructions
- ensure ADF investigations are supported by effective and efficient administration
- deliver Group-specific outcomes and programs on time and within agreed resources.

Program 1.10: Joint Operations Command

Program 1.10 objective

Joint Operations Command (JOC) consists of the Headquarters Border Protection Command, Northern Command, Joint Movements Group, the Air and Space Operations Centre and Joint Task Forces. Headquarters 1st Division and Headquarters Special Operations Command are force assigned for military planning. Liaison Officers from the Australian Federal Police and AusAID have been assigned to Headquarters Joint Operations Command (HQJOC) to enable interagency planning for operations.

The Chief of Joint Operations (CJOPS) is responsible to the CDF for the effective conduct of military planning and is the CDF's principle adviser on operational matters. CJOPS commands HQJOC which supports him in the planning for, and conduct of, military campaigns, operations, joint exercises, the preparation of military options for contingencies and crisis management. In addition, on behalf of the CDF, the headquarters is responsible for the ADF's commitment to the Coastwatch civil surveillance program and Border Protection Command tasking, Search and Rescue and Emergency Defence Assistance to the Civil Community.

The Customs component of the Program is reported in the Customs section of the Attorney-General's Portfolio Budget Statements (PBS).

Linked to: Outcomes 2 and 3, Attorney-General's PBS

Program 1.10 Joint Operations Command expenses					
	2009-10 Revised Estimate M\$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses					
Employees	7,374	6,877	7,010	7,157	7,449
Suppliers	49,584	21,047	43,514	44,340	42,987
Grants	-	-	-	-	-
Depreciation and amortisation	1,959	1,527	1,611	1,604	1,169
Finance Cost	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	58,917	29,451	52,135	53,101	51,605
Income					
Revenues					
Goods and Services	-431	-403	-407	-414	-420
Other revenue	-	-	-	-	-
Total Revenue	-431	-403	-407	-414	-420
Gains					
Reversals of previous asset write-downs	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-	-	-	-	-
Total income	-431	-403	-407	-414	-420
Program 1.10 Joint Operations Command	58,486	29,048	51,728	52,687	51,185
Note					
1. As reported in the <i>Portfolio Additional Estimates Statements 2009-10</i> .					

Program 1.10 deliverables

- the effective command and control of ADF forces
- the conduct of operations and other activities as directed by Government
- the conduct of joint and combined exercises
- contribute to Group-specific SRP reform and savings.

Program 1.10 key performance indicators

- enhance command and staff methodologies
- joint preparedness levels meet the CDF's Preparedness Directive
- ADF forces are effectively deployed and sustained
- ADF forces are withdrawn for reconstitution when they are no longer required
- joint and combined exercises are conducted in accordance with the Program of Major Service Activities
- deliver requested outcomes and programs on time and within agreed resources.

Program 1.11: Capability Development

Program 1.11 objective

Capability Development Group develops and manages the Defence Capability Plan (DCP) and prepares Defence capability investment proposals for Government consideration. The Group maintains a sponsor role during the acquisition process and maintains close relationships with a range of stakeholders including the DMO and Capability Managers.

The Group will continue to refine the capability development process and ensure that it is well understood and applied uniformly across Defence. It will also seek to ensure that the process is understood by, and meets the expectations of, external stakeholders. The Group will continue to build on its relationship with stakeholders, industry and capability development organisations in other countries.

Program 1.11 Capability Development expenses

	2009-10 Revised Estimate (\$'000)	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses					
Employees	33,963	33,007	32,584	32,312	33,484
Suppliers	743,221	543,717	651,798	715,690	1,249,077
Grants	-	-	-	-	-
Depreciation and amortisation	97,466	321,215	537,357	730,115	923,173
Finance Cost	-	-	-	-	-
Write-down of assets and impairment of assets	56,212	102,697	148,045	187,677	231,744
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	930,862	1,000,636	1,369,784	1,665,794	2,437,478
Income					
Revenues					
Goods and Services	-	-	-	-	-
Other revenue	-	-	-	-	-
Total Revenue	-	-	-	-	-
Gains					
Reversals of previous asset write-downs	-32,109	-58,662	-84,565	-107,204	-132,375
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-32,109	-58,662	-84,565	-107,204	-132,375
Total income	-32,109	-58,662	-84,565	-107,204	-132,375
Program 1.11 Capability Development	898,753	941,974	1,285,219	1,558,590	2,305,103

Note

1. As reported in the *Portfolio Additional Estimates Statements 2009-10*.

Program 1.11 deliverables

- provision of timely, accurate and high quality advice on all aspects of capability development to the Secretary, CDF and Government
- development of an affordable and executable DCP
- development of Defence capability investment proposals for consideration by the Government
- development and publication of the Defence Capability Development Handbook 2010
- management of the Unapproved Major Capital Equipment Program (as discussed below)
- implement the strategy-led capability development process and relevant Mortimer reforms
- deliver Group-specific SRP reform.

Program 1.11 key performance indicators

- submit capability investment proposals on schedule, within agreed resources and to an agreed standard
- maintain an appropriately skilled workforce.

**THE UNAPPROVED MAJOR CAPITAL INVESTMENT PROGRAM
(ALSO KNOWN AS THE DEFENCE CAPABILITY PLAN)**

The Unapproved Major Capital Investment Program is a costed, detailed development plan for Australia's military capabilities over a ten-year period. The plan is reviewed regularly to take account of changing strategic circumstances, new technologies and changed priorities, in the context of the overall Defence budget. The plan sets out the proposed investment in new capability, reviewed and revised as part of the 2010-11 Budget.

Since the creation of the DCP in 2000, more than 275 major projects, phases of projects and supporting studies have been approved with an all-up cost of approximately \$54.6b. Further projects will be proposed for approval in 2010-11.

Tables 33 and 34 provide details of the projects likely to be considered, against which Defence is planning to spend, subject to approval by Government, \$277.9m in the coming financial year.

Table 33: Significant Defence Capability Plan projects in development for second pass approval^{[1][2]}

Project Number	Project Title	Second Pass Approval
Air Combat Capability Goal		
AIR 9000 Phase SCAP1	Seahawk Capability Assurance Program ^{1[3]}	2009-10 to 2010-11
AIR 9000 Phase 8	Future Naval Aviation Combat System	2010-11 to 2011-12
JP 66 Phase 1	Replacement for Air Defence Targets	2010-11 to 2011-12
Land Forces Capability Goal		
JP154 Phase 1	Joint Counter Improvised Explosive Device ^[3]	2009-10 to 2010-11
LAND 17 Phase 1B	Artillery Replacement – Digital Fire Control Systems	2009-10 to 2010-11
LAND 17 Phase 1C	Artillery Replacement – Self Propelled Howitzer	2010-11 to 2012-13
LAND 112 Phase 4	ASLAV Enhancement	2009-10 to 2010-11
LAND 121 Phase 5A	Overlander	2010-11 to 2011-12
Networked Information Capability Goal		
JP 2008 Phase 3H	Military Satellite Capability – Wideband Terrestrial Terminals ^[3]	2009-10 to 2010-11
JP 2030 Phase 8	ADF Joint Command Support Environment (Pass 2 of 3)	2009-10 to 2012-13
JP 2044 Phase 3A.1	Project Eagle Eye	2010-11 to 2011-12
JP 2072 Phase 2A	Battlespace Communications System (Land)	2010-11 to 2011-12
JP 2080 Phase 2B.1	Defence Management Systems Improvement – Personnel Systems Modernisation	2010-11 to 2011-12
JP 2090 Phase 1C	Combined Information Environment	2010-11 to 2011-12
JP 5408 Phase 3	ADF Navigation Warfare (NAVWAR) Capability	2010-11 to 2011-12

Notes

1. Project Development activities and some sensitive projects are not included in the list.
2. Defence will only progress these projects to Government approval if quality decision data can be provided (as required by the Defence Procurement Review 2003 (the Kinnaird Review)).
3. This project was listed for approval in the *Portfolio Budget Statements 2009-10*.

Table 34: Significant Defence Capability Plan projects in development for first pass approval^{[1][2]}

Project Number	Project Title	First Pass Approval
Air Combat Capability Goal		
AIR 5232 Phase 1	Air Combat Officer Training System	2009-10 to 2010-11
AIR 5431 Phase 1	Deployable Air Traffic Management and Control Systems	2010-11 to 2011-12
AIR 5431 Phase 2/3	Fixed Base Air Traffic Management and Control Systems	2010-11 to 2011-12
Land Forces Capability Goal		
JP 129 Phase 4	Tier 1 Unmanned Aerial Vehicle (UAV)	2010-11 to 2011-12
JP 2097 Phase 1B	REDFIN - Enhancements to Special Operations Capability ^[3]	2009-10 to 2010-11
LAND 121 Phase 4	Overlander ^[4]	
LAND 136 Phase 1	Land Force Mortar Replacment	2010-11 to 2011-12
Networked Information Capability Goal		
DEF 7013 Phase 4	Joint Intelligence Support System	2010-11 to 2011-12
JP 1544 Phase 1	Project EDEN – Document Handling System	2010-11 to 2011-12
JP 2008 Phase 3H	Military Satellite Capability - Wideband Terrestrial Terminals	2009-10 to 2010-11
JP 2008 Phase 5B	Military Satellite Capability - Wideband Terrestrial Infrastructure	2010-11 to 2012-13
JP 2044 Phase 4	Digital Topographical Systems (DTS) Upgrade ^[3]	2009-10 to 2010-11
JP 2047 Phase 3	Wide Area Communications Network Replacement	2010-11 to 2011-12
JP 2064 Phase 3	Geospatial Information Infrastructure & Services	2010-11 to 2011-12
JP 2069 Phase 2	High Grade Cryptographic Equipment	2010-11 to 2011-12
JP 2072 Phase 2B	Battlespace Communications System (Land)	2010-11 to 2011-12
JP 2077 Phase 2D	Improved Logistics Information Systems ^[4]	
JP 2080 Phase 2B.1	Defence Management Systems Improvement - Personnel Systems Modernisation	2009-10 to 2010-11
JP 2080 Phase 3	Defence Management Systems Improvement - Finance System ^[3]	2009-10 to 2010-11
JP 2089 Phase 3	Tactical Information Exchange Domain (Data Links)	2010-11 to 2011-12
JP 2096 Phase 1	Surveillance Enhancement (ISR)	2010-11 to 2011-12
SEA 1442 Phase 4	Maritime Communication Modernisation ^[3]	2009-10 to 2010-11
Maritime Forces Capability Goal		
SEA 1000 Phase 1A	Future Submarine - Concept Design	2009-10 to 2010-11
SEA 1350 Phase 1	Navy Surface and Subsurface Ranges	2010-11 to 2011-12
SEA 1354 Phase 1	Submarines Escape Rescue & Abandonment Systems (SERAS)	2010-11 to 2011-12
SEA 1439 Phase 3.1	Collins Obsolescence Management	2010-11 to 2011-12
SEA 1439 Phase 6	Collins Sonar Replacement ^[3]	2009-10 to 2010-11
SEA 1448 Phase 4A	ANZAC Electronic Support System Improvements ^[3]	2009-10 to 2010-11
Across All Capability Goal		
JP 2085 Phase 2/3	Explosive Ordnance Warstock ^[3]	2009-10 to 2010-11
JP 3021 Phase 1	Joint Combined Training Capability (JCTC)	2010-11 to 2011-12
JP 3024 Phase 1	Woomera Range Remediation	2010-11 to 2011-12

Notes

1. Capability and Technology Demonstrator projects, Project Development activities and some sensitive projects are not included in the list.
2. Defence will only progress these projects to Government approval if quality decision data can be provided (as required by the Defence Procurement Review 2003 (the Kinnaird Review)).
3. These projects were listed for approval in the *Portfolio Budget Statements 2009-10*.
4. These projects have received first pass approval, but are seeking further guidance from Government prior to second pass approval.

THE APPROVED MAJOR CAPITAL INVESTMENT PROGRAM

The Approved Major Capital Investment Program is comprised of those projects, usually costing \$20m or more, which are funded from the Unapproved Major Capital Investment Program and which, following approval, are generally transferred to the DMO for the acquisition phase. Projects costing between \$8m and \$20m require approval by the Minister for Defence. Projects costing between \$20m and \$100m are jointly approved by the Minister for Defence and the Minister for Finance and Deregulation. The Cabinet approval threshold is \$100m and above.

Funding for approved major capital investment projects, including project management and overhead costs, is provided by Defence to the DMO under separate Materiel Acquisition Agreements for each project.

As an enabling organisation to Defence, the DMO contributes to Defence's outputs. The DMO budget is detailed separately in the DMO's Section Two - Planned Outcome Performance, including an overview of the top 30 projects.

Program 1.12: Chief Finance Officer

Program 1.12 objective

The Chief Finance Officer Group is responsible for giving strategic financial advice and information to Ministers, the Secretary, the CDF and Defence Senior Leaders. It provides a whole-of-Defence focus for planning, management, monitoring and reporting of key deliverables to the Government, including Defence's outputs.

The Group is responsible for Defence's financial governance and assurance and manages Defence's budget and its financial policies, principles and practices in accordance with the *Financial Management and Accountability Act 1997*.

The Group drives Defence's financial management and improvement programs through uniform financial management approaches, a streamlined accountability structure, a financial controls framework, and training and skilling programs.

Portfolio budget pressures and risks are managed through a strong culture of prioritising resource management which is supported by micro-economic reform.

Program 1.12 Chief Finance Officer expenses

	2009-10 Revised Estimate (\$'000)	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses					
Employees	358,092	407,544	416,536	418,142	419,729
Suppliers	208,730	101,176	268,683	215,006	424,533
Grants	-	-	-	-	-
Depreciation and amortisation	32,945	18,235	34,753	46,840	47,306
Finance Cost	9,240	18,175	16,796	22,005	18,502
Write-down of assets and impairment of assets	7,066	114,342	114,780	113,952	110,739
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	616,073	659,472	851,548	815,945	1,020,809
Income					
Revenues					
Goods and Services	-	-67,953	-	-	-
Other revenue	-13,543	-113,733	-13,855	-14,023	-14,219
Total Revenue	-13,543	-181,686	-13,855	-14,023	-14,219
Gains					
Reversals of previous asset write-downs	-6,402	-67,973	-68,946	-68,721	-66,830
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-6,402	-67,973	-68,946	-68,721	-66,830
Total income	-19,945	-249,659	-82,801	-82,744	-81,049
Program 1.12 Chief Finance Officer	596,128	409,813	768,747	733,201	939,760

Note

1. As reported in the *Portfolio Additional Estimates Statements 2009-10*.

Program 1.12 deliverables

- prepare Defence's Financial Statements
- provide financial input to the Defence Portfolio Budget Statements and Defence Portfolio Additional Estimates Statements
- manage key financial risks and perform control testing and work to address financial risk areas of concern
- prepare the Defence Control Effectiveness Report
- maintain current Defence Chief Executive Instructions (CEIs) and promulgate new CEIs where necessary
- provide monthly and annual input to whole-of-Government reporting
- work with all Groups and Services to identify cost drivers for all key business elements
- prepare the Defence Certificate of Compliance
- oversee Defence's savings and efficiencies program
- contribute to Group-specific SRP reform and savings.

Program 1.12 key performance indicators

- provide timely and high quality financial advice to the Minister, the Secretary and CDF
- produce Defence's Budget and Financial Statements within agreed statutory timeframes
- maintain unqualified financial statements
- strengthen Defence's costing capability
- deliver Group specific outcomes and programs on time and within agreed resources.

Program 1.13: People Strategies and Policy

Program 1.13 objective

People Strategies and Policy Group will lead the delivery of a sustainable People capability to support the Government's mandate outlined in the Defence White Paper 2009.

People in Defence - Generating the Capability for the Future Force provides the Group's strategic blueprint for achieving three key objectives - building and communicating an attractive employment offer, developing a work environment and supporting arrangements that deliver on our commitment to our People, and reforming the People Management System to achieve more consistently effective People outcomes.

The Group will lead workforce and shared services reform in the HR function across the organisation as part of the SRP and implement the workforce integration initiatives identified by the Defence Budget Audit, including options for the civilianisation of military positions and contractor in-sourcing.

The Group will ensure that Defence fulfils its People commitment by devising and maintaining an attractive remuneration and benefits framework, effective career development processes, and an enabling culture that reflects the Department's values for ADF members and APS employees.

The Group will guide the development of organisation wide policies, set priorities and plan, execute and evaluate the annual Defence People Plan to address attraction and recruitment, retention, remuneration and reward, people development, leadership capability and the working environment.

The Group will lead collaborative alliances across Defence to develop appropriate People strategies and policies for enhanced workforce capability.

Program 1.13 People Strategies and Policy expenses					
	2009-10 Revised Estimate 1) \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses					
Employees	85,185	100,246	110,930	120,437	149,038
Suppliers	268,868	256,550	232,121	227,943	242,488
Grants	-	-	-	-	-
Depreciation and amortisation	209	220	166	173	238
Finance Cost	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	354,262	357,016	343,217	348,553	391,764
Income					
Revenues					
Goods and Services	-	-	-	-	-
Other revenue	-	-	-	-	-
Total Revenue	-	-	-	-	-
Gains					
Reversals of previous asset write-downs	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-	-	-	-	-
Total income	-	-	-	-	-
Program 1.13 People Strategies and Policy	354,262	357,016	343,217	348,553	391,764
Note					
1. As reported in the <i>Portfolio Additional Estimates Statements 2009-10</i> .					

Program 1.13 deliverables

- achievement of \$3.1b in SRP savings over the next decade through implementation of the workforce and shared services reform plan
- provision of timely, accurate and high quality advice on strategic aspects of People strategy and policy to the Secretary, CDF and Government
- a People System that delivers Defence's commitment to its people, that comprises Defence's current and future employment offer, conditions of service and employee engagement and motivation techniques, for ADF members in each of the Services, APS staff and critical categories within the workforce
- a comprehensive employment strategy focusing on superannuation benefits and family support benefits designed to recognise service and contribution
- a strategic communications campaign to deliver a consistent message communicating the benefits of Defence employment
- an integrated workforce demand planning model that identifies and regulates the appropriate mix between ADF, APS and contingent workforce members to meet capability requirements
- further development of a workforce intelligence function to generate focused and client commissioned research on the drivers of separation and retention, particularly among critical categories
- focused strategies to increase the diversity of the Defence workforce in relation to women and people from indigenous and non-English speaking backgrounds
- a People System which includes environmental and labour market contextual analysis, the people strategy, workforce solutions, research and analysis and evaluation of compliance, effectiveness and return on investment
- a governance and metrics framework to provide visibility, reporting and assurance on the effective delivery of Defence's commitment to its people
- an ongoing deregulation review to simplify and streamline all workforce policy to generate a client centred framework based on principles
- consistent occupational health and safety management practices and outcomes through deployment of the *Defence Occupational Health and Safety Strategic Plan 2007-2012*
- enhanced rehabilitation and injury compensation policy and support
- a career planning and development framework within the APS and refined career management approaches in the ADF.

Program 1.13 key performance indicators

- strategically influence and improve recruitment and retention in Defence through:
 - delivering recruitment outcomes that meet capability needs, and
 - optimising separation rates
- workforce and shared services reforms are effective in reducing costs and increasing productivity across Defence
- intervention strategies are successful to remediating critical employment categories across Defence
- effective workforce recovery and stabilisation strategies
- reduce the cost of Occupational Health and Safety incidents across Defence
- ensure workforce satisfaction with the Defence remuneration, benefits and career rewards package
- ensure the Defence Human Resource Metrics framework and workforce intelligence functions effectively inform decision making at the senior executive and committee level
- increase the representation of women and Indigenous people in the workforce
- trends in the Defence Attitude Survey reflect positively on program deliverables such as simplifying procedures and guidelines, career management, the total Defence employment offer, and internal communications
- deliver Group-specific outcomes and programs in accordance with the People in Defence strategy on time and within agreed resources.

Administered Program 1.14: Defence Force Superannuation Benefits

Administered Program 1.15: Defence Force Superannuation – Nominal Interest

Administered Programs 1.14 and 1.15 objective

The objective of programs 1.14 and 1.15 is to administer and report member and employer contributions to the two military superannuation schemes: the Defence Force Retirement and Death Benefits Scheme (DFRDB) and the Military Superannuation and Benefits Scheme (MSBS); the liability to the Commonwealth for benefits under these schemes; and the payment of the MSBS Retention Benefit.

The DFRDB was closed to new participants in 1991. Since then, MSBS has been available to all full time members of the ADF. Both schemes are managed on Defence's behalf by ComSuper.

Since 1991, Defence has paid the MSBS Retention Benefit to eligible MSBS members after 15 years of continuous eligible service. The purpose of the Retention Benefit is to encourage members to serve until they have completed 20 years of service. Due to legislative amendments passed in 2005, the Retention Benefit is not available to members who enlisted after 6 October 2005.

Linked to: Program 1.6 (Defence Support)

Administered Programs 1.14 and 1.15 Defence Force Superannuation Benefits and Defence Force Superannuation - Nominal Interest expenses

	2009-10 Revised Budget (\$'000)	2010-11 Budget Estimate (\$'000)	2011-12 Forward Estimate (\$'000)	2012-13 Forward Estimate (\$'000)	2013-14 Forward Estimate (\$'000)
Expenses					
Net foreign exchange losses	-	-	-	-	-
Retention benefits	40,000	41,000	41,000	41,000	41,000
Military superannuation benefits	3,313,000	3,584,000	3,739,000	3,899,000	4,067,000
Total expenses	3,353,000	3,625,000	3,780,000	3,940,000	4,108,000
Income					
Revenues					
Interest	-	-	-	-	-
Net foreign exchange gain	-	-	-	-	-
Military superannuation contributions	-861,033	-975,579	-1,014,447	-1,067,226	-1,147,301
Total income	-861,033	-975,579	-1,014,447	-1,067,226	-1,147,301
Program 1.14 Defence Force Superannuation Benefits and 1.15 Defence Force Superannuation-Nominal Interest	2,491,967	2,649,421	2,765,553	2,872,774	2,960,699

Note

1. As reported in the *Portfolio Additional Estimates Statements 2009-10*.

Administered Programs 1.14 and 1.15 deliverables

- report on superannuation contributions, related interest and the movement in liabilities associated with the two military superannuation schemes.

Administered Programs 1.14 and 1.15 key performance indicators

- provision of timely payments of member contributions to ComSuper and quality services for the administration of the DFRDB and MSBS.

Administered Program 1.16: Housing Assistance

Administered Program 1.16 objective

The Defence Home Ownership Assistance Scheme was established in order to support the Government's retention and recruitment initiatives and influence ADF members' decision to stay beyond critical career points. The scheme came into effect on 1 July 2008.

The Scheme provides eligible ADF members and ex-serving members with assistance to either purchase a home, purchase land for the purpose of building a home, or to renovate or extend an existing home.

The Scheme contains a three-tiered subsidised loan limit structure that provides increasing entitlements as members serve beyond key exit points.

Following a competitive tendering process, the Department of Veterans' Affairs was appointed Scheme Administrator and a panel of three Home Loan Providers was established: National Australia Bank, Australian Defence Credit Union and the Defence Force Credit Union.

Linked to: Program 1.6 (Defence Support)

Administered Program 1.16 Housing Assistance expenses

	2009-10 Revised Estimate [1] \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses					
Net foreign exchange losses	-	-	-	-	-
Housing subsidies	79,834	118,719	129,131	148,314	162,236
Total expenses	79,834	118,719	129,131	148,314	162,236
Income					
Revenues					
Interest	-	-	-	-	-
Net foreign exchange gain	-	-	-	-	-
License Fees	-5,469	-9,739	-12,390	-14,451	-16,302
Other	-	-	-	-	-
Total income	-5,469	-9,739	-12,390	-14,451	-16,302
Program 1.16 Housing Assistance	74,365	108,980	116,741	133,863	145,934

Note

1. As reported in the *Portfolio Additional Estimates Statements 2009-10*.

Administered Program 1.16 deliverables

- provide ADF members with assistance to achieve home ownership that reflects the contemporary housing and home finance markets
- provide progressively higher levels of assistance for eligible members serving beyond the critical career points of four, eight and 12 years of service
- provision of quality services for the administration of the Scheme, including the accurate and timely processing of member applications and issuing of Subsidy Certificates.

Administered Program 1.16 key performance indicators

- members respond to and take up the scheme
- ensure that interest rates provided to ADF members by the Home Loan Providers are competitive with other interest rates in the market.

Administered Program 1.17: Kings Highway Upgrade

Administered Program 1.17

Program 1.17 - Kings Highway Upgrade is complete.

Administered Program 1.18: Other Administered

Administered Program 1.18 objective

Other administered comprises four elements:

- Interest earned on Official Bank accounts held to facilitate operational requirements and project payments in foreign currency
- Interest, dividends and tax equivalent payments received from DHA for Government loans to fund the building of new accommodation
- Revenue received from the United Nations for Defence's involvement in peacekeeping operations
- Revenue received from special public monies for unidentified Comcare receipts.

These items fall outside the classification of own source revenue and therefore are returned to the Government.

Administered Program 1.18 Other Administered expenses

- The interest earned on Official Bank accounts is expected to remain small
- The interest on DHA loans is expected to increase from \$30.2m (2010-11) to approximately \$35.0m per year until the loans are repaid. These are 2008-09 loans disclosed in cash flow statement only.
- Due to a decrease in UN peacekeeping operations there has been a decrease in UN revenues.

	2009-10 Revised Estimate [1]\$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses					
Parliamentary entitlements	-	-	-	-	-
Total expenses ^[2]	-	-	-	-	-
Income					
Revenues					
Interest	-1,897	-5,961	-5,961	-5,961	-5,961
Dividends ^{[3] [4]}	-74,600	-46,393	-49,040	-50,230	-52,055
Other	-3	-26,100	-29,564	-28,895	-28,011
Total income	-76,500	-78,454	-84,565	-85,086	-86,027
Net costs of 1.18 Other Administered	-76,500	-78,454	-84,565	-85,086	-86,027

Notes

1. As reported in the *Portfolio Additional Estimates Statements 2009-10*.
2. There are no expenses as the funds are transferred to the Official Public Account.
3. This was as previously reported against Program 1.16 - Housing Assistance.
4. The 2009-10 figure includes an amount for a tax equivalent payment which was previously disclosed as dividend revenue and unidentified Comcare receipts returned to the OPA.

Administered Program 1.18 deliverables

- report on interest and other receipts transferred to the Official Public Account.

Administered Program 1.18 key performance indicators

- ensure funds are appropriately recorded in the correct financial year.

Outcome 2: The advancement of Australia's strategic interests through the conduct of military operations and other tasks as directed by Government

OUTCOME 2 STRATEGY

The ADF is required to undertake a range of military operations at the Government's direction to ensure the defence of Australia and its national interests. The ADF's military operations and other tasks contribute to the achievement of the Government's strategic objectives, defined in the White Paper as defending Australia, contributing to the security of the immediate neighbourhood and supporting wider interests.

OUTCOME 2 RESOURCES

Table 35: Total budgeted resources available for Outcome 2

	2009-10 Revised Estimate ¹)\$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Program 2.1 - Operations Contributing to the Security of the Immediate Neighbourhood					
Departmental outputs	229,184	212,485	27,413	7,724	-
Program 2.2 - Operations Supporting Wider Interests					
Departmental outputs	1,412,999	1,359,984	327,116	181,382	43,502
Total Resources for Outcome 2 ²)³)	1,642,183	1,572,469	354,529	189,106	43,502

Notes

- As reported in the *Portfolio Additional Estimates Statements 2009-10*.
- The 2009-10 figure excludes \$2.0m for Force Protection.
- This figure excludes the direct appropriation to DMO.

CONTRIBUTIONS TO OUTCOME 2

Program 2.1: Operations contributing to the security of the immediate neighbourhood

Program 2.1 objective

Operations contributing to the security of Australia's immediate neighbourhood are designed to help the stability, integrity and cohesion of the region. Australia shares the immediate neighbourhood with Indonesia, New Zealand, Papua New Guinea, East Timor and the island countries of the South West Pacific.

Program 2.1 Operations contributing to the security of the immediate neighbourhood expenses					
	2009-10 Revised Estimate	2010-11 Budget Estimate	2011-12 Forward Estimate	2012-13 Forward Estimate	2013-14 Forward Estimate
	(\$'000)	\$'000	\$'000	\$'000	\$'000
Expenses					
Employees	41,564	53,486	-	-	-
Suppliers	189,320	160,179	27,413	7,724	-
Grants	-	-	-	-	-
Depreciation	-	-	-	-	-
Finance Cost	-	-	-	-	-
Write down of assets and impairment of assets	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	230,884	213,665	27,413	7,724	-
Income					
Revenues					
Goods and Services	-1,700	-1,180	-	-	-
Other revenue	-	-	-	-	-
Total Revenue	-1,700	-1,180	-	-	-
Gains					
Reversals of previous asset write-downs	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-	-	-	-	-
Total income	-1,700	-1,180	-	-	-
Program 2.1 Operations contributing to the security of the immediate neighbourhood	229,184	212,485	27,413	7,724	-
Note					
1. As reported in the <i>Portfolio Additional Estimates Statements 2009-10</i> .					

Program 2.1 deliverables		
Operation	Commenced	Objective
Gateway	1981	Conduct northern Indian Ocean and South China Sea maritime surveillance patrols.
Anode	2003	Support the coalition police forces in maintaining the rule of law in Solomon Islands.
Astute	2006	Contribute security support to the Government Of Timor-Leste and the United Nations Mission in Timor Leste.
Tower (previously Chiron)	2006	Contribute to the United Nations Integrated Mission in Timor-Leste.

Key performance indicators
<ul style="list-style-type: none"> ensure that ADF operations meet their stated objectives within the Government's guidance ensure that ADF forces are effectively deployed and sustained ensure that ADF forces are withdrawn for reconstitution when they are no longer required.

Program 2.2: Operations supporting wider interests

Program 2.2 objective

Operations supporting wider interests are designed to contribute to United Nations and international efforts to uphold global security.

Program 2.2 Operations supporting wider interests expenses

	2009-10 Revised Estimate £'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses					
Employees	232,086	281,467	-	-	-
Suppliers	1,121,566	872,492	258,103	137,880	-
Grants	59,347	43,502	43,502	43,502	43,502
Depreciation	-	-	-	-	-
Finance Cost	-	-	-	-	-
Write down of assets and impairment of assets	-	162,523	25,511	-	-
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	1,412,999	1,359,984	327,116	181,382	43,502
Income					
Revenues					
Goods and Services	-	-	-	-	-
Other revenue	-	-	-	-	-
Total Revenue	-	-	-	-	-
Gains					
Reversals of previous asset write-downs	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-	-	-	-	-
Total income	-	-	-	-	-
Program 2.2 Operations supporting wider interests	1,412,999	1,359,984	327,116	181,382	43,502

Note

1. As reported in the *Portfolio Additional Estimates Statements 2009-10*.

Program 2.2 deliverables		
Operation	Commenced	Objective
Paladin	1956	Contribute to the United Nations Truce Supervisory Organisation in the Middle East
Mazurka	1982	Contribute personnel to the Multinational Force and Observers in the Sinai
Slipper	2001	Contribute to the international coalition against international terrorism and assist with the reconstruction of Afghanistan
Azure	2005	Contribute to the United Nations Mission in Sudan
Palate II	2005	Provide a Military Liaison Officer to the United Nations Assistance Mission in Afghanistan
Hedgerow	2008	Contribute to the hybrid United Nations and African Union Mission in Darfur (Sudan)
Riverbank	2008	Contribute to the United Nations Assistance Mission for Iraq
Kruger	2009	Support Australian Government relations with Iraq through the delivery of tailored security support to the diplomatic mission

Program 2.2 key performance indicators

- ensure that ADF operations meet their stated objectives within the Government's guidance
- ensure that ADF forces are effectively deployed and sustained
- ensure that forces are withdrawn for reconstitution when they are no longer required.

Outcome 3: Support for the Australian community and civilian authorities as requested by Government

OUTCOME 3 STRATEGY

Defence can be called upon to provide emergency and non-emergency assistance to the Government and the Australian community in non-combat related roles. The tasks Defence may be requested to undertake could include emergency assistance, search and rescue, disaster recovery, surveillance, security or non-emergency law enforcement roles. Tasks may be directed by the Government or requested by other civil authorities, government departments or agencies, for example Emergency Management Australia. The Government may also require Defence to support significant international events being conducted in Australia.

OUTCOME 3 RESOURCES

Table 36: Total budgeted resources available for Outcome 3

	2009-10 Revised Estimate (\$'000)	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Program 3.1 - Defence Contribution to National Support Tasks in Australia					
Departmental outputs	12,626	15,252	-	-	-
Total Resources for Outcome 3	12,626	15,252	-	-	-

Note

1. As reported in the *Portfolio Additional Estimates Statements 2009-10*.

CONTRIBUTIONS TO OUTCOME 3

Program 3.1: Defence contribution to national support tasks in Australia**Program 3.1 objective**

National support tasks undertaken by Defence may include the security of the Australian coastline from illegal immigration, smuggling, quarantine evasion and other intrusions to Australian sovereignty, counter-terrorism responses, search and rescue and natural disaster relief. Defence contributes to the Coastwatch civil surveillance program and Border Protection Command tasking, providing maritime surveillance assets that are tasked routinely in accordance with the Government's direction.

Defence also supports tasks of national significance through the Defence Assistance to the Civil Community program. This includes emergency and non-emergency tasks and events of public significance as requested by federal and state authorities, and the general public.

Program 3.1 Defence contribution to national support tasks in Australia expenses

	2009-10 Revised Estimate M\$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses					
Employees	116	231	-	-	-
Suppliers	12,510	15,021	-	-	-
Grants	-	-	-	-	-
Depreciation	-	-	-	-	-
Finance Cost	-	-	-	-	-
Write down of assets and impairment of assets	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	12,626	15,252	-	-	-
Income					
Revenues					
Goods and Services	-	-	-	-	-
Other revenue	-	-	-	-	-
Total Revenue	-	-	-	-	-
Gains					
Reversals of previous asset write-downs	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-	-	-	-	-
Total income	-	-	-	-	-
Program 3.1 Defence contribution to national support tasks in Australia	12,626	15,252	-	-	-

Note

1. As reported in the *Portfolio Additional Estimates Statements 2009-10*.

Program 3.1 deliverables		
Operation	Commenced	Objective
Solania	1988	Conduct South West Pacific maritime surveillance patrols
Resolute	2006	Contribute to a whole-of-government effort covering maritime enforcement activity

Program 3.1 key performance indicators

- ensure that Defence's contribution to national support tasks in Australia meets Government directives
- ensure that Defence's response to requests for Defence Force Aid to Civilian Authorities is effectively managed, sustained and reported
- ensure that Defence's response to requests for Defence Assistance to the Civil Community is effectively managed, sustained and reported.^[1]

Note

1. Management arrangements for the Defence Assistance to the Civil Community are currently under review. Any changes to the related deliverables will be reflected in the *Portfolio Additional Estimate Statements 2010-11*.

Section 3: Explanatory tables and budgeted financial statements

3.1 Explanatory tables

Table 37: Summary of estimated Special Account Balances ^{[1] [2] [3] [4] [5]}

	Opening	Receipts	Payments	Adjustments	Closing
	2010-11	2010-11	2010-11	2010-11	2010-11
	<i>2009-10</i>	<i>2009-10</i>	<i>2009-10</i>	<i>2009-10</i>	<i>2009-10</i>
	\$'000	\$'000	\$'000	\$'000	\$'000
Services for Other Entities and Trust Moneys - Defence Special Account – <i>Financial Management and Accountability Act 1997</i>	84,479 <i>74,919</i>	42,239 <i>102,117</i>	70,527 <i>92,557</i>	- -	56,191 <i>84,479</i>
Defence Endowments Special Account – <i>Financial Management and Accountability Act 1997</i> ^{[4] [5]}	315 <i>313</i>	26 <i>37</i>	45 <i>35</i>	- -	296 <i>315</i>
Fedorczenko Legacy Special Account – <i>Financial Management and Accountability Act 1997</i> ^{[4] [5]}	168 <i>167</i>	8 <i>13</i>	6 <i>12</i>	- -	170 <i>168</i>
Young Endeavour Youth Program Special Account – <i>Financial Management and Accountability Act 1997</i> ^[5]	963 <i>943</i>	95 <i>85</i>	18 <i>65</i>	- -	1,040 <i>963</i>
Total					
Special Accounts 2010-11 Budget Estimate	85,925	42,368	70,596	-	57,697
<i>Special Accounts 2009-10 Estimated Actual</i>	<i>76,342</i>	<i>102,252</i>	<i>92,669</i>	-	<i>85,925</i>

Notes

1. 2010-11 Budget Estimates are in bold.
2. 2009-10 Estimated Actuals are in italics.
3. These are all Special Public Monies.
4. The 2009-10 figures include \$79,000 for interest earned on the Official Public Account.
5. The 2010-11 figures include an estimate of \$52,000 for interest earned on the Official Public Account.

AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

Table 38: Australian Government Indigenous Expenditure

	Program	Bill No.1 \$'000
Outcome 1		
Defence Indigenous Employment Strategy	1.13	
Departmental 2010-11		2,639
Departmental 2009-10		3,697
Defence Indigenous Development Program	1.3	
Departmental 2010-11		5,849
Departmental 2009-10		3,308
Army Community Assistance Project ^[1]	1.3	
Departmental 2010-11		3,100
Departmental 2009-10 ^[2]		3,026
Indigenous Liaison Officers	1.6	
Departmental 2010-11		1,235
Departmental 2009-10		1,123
Total 2010-11 Budget Estimate		12,823
<i>Total 2009-10 Estimated Actual</i>		<i>11,154</i>

Notes

1. The majority of costs are subsequently recovered from Department of Families, Housing, Community Services and Indigenous Affairs.
2. The figure reported in the 2009-10 PBS reflected the anticipated receipts from Department of Families, Housing, Community Services and Indigenous Affairs rather than gross Defence expenditure. The figure now reflects the gross Defence expenditure.

Defence Indigenous Employment Strategy

The Directorate of Indigenous Affairs within the Fairness and Resolution Branch has been established to provide a single point of contact for Defence Indigenous matters, to provide advice to internal and external stakeholders, to manage the implementation of the Defence Reconciliation Action Plan across Defence and to engage with Indigenous communities to establish Defence as a trusted employer of Indigenous Australians. The Directorate of Indigenous Affairs develops and manages Defence Indigenous policy in line with the Commonwealth's Indigenous agenda, and is responsible for the implementation of the Defence Indigenous Employment Strategy. This strategy addresses the recruitment of Indigenous Australians to the ADF and to the Defence APS workforce. It also focuses on retention strategies for Indigenous ADF members and APS employees, ensuring that strong support mechanisms are in place.

Defence Indigenous Development Program

Aligned to the government's closing the Gap Program, the Defence Indigenous Development Program is a whole-of-government initiative that will provide the opportunity for Indigenous people from remote communities to acquire skills that are transferable back to their community. An increase in the recruitment of Indigenous people from remote communities into the ADF is an additional benefit of the program. Currently, the Department of Education, Employment and Workplace Relations and Defence are engaged in the ongoing development and implementation of the program.

Army Community Assistance Program

The Army Community Assistance Program is a cooperative initiative between the Department of Families, Housing, Community Services and Indigenous Affairs and the Army to improve environmental health conditions within remote Aboriginal communities.

The program seeks to maximise benefit to Indigenous communities by focusing on projects that allow the Army to make best use of its construction expertise and capability, by capitalising on the Army's ability to holistically deliver a range of services to remote Indigenous communities that would not normally be available in a single project.

Indigenous Liaison Officers

Indigenous Liaison Officer (ILO) positions develop and maintain links with local Indigenous communities. ILOs are responsible for consulting with Indigenous Groups on issues pertaining to the use and upkeep of Defence training areas on heritage land as part of Defence Heritage Management Plans and the Indigenous Land Use Agreements.

GRANTS

Defence grants are paid from departmental funds and are approved by the Minister for Defence.

Grants can be:

- payments made to an organisation or individual and include ad hoc grants that are made on a one-off basis, as well as grants renewed under continuing programs
- payments which organisations or individuals receive after satisfying eligibility and/or reporting requirements, and include awards, departmental (non-legislated) rebate schemes and non-reciprocal scholarships.

The Government requires Defence to report on all grant approvals. Table 39 provides information on grants approved to date for 2010-11.

Table 39: Approved Grants for 2010-11

2009-10 Estimated Actual \$'000		2010-11 Budget Estimate \$'000
	Australian Member Committee of the Council for Security Cooperation in the	
55	Asia-Pacific (Aus-CSCAP)	55
90	The Australian Army Centenary History of the Great War 1914-1918	80
145	Total Grants	135

The Australian Member Committee of the Council for Security Cooperation in the Asia-Pacific (Aus-CSCAP)

Aus-CSCAP is a non-governmental organisation which seeks to facilitate and promote dialogue on security issues in the Asia-Pacific. Aus-CSCAP provides a forum in which Defence personnel can informally discuss issues with a range of experts from academic, diplomatic and governmental backgrounds. This grant was approved in 2008-09 as a multi-year grant from 2008-09 to 2010-11.

The Australian Army Centenary History Of The Great War 1914-1918

This grant is to produce a high quality, multi-volume set of historical works incorporating all the new understandings of the impact of the war on Australia and the Army, revealed by modern scholarship, and presenting new insights into the influence of the War on the nation. This grant was approved in 2008-09 as a multi-year grant from 2008-09 to 2013-14.

3.2 Budgeted Financial Statements

3.2.1 ANALYSIS OF DEPARTMENTAL BUDGETED FINANCIAL STATEMENTS

Table 40: Variation in Departmental Statement of Comprehensive Income (Showing Net Cost of Services)

	2010-11 Previous Estimate \$'000	2010-11 Budget Estimate \$'000	Variation \$'000	Variation %
Expenses				
Employee benefits	8,829,512	9,486,107	656,595	7.4
Supplier Expenses	9,173,125	9,499,856	326,731	3.6
Grants	61,263	45,418	-15,845	-25.9
Depreciation and amortisation	3,485,000	3,462,502	-22,498	-0.6
Finance costs	88,403	99,006	10,603	12.0
Write-down of assets and impairment of assets	1,134,413	1,293,662	159,249	14.0
Losses from sale of assets	-	-	-	-
Foreign exchange	-	-	-	-
Other	895	895	-	-
Total expenses	22,772,611	23,887,446	1,114,835	4.9
LESS:				
Own-source income				
Revenue				
Sales of goods and rendering of services	764,306	876,417	112,111	14.7
Fees and fines	-	-	-	-
Interest	-	-	-	-
Dividends	-	-	-	-
Rental income	6,258	6,258	-	-
Royalties	-	-	-	-
Other revenue	82,676	187,194	104,518	126.4
Total revenue	853,240	1,069,869	216,629	25.4
Gains				
Reversals of previous asset write-downs	624,104	619,983	-4,121	-0.7
Sale of assets	2,832	2,832	-	-
Other gains	-	-	-	-
Total gains	626,936	622,815	-4,121	-0.7
Total own-source income	1,480,176	1,692,684	212,508	14.4
Net cost of (contribution by) services	21,292,435	22,194,762	902,327	4.2
Revenue from Government	21,292,435	22,194,762	902,327	4.2
Surplus (Deficit)	-	-	-	-
Surplus (Deficit) attributable to the Australian Government	-	-	-	-
OTHER COMPREHENSIVE INCOME				
Charges in asset revaluation reserves	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	-
Total comprehensive income attributable to the Australian Government	-	-	-	-

Income

Total income (consisting of Total Own-Source Income and Appropriation Revenue) in 2010-11 is estimated to increase by \$1,114.8m or 4.9 per cent due to:

- An increase in appropriation revenue of \$902.3m largely resulting from:
 - Operations supplementation under the 'no-win/no-loss' arrangement (\$1,181.2m)
 - adjustments to the DMO appropriation (\$33.2m)
 - funding for the development of a business case for the relocation of the School of Military Engineering from Moorebank to Holsworthy (\$13.7m)
 - funding provided by Government for the establishment of the Centralised Vetting Unit (\$1.2m)
 - Appropriations drawn down in 2009-10 (\$2.1m)
 - movements in foreign exchange parameters (-\$117.5m)
 - reallocation between outcome appropriation and equity injection (-\$211.5m).
- An increase in total own-source income of \$212.5m largely due to:
 - rebate of Fringe Benefits Tax following review of previous years returns (\$67.9m)
 - increased housing revenue (\$22.3m)
 - reallocation across categories to better reflect estimated revenue (\$109.4m)
 - expected operating revenue associated with the Centralised Vetting Unit (\$7.2m)
 - increased fuel excise rebate (\$5.0m)
 - expected revenue associated with logistical support for Operation Anode (Solomon Islands) (\$1.2m)
 - movements in foreign exchange parameters (-\$0.5m).

Expenses

Expenses are estimated to increase by \$1,114.8m or 4.9 per cent due to:

- An increase in employee expenses of \$656.6m, including:
 - operations supplementation under the 'no-win/no-loss' arrangement (\$334.9m)
 - revised superannuation contribution rates (\$96.0m)
 - allocation of funding for Army retention bonuses (\$95.7m)
 - impact on increasing superannuation for the retirement age for military (\$61.6m)
 - reallocation across categories to better reflect estimated expenditure (\$19.1m)
 - funding required for additional continuous full-time deployed personnel (\$31.2m)
 - funding required for impact of increased military personnel (\$17.7m)
 - civilian employee funding required as part of the establishment of the Centralised Vetting Unit (\$3.2m)
 - movements in foreign exchange parameters (-\$2.8m).
- An increase in supplier expenses of \$326.7m resulting from:
 - operations supplementation under the 'no-win/no-loss' arrangement (\$847.5m)
 - funding required to implement recommendations from the Base Security review (\$43.4m)

Defence Portfolio Budget Statements 2010-11

- funding for the development of a business case for the relocation of of the School of Military Engineering from Moorebank to Holsworthy (\$13.7m)
- operating funding required as part of the establishment of the Centralised Vetting Unit (\$4.5m)
- reprogramming of funding for single member living accommodation (-\$204.5m)
- reallocation across categories to better reflect estimated expenditure (-\$361.8m)
- movements in foreign exchange parameters (-\$16.1m).
- A decrease in grants of \$15.8m due to revised foreign exchange parameters for the Afghan National Army Trust grant.
- A decrease in the estimate of depreciation and amortisation of \$22.5m due to revised estimates of Defence's asset purchases, asset values and useful lives.
- An increase in finance costs of \$10.6m due to:
 - the new Fleet Marine Services contract will contain a finance lease, with estimated finance costs in 2010-11 (\$11.9m)
 - reallocation across categories to better reflect estimated expenditure (-\$1.3m).
- An increase in the estimate of write-down of assets and impairment of assets of \$159.2m following a review of Defence's assets and historical write-downs.

Table 41: Variation in Departmental Balance Sheet (as at 30 June)

	2010-11 Previous Estimate \$'000	2010-11 Budget Estimate \$'000	Variation \$'000	Variation %
ASSETS				
Financial assets				
Cash and cash equivalents	28,088	28,088	-	-
Trade and other receivables	174,589	174,589	-	-
Investments accounted for under the equity method	-	-	-	-
Other investments	-	-	-	-
Tax assets	104,244	104,244	-	-
Appropriation receivable	223,914	280,192	56,278	25.1
Other receivables	63,328	63,328	-	-
Total financial assets	594,163	650,441	56,278	9.5
Non-financial assets				
Land and buildings	15,570,716	15,504,694	-66,022	-0.4
Infrastructure, plant and equipment	5,805,395	5,879,990	74,595	1.3
Specialist military equipment	38,355,763	38,610,542	254,779	0.7
Intangibles	431,174	392,617	-38,557	-8.9
Heritage and Cultural assets	869,393	869,393	-	-
Inventories	5,628,902	5,450,947	-177,955	-3.2
Prepayments	284,422	371,707	87,285	30.7
Total non-financial assets	66,945,765	67,079,890	134,125	0.2
Assets held for sale	23,768	23,768	-	-
Total assets	67,563,696	67,754,099	190,403	0.3
LIABILITIES				
Interest bearing liabilities				
Loans	-	-	-	-
Leases	800,444	918,654	118,210	14.8
Deposits	-	-	-	-
Other	-	-	-	-
Total interest bearing liabilities	800,444	918,654	118,210	14.8
Provisions				
Employees	2,168,615	2,194,298	25,683	1.2
Restoration, decontamination and decommissioning	670,979	674,647	3,668	0.5
Other provisions	28,340	28,340	-	-
Total provisions	2,867,934	2,897,285	29,351	1.0
Payables				
Suppliers	886,118	854,934	-31,184	-3.5
Grants	-	-	-	-
Dividends	-	-	-	-
Other	329,662	335,591	5,929	1.8
Total payables	1,215,780	1,190,525	-25,255	-2.1
Total liabilities	4,884,158	5,006,464	122,306	2.5
NET ASSETS	62,679,538	62,747,635	68,097	0.1
EQUITY				
Contributed equity	15,252,607	15,177,141	-75,466	-0.5
Reserves	13,636,846	13,636,846	-	-
Retained surpluses or accumulated deficits	33,790,085	33,933,648	143,563	0.4
Total equity	62,679,538	62,747,635	68,097	0.1

ASSETS

Total assets are estimated to be \$67.8b at 1 July 2010. This is \$190.4m or 0.3 per cent higher than projected in the *Portfolio Additional Estimates Statements 2009-10*.

Total financial assets are \$56.3m higher than projected at 2009-10 Additional Estimates due to:

- An increase in appropriation receivable of \$56.3m resulting from:
 - the recognition of increased 2008-09 foreign exchange costs impacting on the opening balance (\$54.2m)
 - 2009-10 force protection costs appropriated in 2010-11 (\$2.0m)
 - the establishment of the Centralised Vetting Unit (\$0.1m).

Total non-financial assets are \$134.1m higher than projected due to:

- The budgeted value of land and buildings will decrease by \$66.0m resulting from
 - the flow-on effect of the projected opening balance at 1 July 2010 being higher than the projected 2009-10 result on which the previous budget estimate was based (\$55.6m)
 - revised estimates in relation to the Property Disposal Program (\$30.3m)
 - reprogramming associated with the Major Capital Facilities program (-\$101.7m)
 - reallocation across categories to better reflect estimated expenditure (-\$50.2m).
- The budgeted value of infrastructure, plant and equipment assets will increase by \$74.6m resulting from
 - increased assets associated with the new Fleet Marine Services contract (\$163.5m)
 - implementation of recommendations as per Base Security review (\$42.6m)
 - reallocation across categories to better reflect estimated expenditure (\$38.3m)
 - capital reprogramming associated with the Enhanced Land Force (\$13.5m)
 - the flow-on effect of the projected opening balance at 1 July 2010 being lower than the projected 2009-10 result on which the previous budget estimate was based (-\$113.7m)
 - reprogramming associated with the Information Communication Technology component of the Strategic Reform Program (-\$69.2m)
 - movements in foreign exchange parameters (-\$0.4m).
- The budgeted value of specialist military equipment assets will increase by \$254.8m resulting from
 - increased value of asset purchases due to reprogramming of expenditure, increased purchasing of assets to support operations and movements in foreign exchange parameters (\$227.6m)
 - An increase in the estimate of write-down of assets and impairment of assets following a review of Defence's assets and historical write-downs (\$47.7m)
 - Revised estimates of Defence's asset purchases, asset values and useful lives (-\$20.5m).
- The budgeted value of intangible assets will decrease by \$38.6m resulting from
 - the flow-on effect of the projected opening balance at 1 July 2010 being lower than the projected 2009-10 result on which the previous budget estimate was based (-\$23.0m)
 - reallocation across categories to better reflect estimated expenditure (-\$15.6m).
- The budgeted value of inventory will decrease by \$178.0m due to the reduced value of inventory purchases and adjustments to expected consumption.
- The budgeted value of prepayments will increase by \$87.3m due to the recognition of increased 2008-09 foreign exchange costs impacting on the opening balance.

LIABILITIES

Total liabilities are estimated to be \$5.0b at 1 July 2010. This is \$122.3m or 2.5 per cent higher than projected in the *Portfolio Additional Estimates Statements 2009-10*.

Total interest bearing liabilities are \$118.2m higher than projected in the *Portfolio Additional Estimates Statements 2009-10* due to:

- the impact of revisions to finance leases including the new Fleet Marine Services contract.

Total provisions are \$29.4m higher than projected in the *Portfolio Additional Estimates Statements 2009-10* resulting from:

- An increase in employee provisions of \$25.7m related to revisions to accruals based on latest actuarial advice and increased military personnel
- An increase in restoration, decontamination and decommissioning of \$3.7m following a review of the historical achievement.

Total payables are \$25.3m lower than projected in the *Portfolio Additional Estimates Statements 2009-10* resulting from:

- A decrease in supplier payables of \$31.2m related to an adjustment to accrual estimates following a review of supplier payments
- An increase in other payables of \$5.9m related to an adjustment to accrual estimates following a review of other payments.

EQUITY

Equity is estimated to be \$62.7b at 1 July 2010. This represents an increase of \$68.1m or 0.1 per cent from the estimate published in the *Portfolio Additional Estimates Statements 2009-10*.

Capital (contributed equity) is the amount that the Government as owner has invested in Defence. Restructuring activities, equity appropriations and returns made by defence to the Official Public Account are included in the calculation of contributed equity.

- Capital will decrease by \$75.5m due to:
 - movements between equity injection and outcome appropriation (\$211.5m)
 - the flow-on effect of foreign exchange adjustments from 2008-09 and 2009-10 projected result on which the previous budget estimate was based (\$61.1m)
 - force protection capabilities in Afghanistan (\$162.5m)
 - reprogramming of funding to better align with Defence's requirements (\$4.0m)
 - reduced equity returned to Government as a result of the revised property disposals program (\$30.3m)
 - movements in foreign exchange parameters (-\$544.9m).
- Retained surpluses or accumulated deficits represent the cumulative surpluses or deficits of Defence. The surplus is forecast to increase by \$143.6m due to the actual opening balance being higher than projected.

Table 42: Variation in Departmental Cash Flow Statement

	2010-11 Previous Estimate \$'000	2010-11 Budget Estimate \$'000	Variation \$'000	Variation %
OPERATING ACTIVITIES				
Cash Received				
Goods and services	726,083	838,194	112,111	15.4
Net GST received	508,295	549,514	41,219	8.1
Appropriations	21,292,435	22,192,662	900,227	4.2
Interest	-	-	-	-
Dividends	-	-	-	-
Other cash received	82,734	187,252	104,518	126.3
Cash transfer from the Official Public Account (receivables)	65,000	65,000	-	-
Total cash received	22,674,547	23,832,622	1,158,075	5.1
Cash Used				
Employees	8,723,407	9,349,486	626,079	7.2
Suppliers	8,159,042	8,677,188	518,146	6.4
Borrowing costs	-	-	-	-
Net GST payments	508,295	549,514	41,219	8.1
Grants	61,263	45,418	-15,845	-25.9
Other cash used	895	895	-	-
Cash transfer to the Official Public Account (receivables)	-	-	-	-
Total cash used	17,452,902	18,622,501	1,169,599	6.7
Net cash from or (used by) operating activities	5,221,645	5,210,121	(11,524)	-0.2
INVESTING ACTIVITIES				
Cash Received				
Proceeds from sales of land and buildings	146,618	120,343	-26,275	-17.9
Proceeds from sales of infrastructure, plant and equipment	35,947	35,947	-	-
Proceeds from sales of specialist military equipment	-	-	-	-
Proceeds from sale of financial instruments	-	-	-	-
Investments	-	-	-	-
Other cash received	-	-	-	-
Total cash received	182,565	156,290	-26,275	-14.4
Cash used				
Purchase of land and buildings	1,721,371	1,566,191	-155,180	-9.0
Purchase of infrastructure, plant and equipment	397,113	368,877	-28,236	-7.1
Purchase of specialist military equipment	5,294,850	5,527,338	232,488	4.4
Purchase of intangibles	48,296	25,296	-23,000	-47.6
Purchase of heritage and cultural assets	-	-	-	-
Purchase of inventory	1,434,547	1,186,322	-248,225	-17.3
Selling costs on sale of assets	18,005	22,005	4,000	22.2
Purchase of financial instruments	-	-	-	-
Finance costs	71,394	80,831	9,437	13.2
Investments	-	-	-	-
Other cash used	-	-	-	-
Total cash used	8,985,576	8,776,860	-208,716	-2.3
Net cash from or (used by) investing activities	(8,803,011)	(8,620,570)	182,441	-2.1

FINANCING ACTIVITIES				
Cash received				
Appropriations - contributed equity	3,745,005	3,578,161	-166,844	-4.5
Proceeds from issuing financial instruments	-	-	-	-
Other	-	-	-	-
Total cash received	3,745,005	3,578,161	-166,844	-4.5
Cash Used				
Repayment of debt	35,026	68,723	33,697	96.2
Dividends paid	-	-	-	-
Cash to the Official Public Account	128,613	98,989	-29,624	-23.0
Other	-	-	-	-
Total cash used	163,639	167,712	4,073	2.5
Net cash from or (used by) financing activities	3,581,366	3,410,449	(170,917)	-4.8
Net increase or (decrease) in cash and cash equivalents held				
Cash and cash equivalents at the beginning of the reporting period	28,088	28,088	-	-
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-
Cash and cash equivalents at end of the reporting period	28,088	28,088	-	-

OPERATING ACTIVITIES

Net cash from or (used by) Operating Activities will decrease by \$11.5m or 0.2 per cent than projected at Additional Estimates 2009-10.

Operating Cash Received will increase by \$1,158.1m due to:

- An increase in goods and services of \$112.1m resulting from:
 - rebate of Fringe Benefits Tax following review of previous years returns (\$67.9m)
 - increased housing revenue (\$40.1m)
 - expected operating revenue associated with the Centralised Vetting Unit (\$7.2m)
 - expected revenue associated with logistical support for Operation Anode (Solomon Islands) (\$1.2m)
 - reallocation across categories to better reflect estimated expenditure (-\$3.8m)
 - movements in foreign exchange parameters (-\$0.5m).
- An increase in net GST received of \$41.2m relating to the adjustment of the GST position.
- An increase in appropriation revenue of \$900.2m which is relating to:
 - operations supplementation under the 'no-win/no-loss' arrangement (\$1,181.2m)
 - adjustments to the DMO appropriation (\$33.2m)
 - funding for the development of a business case for the relocation of the School of Military Engineering from Moorebank to Holsworthy (\$13.7m)
 - funding provided by Government for the establishment of the Centralised Vetting Unit (\$1.2m)
 - movements in foreign exchange parameters (-\$117.5m)
 - reallocation between outcome appropriation and equity injection (-\$211.5m).

- An increase in other cash received of \$104.5m which is relating to:
 - reallocation across categories to better reflect estimated expenditure (\$105.0m)
 - movements in foreign exchange parameters (-\$0.5m).

Operating Cash Used will increase by \$1,169.6m resulting from:

- An increase in employees of \$626.1m relating to:
 - Operations supplementation under the 'no-win/ no-loss' arrangement (\$334.9m)
 - reallocation across categories to better reflect estimated expenditure (\$19.8m)
 - impact on increasing superannuation for the retirement age for military (\$61.6m)
 - funding required for impact of increased military personnel (\$17.7m)
 - civilian employee funding required as part of the establishment of the Centralised Vetting Unit (\$3.2m)
 - movements in foreign exchange parameters (-\$2.8m)
 - revised superannuation contribution rates (\$96.0m)
 - allocation of funding for Army retention bonuses (\$95.7m).
- An increase in suppliers of \$518.1m relating to:
 - Operations supplementation under the 'no-win/ no-loss' arrangement (\$847.5m)
 - funding required to implement recommendations as per the Base Security review (\$43.4m)
 - funding for the development of a business case for the relocation of Moorebank (\$13.7m)
 - operating funding required as part of the establishment of the Centralised Vetting Unit (\$4.5m)
 - reallocation across categories to better reflect estimated expenditure (-\$71.3m)
 - reprogramming of funding for single member living accommodation (-\$204.5m)
 - movements in foreign exchange parameters (-\$115.2m)
- An increase in net GST payments of \$41.2m due to reallocation across categories to better reflect estimated expenditure
- A decrease in grants of \$15.8m due to revised foreign exchange parameters for the Afghanistan National Army grant.

INVESTING ACTIVITIES

Net cash from or (used by) Investing Activities will decrease by \$182.4m or 2.1 per cent than projected at Additional Estimates 2009-10.

Investing Cash Received will decrease by \$26.3m due to a forecast decrease in proceeds from the Property Disposal program:

Investing Cash Used will decrease by \$208.7m resulting from:

- A decrease in purchase of land and buildings of \$155.2m relating to:
 - reprogramming of the Major Capital Facilities program (-\$141.5m)
 - reallocation across categories to better reflect estimated expenditure (-\$13.7m).
- A decrease in purchase of infrastructure, plant and equipment of \$28.2m relating to:
 - implementation of recommendations as per the Base Security review (\$42.6m)
 - reallocation across categories to better reflect estimated expenditure (-\$1.3m)

- reprogramming associated with the Information Communication Technology component of the Strategic Reform Program (-\$69.2m)
- movements in foreign exchange parameters (-\$0.4m).
- An increase in purchase of specialist military equipment of \$232.5m due to:
 - reprogramming of expenditure (\$684m)
 - increased purchasing of assets to support operations (\$162.5m)
 - reallocation across categories to better reflect estimated expenditure (-\$91.2m)
 - movements in foreign exchange parameters (-\$522.8m).
- A decrease in intangibles of \$23.0m due to reallocation across categories to better reflect estimated expenditure.
- A decrease in inventory of \$248.2m due to:
 - reallocation across categories to better reflect estimated expenditure (-\$202.4m)
 - reclassification of finance leases previously reported in the inventory balance (-\$27.5m)
 - movements in foreign exchange parameters (-\$18.3m).
- An increase in selling costs on sale of assets of \$4.0m due to a forecast increase in selling costs associated with the Property Disposal program.
- An increase in finance costs of \$9.4m due to:
 - the new Fleet Marine Services contract will contain a finance lease, with estimated finance costs in 2010-11 (\$11.9m)
 - reallocation across categories to better reflect estimated expenditure (-\$2.4m).

FINANCING ACTIVITIES

Net cash from or (used by) Financing Activities will decrease by \$170.9m or 4.8 per cent than projected at Additional Estimates 2009-10.

Financing Cash Received will decrease by \$166.8m due to:

- A decrease in appropriations resulting from:
 - movements between equity and outcome (\$211.5m)
 - allocation of funding for Force Protection (\$162.5m)
 - reprogramming of funding to better align with Defence's requirements (\$4.0m)
 - movements in foreign exchange parameters (-\$544.9m)

Financing Cash Used will increase by \$4.1m due to:

- An increase in repayment of debt of \$33.7m due to:
 - the new finance lease associated with the Fleet Marine Services Contract (\$2.5m)
 - the reallocation across categories to better reflect estimated expenditure (\$31.2m).
- A decrease in payments to the Official Public Account of \$29.6m resulting from:
 - establishment of the Centralised Vetting Unit (\$0.7m)
 - revised estimates in relation to the Property Disposal program (-\$30.3m).

3.2.2 2010-11 DEPARTMENTAL BUDGETED FINANCIAL STATEMENTS

Table 43: Departmental Statement of Comprehensive Income (Showing Net Cost of Services)

	2009-10 Estimated Actual \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses					
Employee benefits	8,954,419	9,486,107	9,369,158	9,776,229	10,296,534
Supplier Expenses	9,594,170	9,499,856	9,156,290	9,368,318	10,378,145
Grants	71,278	45,418	45,239	45,276	45,517
Depreciation and amortisation	3,629,250	3,462,502	3,402,026	3,539,150	3,644,136
Finance costs	81,544	99,006	92,274	91,157	81,964
Write-down of assets and impairment of assets	1,073,584	1,293,662	1,217,578	1,256,577	1,324,906
Losses from sale of assets	8,375	-	-	-	-
Foreign exchange	-	-	-	-	-
Other	872	895	909	940	961
Total expenses	23,413,492	23,887,446	23,283,474	24,077,647	25,772,163
LESS:					
Own-source income					
Revenue					
Sales of goods and rendering of services	821,379	876,417	845,363	873,957	918,090
Fees and fines	-	-	-	-	-
Interest	-	-	-	-	-
Dividends	-	-	-	-	-
Rental income	6,094	6,258	6,373	6,535	6,715
Royalties	-	-	-	-	-
Other revenue	72,800	187,194	88,833	90,730	92,906
Total revenue	900,273	1,069,869	940,569	971,222	1,017,711
Gains					
Reversals of previous asset write-downs	589,573	619,983	652,082	685,982	721,785
Sale of assets	-	2,832	3,682	4,862	6,209
Other gains	-	-	-	-	-
Total gains	589,573	622,815	655,764	690,844	727,994
Total own-source income	1,489,846	1,692,684	1,596,333	1,662,066	1,745,705
Net cost of (contribution by) services	21,923,646	22,194,762	21,687,141	22,415,581	24,026,458
Revenue from Government	21,923,646	22,194,762	21,687,141	22,415,581	24,026,458
Surplus (Deficit)	-	-	-	-	-
Surplus (Deficit) attributable to the Australian Government	-	-	-	-	-
OTHER COMPREHENSIVE INCOME					
Charges in asset revaluation reserves	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	-	-
Total comprehensive income attributable to the Australian Government	-	-	-	-	-

Table 44: Departmental Balance Sheet (as at 30 June)

	2009-10 Estimated Actual \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	28,088	28,088	28,088	28,088	28,088
Trade and other receivables	136,366	174,589	212,174	243,344	278,748
Investments accounted for under the equity method	-	-	-	-	-
Other investments	-	-	-	-	-
Tax assets	104,244	104,244	104,244	104,244	104,244
Appropriation receivable	343,092	280,192	273,803	273,803	273,803
Other receivables	63,328	63,328	124,328	104,328	84,328
Total financial assets	675,118	650,441	742,637	753,807	769,211
Non-financial assets					
Land and buildings	14,703,557	15,504,694	16,037,890	16,424,961	16,745,472
Infrastructure, plant and equipment	5,799,637	5,879,990	5,699,063	5,376,654	5,120,941
Specialist military equipment	35,947,292	38,610,542	41,291,601	43,178,774	45,360,618
Intangibles	427,380	392,617	374,988	331,257	297,402
Heritage and Cultural assets	869,393	869,393	869,393	869,393	869,393
Inventories	5,159,113	5,450,947	5,691,387	5,902,501	6,107,800
Prepayments	532,617	371,707	237,550	237,550	237,550
Total non-financial assets	63,438,989	67,079,890	70,201,872	72,321,090	74,739,176
Assets held for sale	23,768	23,768	23,768	23,768	23,768
Total assets	64,137,875	67,754,099	70,968,277	73,098,665	75,532,155
LIABILITIES					
Interest bearing liabilities					
Loans					
Leases	823,882	918,654	841,781	756,836	704,493
Deposits	-	-	-	-	-
Other	-	-	-	-	-
Total interest bearing liabilities	823,882	918,654	841,781	756,836	704,493
Provisions					
Employees	2,063,766	2,194,298	2,280,810	2,375,859	2,484,785
Restoration, decontamination and decommissioning	656,472	674,647	691,443	713,448	731,950
Other provisions	28,340	28,340	28,340	28,340	28,340
Total provisions	2,748,578	2,897,285	3,000,593	3,117,647	3,245,075
Payables					
Suppliers	1,029,204	854,934	874,246	915,452	1,013,794
Grants	-	-	-	-	-
Dividends	-	-	-	-	-
Other	329,502	335,591	334,958	338,725	343,554
Total payables	1,358,706	1,190,525	1,209,204	1,254,177	1,357,348
Total liabilities	4,931,166	5,006,464	5,051,578	5,128,660	5,306,916
NET ASSETS	59,206,709	62,747,635	65,916,699	67,970,005	70,225,239
EQUITY					
Contributed equity	11,636,215	15,177,141	18,346,205	20,399,511	22,654,745
Reserves	13,636,846	13,636,846	13,636,846	13,636,846	13,636,846
Retained surpluses or accumulated deficits	33,933,648	33,933,648	33,933,648	33,933,648	33,933,648
Total equity	59,206,709	62,747,635	65,916,699	67,970,005	70,225,239

Table 45: Departmental Cash Flow Statement

	2009-10 Estimated Actual \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash Received					
Goods and services	781,065	838,194	807,778	842,787	882,686
Net GST received	553,733	549,514	516,478	538,747	598,031
Appropriations	21,923,646	22,192,662	21,687,141	22,415,581	24,026,458
Interest	-	-	-	-	-
Dividends	-	-	-	-	-
Other cash received	72,694	187,252	89,006	91,065	93,421
Cash transfer from the Official Public Account (receivables)	149,385	65,000	6,389	-	-
Total cash received	23,480,523	23,832,622	23,106,792	23,888,180	25,600,596
Cash Used					
Employees	8,820,432	9,349,486	9,283,279	9,677,413	10,182,779
Suppliers	8,756,013	8,677,188	8,292,968	8,654,713	9,607,087
Borrowing costs	-	-	-	-	-
Net GST payments	553,733	549,514	516,478	538,747	598,031
Grants	71,278	45,418	45,239	45,276	45,517
Other cash used	872	895	909	940	961
Cash transfer to the Official Public Account (receivables)	-	-	-	-	-
Total cash used	18,202,328	18,622,501	18,138,873	18,917,089	20,434,375
Net cash from or (used by) operating activities	5,278,195	5,210,121	4,967,919	4,971,091	5,166,221
INVESTING ACTIVITIES					
Cash Received					
Proceeds from sales of land and buildings	85,525	120,343	105,212	72,934	145,481
Proceeds from sales of infrastructure, plant and equipment	35,704	35,947	35,839	35,947	36,160
Proceeds from sales of specialist military equipment	-	-	-	-	-
Proceeds from sale of financial instruments	-	-	-	-	-
Investments	-	-	-	-	-
Other cash received	-	-	-	-	-
Total cash received	121,229	156,290	141,051	108,881	181,641
Cash used					
Purchase of land and buildings	1,462,269	1,566,191	1,371,993	1,153,554	1,199,817
Purchase of infrastructure, plant and equipment	147,936	368,877	303,022	159,499	209,259
Purchase of specialist military equipment	5,054,475	5,527,338	5,342,381	4,662,914	5,084,769
Purchase of intangibles	21,023	25,296	42,263	18,120	8,746
Purchase of heritage and cultural assets	-	-	-	-	-
Purchase of inventory	921,262	1,186,322	1,033,009	954,139	954,595
Selling costs on sale of assets	33,314	22,005	33,015	30,955	30,105
Purchase of financial instruments	-	-	-	-	-
Finance costs	69,802	80,831	75,478	69,152	63,462
Investments	-	-	-	-	-
Other cash used	-	-	-	-	-
Total cash used	7,710,081	8,776,860	8,201,161	7,048,333	7,550,753
Net cash from or (used by) investing activities	(7,588,852)	(8,620,570)	(8,060,110)	(6,939,452)	(7,369,112)

FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	2,418,961	3,578,161	3,242,151	2,096,207	2,371,724
Proceeds from issuing financial instruments	-	-	-	-	-
Other	-	-	-	-	-
Total cash received	2,418,961	3,578,161	3,242,151	2,096,207	2,371,724
Cash Used					
Repayment of debt	46,287	68,723	76,873	84,945	52,343
Dividends paid	-	-	-	-	-
Cash to the Official Public Account	62,017	98,989	73,087	42,901	116,490
Other	-	-	-	-	-
Total cash used	108,304	167,712	149,960	127,846	168,833
Net cash from or (used by) financing activities	2,310,657	3,410,449	3,092,191	1,968,361	2,202,891
Net increase or (decrease) in cash and cash equivalents held					
Cash and cash equivalents at the beginning of the reporting period	28,088	28,088	28,088	28,088	28,088
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents at end of the reporting period	28,088	28,088	28,088	28,088	28,088

Table 46: Departmental Statement of Changes in Equity—Summary of Movement

	Retained Earnings	Asset Revaluation Reserve	Other Reserves	Contributed Equity/ Capital	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2010					
Balance carried forward from previous period	33,933,648	13,636,846	-	11,697,969	59,268,463
Adjustment for changes in accounting policy	-	-	-	-	-
Adjusted opening balance	33,933,648	13,636,846	-	11,697,969	59,268,463
Comprehensive Income					
Comprehensive income recognised directly in equity:					
Gain/loss on revaluation of property	-	-	-	-	-
Sub-total comprehensive income	-	-	-	-	-
Surplus (Deficit) for the period	-	-	-	-	-
Total comprehensive income recognised directly in equity	-	-	-	-	-
Transactions with owners					
<i>Distribution to owners</i>					
Returns of capital:					
Restructuring	-	-	-	-	-
Dividends	-	-	-	-	-
Other	-	-	-	-98,989	-98,989
<i>Contributions by owners</i>					
Appropriation (Equity Injection)	-	-	-	3,578,161	3,578,161
Appropriation (departmental capital budget)	-	-	-	-	-
Other	-	-	-	-	-
Sub-total transaction with owners	-	-	-	3,479,172	3,479,172
Transfers between equity components	-	-	-	-	-
Estimated closing balance as at 30 June 2011	33,933,648	13,636,846	-	15,177,141	62,747,635

Table 47: Departmental Capital Budget Statement

	2009-10 Estimated Actual \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
CAPITAL APPROPRIATIONS					
Capital Budget - Bill 1 (DCB)	-	-	-	-	-
Equity Injections - Bill 2	2,418,861	3,578,161	3,242,151	2,096,207	2,371,724
Loans - Bill 2	-	-	-	-	-
Previous years' outputs - Bill 2	-	-	-	-	-
Administered assets and liabilities - Bill 2	-	-	-	-	-
Administered capital - special appropriation (Admin only)	-	-	-	-	-
Departmental capital - special appropriation (Dept only)	-	-	-	-	-
Total capital appropriations	2,418,861	3,578,161	3,242,151	2,096,207	2,371,724
Total new capital appropriations					
Represented by:					
Purchase of non-financial assets	2,418,861	3,578,161	3,242,151	2,096,207	2,371,724
Annual finance lease costs	-	-	-	-	-
Other Items	-	-	-	-	-
Total Items	2,418,861	3,578,161	3,242,151	2,096,207	2,371,724
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations	2,418,861	3,578,161	3,242,151	2,096,207	2,371,724
Funded by capital appropriation - DCB	-	-	-	-	-
Funded by finance leases	-	163,495	-	-	-
Funded internally from departmental resources ^[2]	4,266,842	3,909,541	3,817,508	3,897,880	4,130,867
Total	6,685,703	7,651,197	7,059,659	5,994,087	6,502,591
Reconciliation of cash used to acquire assets to asset movement table					
Total purchases ^[1]	6,685,703	7,651,197	7,059,659	5,994,087	6,502,591
less additions by finance lease	-	163,495	-	-	-
less additional by creditors/borrowings	-	-	-	-	-
plus borrowing/finance costs	69,802	80,831	75,478	69,152	63,462
plus Annual finance lease costs	46,287	68,723	76,873	84,945	52,343
less Gifted assets	-	-	-	-	-
less s32/restructuring	-	-	-	-	-
Total cash used to acquire assets	6,801,792	7,637,256	7,212,010	6,148,184	6,618,396

Notes

1. Excludes prepayment \$16.1m in 2010-11 and \$17.6m in 2011-12.
2. Includes the following sources of funding:
 - annual and prior year appropriations
 - donations and contributions
 - gifts
 - internally developed assets
 - s31 relevant agency receipts
 - proceeds from the sale of assets.

Table 48: Departmental Statement of Asset Movements

	Land and Buildings \$'000	Specialist Military Equipment \$'000	Infrastructure Plant and Equipment \$'000	Intangibles \$'000	Heritage and cultural assets \$'000	Total \$'000
As at 1 July 2010						
Gross book value	15,604,509	70,354,101	6,894,444	812,861	869,393	94,535,307
Accumulated depreciation/amortisation and impairment	902,612	34,380,893	1,074,922	385,482	-	36,743,909
Opening net book balance	14,701,897	35,973,208	5,819,521	427,379	869,393	57,791,398
CAPITAL ASSET ADDITIONS						
Estimated expenditure on new or replacement assets						
By purchase - appropriation equity	1,566,191	5,543,439	368,877	25,296	-	7,503,803
By purchase - donated funds	-	-	-	-	-	-
By purchase - other	-	-	-	-	-	-
By finance lease	-	-	163,495	-	-	163,495
Assets received as gifts/donations	-	-	-	-	-	-
From acquisition of entities or operations (including restructuring)	-	-	-	-	-	-
Other Movements						
Assets held for sale	22,265	573	930	-	-	23,768
Reclassifications ^[1]	-	434,489	32,907	-	-	467,396
Depreciation and amortisation	550,649	2,417,432	434,362	60,059	-	3,462,502
Disposal of entities or other operations (including restructuring)	97,326	-	34,127	-	-	131,453
Other disposals ^[2]	93,154	922,589	35,391	-	-	1,051,134
As at 30 June 2011						
Gross book value	16,957,955	75,408,867	7,389,275	838,157	869,393	101,463,646
Accumulated depreciation/amortisation and impairment	1,453,261	36,798,325	1,509,284	445,541	-	40,206,411
Closing net book value	15,504,694	38,610,542	5,879,990	392,617	869,393	61,257,236

Notes

1. Reclassifications include assets first found.
2. Other disposals includes write offs.

Analysis of Administered Activity

Administered expenses are those managed by Defence on behalf of the Government. They normally relate to activities governed by eligibility rules and conditions established by the Government or Parliament. Defence has three administered expenses; military superannuation, housing assistance, and other. These are described in detail in Programs 1.14 to 1.18.

Revised Administered Income and Expenses

Defence is budgeting to receive \$1,063.8m in income for administered items in 2010-11 and plans to have expenses of \$3,743.7m. Details are shown below and an explanation of key financial variations is provided.

Table 49: Variation in Administered Income and Expenses

	2010-11 Previous Estimate \$'000	2010-11 Budget Estimate \$'000	Variation \$'000	Variation %
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT				
Revenue				
Non-taxation				
Sale of goods and rendering of services	-	-	-	-
Fees and fines	-	-	-	-
Interest	6,411	5,961	-450	-7.0
Dividends	68,800	46,393	-22,407	-32.6
Rental income	-	-	-	-
Royalties	-	-	-	-
Military superannuation contributions	872,210	975,579	103,369	11.9
License fees	7,155	9,739	2,584	36.1
Other ^[1]	3	26,100	26,097	-
Total non-taxation	954,579	1,063,772	109,193	11.4
Total revenues administered on behalf of Government	954,579	1,063,772	109,193	11.4
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT				
Employee benefits	-	-	-	-
Supplier expenses	-	-	-	-
Subsidies	102,808	118,719	15,911	15.5
Grants	-	-	-	-
Depreciation and amortisation	-	-	-	-
Finance costs	-	-	-	-
Write-down and impairment of assets	-	-	-	-
Foreign exchange losses	-	-	-	-
CAC Act body payment Items	-	-	-	-
Military retention benefits	41,000	41,000	-	-
Military superannuation benefits	3,447,000	3,584,000	137,000	4.0
Total expenses administered on behalf of Government	3,590,808	3,743,719	152,911	4.3

Note

1. This includes an amount for a DHA competitive neutrality payment previously reported against dividends.

INCOME

Revenue administered on behalf of the Government will increase by \$109.2m due to an increase in military superannuation contributions caused by a change in the compulsory retirement age, and as a result of other revenue now including the DHA competitive neutrality payment previously shown against dividends.

EXPENSES

Expenses administered on behalf of the Government will increase by \$152.9m due to:

- an increase in subsidies arising from initial costs associated with the home ownership schemes (\$15.9m).
- an increase in military superannuation benefits due to a change in compulsory retirement age and an increase in average funded strength (\$137.0m).

Table 50: Variation in Administered Assets and Liabilities (as at 30 June)

	2010-11 Previous Estimate \$'000	2010-11 Budget Estimate \$'000	Variation \$'000	Variation %
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT				
Financial assets				
Cash and cash equivalents	-	-	-	-
Taxation receivables	-	-	-	-
Receivables	59,448	51,489	-7,959	-13.4
Investments accounted for using the equity method	2,043,388	2,043,388	-	-
Other investments	-	-	-	-
Loans	90,580	84,580	-6,000	-6.6
Other	-	-	-	-
Total financial assets	2,193,416	2,179,457	-13,959	-0.6
Non-financial assets				
Land and buildings	-	-	-	-
Property, plant and equipment	-	-	-	-
Investment properties	-	-	-	-
Inventories	-	-	-	-
Intangibles	-	-	-	-
Prepayments	90,361	90,361	-	-
Other	-	-	-	-
Total non-financial assets	90,361	90,361	-	-
Assets held for sale	-	-	-	-
Total assets administered on behalf of Government	2,283,777	2,269,818	-13,959	-0.6
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT				
Interest bearing liabilities				
Australian Government Securities	-	-	-	-
Loans	-	-	-	-
Leases	-	-	-	-
Deposits	-	-	-	-
Other	-	-	-	-
Total Interest bearing liabilities	-	-	-	-
Provisions				
Employee Provisions	-	-	-	-
Taxation refunds provided	-	-	-	-
Australian currency on issue	-	-	-	-
Superannuation - DFRDB ⁽¹⁾	25,486,000	25,656,000	170,000	0.7
Superannuation - MSBS ⁽²⁾	17,300,000	18,024,000	724,000	4.2
Other	-	-	-	-
Total provisions	42,786,000	43,680,000	894,000	2.1
Payables				
Suppliers	-	-	-	-
Subsidies	-	-	-	-
Personal benefits	-	-	-	-
Grants	-	-	-	-
Other	38,444	38,444	-	-
Total Payables	38,444	38,444	-	-
Total liabilities administered on behalf of Government	42,824,444	43,718,444	894,000	2.1

Notes

1. Defence Force Retirement and Death Benefits.
2. Military Superannuation and Benefits Scheme.

ASSETS

Total assets are estimated to be \$2,269.8m at 1 July 2010. This is \$14.0m or 0.6 per cent lower than projected in the *Portfolio Additional Estimates Statements 2009-10* due to:

- a reduction in dividends receivable resulting from a decrease in DHA net profit after tax (-\$8.0m)
- a reduction in DHA planned borrowings (-\$6.0m)

The 2010-11 Budget Estimates now separately disclose loans to DHA.

LIABILITIES

Total liabilities are estimated to be \$43,718.4m at 1 July 2010. This is \$894m or 2.1 per cent higher than projected in the *Portfolio Additional Estimates Statements 2009-10*.

The increase in total liabilities has occurred as a result of a new actuary estimate of forward superannuation liability (\$170.0m for DFRDB and \$724.0m for MSBS) that takes into account discount rates, benefits and number of recipients.

Table 51: Variation in Administered Cash Flow Statement

	2010-11 Previous Estimate \$'000	2010-11 Budget Estimate \$'000	Variation \$'000	Variation %
OPERATING ACTIVITIES				
Cash Received				
Sales of goods and rendering of services	-	-	-	-
Interest	6,411	34,642	28,231	440.4
Dividends	-	-	-	-
Taxes	-	-	-	-
Military superannuation contributions	872,213	975,579	103,366	11.9
Fees	7,155	9,739	2,584	36.1
Net GST received	-	-	-	-
Other	-	26,100	26,100	-
Total cash received	885,779	1,046,060	160,281	18.1
Cash Used				
Grant payments	-	-	-	-
Subsidies paid	102,808	118,719	15,911	15.5
Personal benefits	-	-	-	-
Suppliers	-	-	-	-
Net GST paid	-	-	-	-
Borrowing costs	-	-	-	-
Employees	-	-	-	-
Military benefits	1,833,175	1,878,000	44,825	2.4
Other	-	-	-	-
Total cash used	1,935,983	1,996,719	60,736	3.1
Net cash from or (used by) operating activities	(1,050,204)	(950,659)	99,545	(9.5)
INVESTING ACTIVITIES				
Cash Received				
Proceeds from sale of property, plant and equipment	-	-	-	-
Proceeds from sales of investments	-	-	-	-
Repayments of advances and loans	-	-	-	-
Transfers from other entities	-	-	-	-
Investments	-	-	-	-
Dividends	68,800	48,987	-19,813	-28.8
Total cash received	68,800	48,987	-19,813	-28.8
Cash Used				
Purchase of property, plant and equipment	-	-	-	-
Advances and loans made	-	-	-	-
Loans ⁽¹⁾	50,100	44,100	-6,000	-12.0
Transfers to other entities	-	-	-	-
Investments	-	-	-	-
CAC Act body investments	-	-	-	-
Other	-	-	-	-
Total cash used	50,100	44,100	-6,000	-12.0
Net cash from or (used by) investing activities	18,700	4,887	(13,813)	(73.9)

FINANCING ACTIVITIES				
Cash received				
Proceeds from borrow ing	-	-	-	-
Other	-	-	-	-
Total cash received	-	-	-	-
Cash Used				
Net repayment of borrow ing	-	-	-	-
Other	-	-	-	-
Total cash used	-	-	-	-
Net cash from or (used by) financing activities				
	-	-	-	-
Net increase or (decrease) in cash and cash equivalents held				
	(1,031,504)	(945,772)	85,732	(8.3)
Cash at the beginning of the reporting period	-	-	-	-
Cash from the Official Public Account for appropriations	1,989,183	2,193,720	204,537	10.3
Cash to the Official Public Account	-957,679	-1,247,948	-290,269	30.3
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-
Cash and cash equivalents at end of the reporting period				
	-	-	-	-

Note

1. Includes payments to CAC Act bodies.

OPERATING ACTIVITIES

Cash received

Interest on DHA loans held by Defence and Department of Finance and Deregulation is received through the Defence Administered Cash flow.

Increased military superannuation is caused by additional military personnel numbers and the removal of the compulsory retirement age.

Fee increases are planned from increased commissions received from financial institutions due to increased take up of Defence Assisted Housing purchases.

Other now includes the DHA Competitive Neutrality payment.

Cash Payments

Subsidies paid have increased due to increased take up of Defence Assisted Housing purchases.

Military benefits payment increase reflects revised assessment of planned cash payments to pension recipients.

INVESTING ACTIVITIES

Cash Received

Dividends now exclude the DHA Competitive Neutrality Payment. This is offset by an increase in DHA dividends.

Cash Used

New loans of \$44.1m are planned to be provided to DHA.

Table 52: Administered Income and Expenses

	2009-10 Estimated Actual \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Sale of goods and rendering of services	-	-	-	-	-
Fees and fines	-	-	-	-	-
Interest	18,470	5,961	5,961	5,961	5,961
Dividends	43,525	46,393	49,040	50,230	52,055
Rental income	-	-	-	-	-
Royalties	-	-	-	-	-
Military superannuation contributions	930,719	975,579	1,014,447	1,067,226	1,147,301
License fees	5,469	9,739	12,390	14,451	16,302
Other	28,527	26,100	29,564	28,895	28,011
Total non-taxation	1,026,710	1,063,772	1,111,402	1,166,763	1,249,630
Total revenues administered on behalf of Government	1,026,710	1,063,772	1,111,402	1,166,763	1,249,630
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Employee benefits	-	-	-	-	-
Supplier expenses	-	-	-	-	-
Subsidies	72,270	118,719	129,131	148,314	162,236
Grants	-	-	-	-	-
Depreciation and amortisation	-	-	-	-	-
Finance costs	-	-	-	-	-
Write-down and impairment of assets	-	-	-	-	-
Foreign exchange losses	-	-	-	-	-
CAC Act body payment items	-	-	-	-	-
Military retention benefits	40,000	41,000	41,000	41,000	41,000
Military superannuation benefits	3,391,000	3,584,000	3,739,000	3,899,000	4,067,000
Total expenses administered on behalf of Government	3,502,370	3,743,719	3,909,131	4,088,314	4,270,236

Table 53: Administered Assets and Liabilities (as at 30 June)

	2009-10 Estimated Actual \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash and cash equivalents	-	-	-	-	-
Taxation receivables	-	-	-	-	-
Receivables	48,621	51,489	54,136	55,326	57,151
Investments accounted for using the equity method	-	-	-	-	-
Other investments	2,043,388	2,043,388	2,043,388	2,043,388	2,043,388
Loans	265,480	84,580	84,580	84,580	84,580
Total financial assets	2,357,489	2,179,457	2,182,104	2,183,294	2,185,119
Non-financial assets					
Land and buildings	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-
Investment properties	-	-	-	-	-
Inventories	-	-	-	-	-
Intangibles	-	-	-	-	-
Prepayments	90,361	90,361	90,361	90,361	90,361
Other	-	-	-	-	-
Total non-financial assets	90,361	90,361	90,361	90,361	90,361
Assets held for sale	-	-	-	-	-
Total assets administered on behalf of Government	2,447,850	2,269,818	2,272,465	2,273,655	2,275,480
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Interest bearing liabilities					
Australian Government securities	-	-	-	-	-
Loans	-	-	-	-	-
Leases	-	-	-	-	-
Deposits	-	-	-	-	-
Other	-	-	-	-	-
Total Interest bearing liabilities	-	-	-	-	-
Provisions					
Employee Provisions	-	-	-	-	-
Taxation refunds provided	-	-	-	-	-
Australian currency on issue	-	-	-	-	-
Superannuation - DFRDB	25,599,000	25,656,000	25,688,000	25,692,000	25,661,000
Superannuation - MSBS	16,334,000	18,024,000	19,855,000	21,822,000	23,923,000
Other	-	-	-	-	-
Total provisions	41,933,000	43,680,000	45,543,000	47,514,000	49,584,000
Payables					
Suppliers	-	-	-	-	-
Subsidies	-	-	-	-	-
Personal benefits	-	-	-	-	-
Grants	-	-	-	-	-
Other	38,444	38,444	38,444	38,444	38,444
Total Payables	38,444	38,444	38,444	38,444	38,444
Total liabilities administered on behalf of Government	41,971,444	43,718,444	45,581,444	47,552,444	49,622,444

Table 54: Administered Cash Flow Statements

	2009-10 Estimated Actual \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash Received					
Sales of goods and rendering of services	-	-	-	-	-
Interest	19,490	34,642	34,642	34,642	34,642
Dividends	-	-	-	-	-
Taxes	-	-	-	-	-
Military superannuation contributions	930,719	975,579	1,014,447	1,067,226	1,147,301
Fees	5,469	9,739	12,390	14,451	16,302
Net GST received	-	-	-	-	-
Other	28,527	26,100	29,564	28,895	28,011
Total cash received	984,205	1,046,060	1,091,043	1,145,214	1,226,256
Cash Used					
Grant payments	275,000	-	-	-	-
Subsidies paid	72,270	118,719	129,131	148,314	162,236
Personal benefits	-	-	-	-	-
Suppliers	-	-	-	-	-
Net GST paid	-	-	-	-	-
Borrowing costs	-	-	-	-	-
Employees	-	-	-	-	-
CAC Act body payment item	-	-	-	-	-
Military benefits	1,679,000	1,878,000	1,918,000	1,968,000	2,037,000
Other	-	-	-	-	-
Total cash used	2,026,270	1,996,719	2,047,131	2,116,314	2,199,236
Net cash from or (used by) operating activities	(1,042,065)	(950,659)	(956,088)	(971,100)	(972,980)
INVESTING ACTIVITIES					
Cash Received					
Proceeds from sale of property, plant and equipment	-	-	-	-	-
Proceeds from sales of investments	-	-	-	-	-
Repayments of advances and loans	-	-	-	-	-
Transfers from other entities	-	-	-	-	-
Investments	-	-	-	-	-
Dividends	47,343	48,987	46,393	49,040	50,230
Other	-	-	-	-	-
Total cash received	47,343	48,987	46,393	49,040	50,230
Cash Used					
Purchase of property, plant and equipment	-	-	-	-	-
Advances and loans made	-	-	-	-	-
Loans ⁽¹⁾	225,000	44,100	-	-	-
Transfers to other entities	-	-	-	-	-
Administered Investment	161,000	-	-	-	-
CAC Act body investments	-	-	-	-	-
Other	-	-	-	-	-
Total cash used	386,000	44,100	-	-	-
Net cash from or (used by) investing activities	(338,657)	4,887	46,393	49,040	50,230

FINANCING ACTIVITIES					
Cash received					
Proceeds from borrowing					
Other					
Total cash received	-	-	-	-	-
Cash Used					
Net repayment of borrowing	-	-	-	-	-
Other					
Total cash used	-	-	-	-	-
Net cash from or (used by) financing activities	-	-	-	-	-
Net increase or (decrease) in cash and cash equivalents held	(1,380,722)	(945,772)	(909,695)	(922,060)	(922,750)
Cash at beginning of the reporting period	-	-	-	-	-
Cash from the Official Public Account for appropriations	2,414,580	2,193,720	2,121,111	2,121,234	2,205,166
Cash to the Official Public Account	-1,033,858	-1,247,948	-1,211,416	-1,199,174	-1,282,416
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents at end of the reporting period	-	-	-	-	-

Note

1. Includes payments to CAC Act bodies.

NOTES TO THE BUDGETED FINANCIAL STATEMENTS

Note 1 - Key Accounting Policies

1.1 Budgeted Financial Statements Overview

Budgeted Financial Statements have been included to show the planned financial performance over the 2010-11 budget year, and each of the following forward years from 2011-12 to 2013-14.

The Budgeted Financial Statements are provided to show the revenues, expenses, assets, liabilities and equity of Defence. These budgeted statements contain estimates for both departmental and administered financial items prepared in accordance with the requirements of the Government's budgeting and reporting framework.

Departmental, or controlled items, are revenues, expenses, assets and liabilities over which Defence has discretion, responsibility and authority. Departmental financial statements represent the financial performance of Defence in delivering its outputs. Departmental expenses include employee and supplier expenses and other administrative costs, which are incurred by Defence in providing its goods and services.

Administered items are revenues, expenses, assets and liabilities that are managed by Defence on behalf of the Government according to set Government directions of which Defence does not have management control. These include military superannuation contributions, payments received from the United Nations and foreign governments, bank interest and dividends paid by DHA.

Note that the term Budgeted Financial Statements and statements are used interchangeably.

1.2 Appropriations in the Accrual Budgeting Framework

Under the Government's Accrual Budgeting Framework, separate annual appropriations are provided for:

- departmental outputs appropriations (representing the Government's funding for outputs from agencies)
- departmental capital appropriations (representing increases in equity through funding non-expense payments)
- administered expense appropriations (representing estimated administered expenses relating to an existing outcome or a new outcome)
- administered capital appropriations (representing investments by the Government for either additional equity in or loans to agencies).

Special appropriations fund the majority of payments from the Consolidated Revenue Fund (especially those that are entitlement driven).

1.3 Basis of Preparation of the Financial Statements

The budgeted statements have been prepared in accordance with:

- Finance Minister's Orders (FMOs), being the Financial Management and Accountability Orders (Financial Statements for reporting periods ending on or after 1 July 2010);
- Applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB); and
- *Portfolio Budget Statements 2010-11* Budget Constructors Kit.

The statements have been prepared on an accrual basis and are in accordance with the historic cost convention, except for certain assets which, as noted (refer to items 1.11 and 1.13), are at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or financial position.

Administered revenues, expenses, assets and liabilities and cash flows reported in the Schedule of Administered Items are accounted for on the same basis and using the same policies as for departmental items, except as otherwise stated in Note 1.17.

1.4 Revenue

Revenue from Government

Amounts appropriated for departmental outputs for the year (adjusted for any formal additions and reductions) are recognised as revenue when Defence gains control of the appropriation, except for certain amounts which relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

Other revenue

Revenue from the sale of goods or rendering of services is recognised upon delivery of the goods to the customer or provision of services.

Gains

Gains from disposal of non-current assets are recognised when control of the asset has passed to the buyer.

1.5 Transactions with the Australian Government as Owner

Equity injection

Equity injection represents an additional contribution to Defence by the Australian Government which are generally used to fund part of Defence's capital expenditure. Equity injection is recognised directly into contributed equity in that year.

Other Distributions to Owners including Return of Capital

Distributions to owners excluding dividends (including returns to Official Public Account (OPA)) are debited to Contributed Equity.

1.6 Employee Benefits

Defence's workforce comprises two employment components: Australian Public Service (APS, i.e. civilians) and Australian Defence Force (ADF, i.e. military) personnel. Employee benefits for each workforce component are based on the relevant employment agreements and legislation.

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for wages and salaries (including non-monetary benefits) and annual leave expected to be settled within 12 months of the reporting date are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability. Employee benefits expected to be settled more than 12 months after the end of the reporting date are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non vesting and the average sick leave which could be taken in future years by Defence employees is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including Defence's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination. Where there is a legal obligation to payment of leave within 12 months, even when payment is not expected, the liability is disclosed as current.

The liability for long service leave is determined by reference to the work of the Australian Government Actuary. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

The liability for annual leave for APS and ADF employees reflects the value of total annual leave entitlements of all such employees and is recognised at the nominal amount, or discounted to the present value for amounts not expected to be taken or paid within 12 months.

Superannuation on-costs have been added to the provisions for annual leave and long-service leave in respect of both APS and ADF employees

Separation and Redundancy

Provision is made for separation and redundancy benefit payments when Defence has developed a detailed formal plan for the terminations and has informed those affected that the terminations will be carried out.

Superannuation

Permanently-appointed APS employees and Defence contribute to the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS Accumulation Plan (PSSap) and other superannuation schemes held outside the Commonwealth. The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

Defence makes employer contributions to the Australian Government at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the department's employees. Defence accounts for these contributions as if they were contributions to defined contribution plans in accordance with AASB 119.

The Defence Force Retirement and Death Benefits Scheme (DFRDB) and the Military Superannuation and Benefits Scheme (MSBS) are defined benefit superannuation plans for ADF members. Defence accounts for these contributions in the Budgeted Departmental Statements as if they were contributions to defined contribution plans in accordance with AASB 119. The liability for DFRDB and MSBS is recognised in the Budgeted Schedules of Administered Items.

1.7 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised and recognised at the lower of the fair value of the leased asset and the present value of minimum lease payments at the commencement of the lease term. A liability is recognised at the same time for the same amount. Non current assets acquired under a finance lease are depreciated/amortised over the useful life of the asset. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight line basis over the term of the lease, which is representative of the pattern of benefits derived from the leased assets. Any contingent rent components of the lease are recognised as an expense in the period in which the amount of the increase/decrease is applied.

Lease incentives taking the form of 'free' leasehold improvements and rent holidays are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expense and reduction of liability.

1.8 Cash and Cash Equivalents

Cash and Cash Equivalents means notes and coins held, as well as any deposits held at call with a bank or financial institution. Cash and Cash Equivalents are recognised at the nominal amount.

1.9 Receivables

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any allowance for doubtful debts. The collectability of receivables is assessed periodically with allowance made for doubtful debts when there is objective evidence that Defence will not be able to collect the debt. No allowance is made for Australian Government, foreign government and employee debts as they are deemed to be collectable unless there is objective evidence to the contrary.

1.10 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

Assets acquired at no cost or for nominal consideration are initially recognised as assets and revenues at their fair value as at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

1.11 Property, Plant and Equipment including Land, Buildings and Infrastructure

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Budgeted Balance Sheet where they meet the capitalisation threshold. The capitalisation thresholds for the classes of assets are detailed in the table below.

Table 55: Capitalisation Threshold for Various Asset Classes

Asset Class	Capitalisation Threshold (\$)
Land	0.01
Buildings	5,000.00
Specialised military equipment (SME) including - <i>SME in use; and Repairable items</i>	0.01
Infrastructure	5,000.00
Heritage and cultural	5,000.00
Other plant and equipment (OP&E)	2,000.00

Subsequent Valuations

Land, buildings, infrastructure, heritage and cultural and other plant and equipment are measured and disclosed at fair value. Valuations are conducted with sufficient frequency to ensure that the carrying values of assets do not materially differ from the assets fair value as at reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

In accordance with the Finance Minister's Orders, Specialist Military Equipment is carried at cost. Assets Under Construction are also not revalued but are carried at cost. In addition to reviewing expenditures from the point of rollout into service, Assets Under Construction expenditures are also considered on a whole-of-life basis. They are subject to impairment testing annually and prior to being transferred into use.

Depreciation and Amortisation

Non-current assets having limited useful lives are systematically depreciated/amortised over their estimated useful lives on a straight-line basis.

Heritage and cultural assets within Defence have been assessed to have indefinite lives. These heritage and cultural assets are stored, managed, displayed, repaired and restored in ways that will maintain their cultural or heritage value over time.

Depreciation and amortisation rates (useful lives) and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Decontamination, Restoration and Decommissioning Costs

Where a legal or constructive obligation arises on acquisition to restore an asset back to its original condition, or dismantle an asset at the end of its useful life, the net present value of estimated restoration and decommissioning costs are capitalised and added to the cost of the underlying asset and depreciated over the asset's useful life. At the same time a corresponding provision is recognised for these costs. When discounting is applied, the carrying amount of the provision is adjusted to reflect the passage of time and any incremental costs are recognised as finance costs.

Where a legal or constructive obligation arises as a result of the operations of Defence (i.e. use of the assets) the costs of restoration is recognised as an expense in the period in which the obligation arises.

Asset Disposals

The gain or loss on disposal of property, plant and equipment is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal less any selling costs.

Impairment of Non-Current Assets

Non-current assets carried at cost or fair value are assessed annually for indications of impairment. Where indications of impairment exist, the recoverable amount of the asset is estimated and compared to the asset's carrying amount. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to the recoverable amount and the reduction is to be shown as an impairment loss expense.

1.12 Inventory

Defence's inventory is for its own consumption and it does not ordinarily hold inventory for sale. If sales are made they represent disposal of inventory surplus to requirements and minor fuel sales.

Inventory held for distribution is measured at cost, adjusted where applicable for loss of service potential.

Defence has implemented a policy to identify and provide for potential excess stocks.

Costs incurred in bringing each item of inventory (primarily explosive ordnance and general stores) to its present location and condition that are capable of being allocated on a reasonable basis are assigned to inventory. The costs of inventories are assigned by using the weighted average cost formula.

1.13 Intangibles

Defence's intangibles primarily comprise externally acquired and internally-developed computer software for internal use. Intangibles with gross values greater than \$150,000 are capitalised.

Acquired intellectual property may form part of the acquisition of particular tangible assets and in such cases is reflected in the value reported for the relevant non-financial asset class within the Budgeted Balance Sheet.

Defence carries intangible assets at cost or, where an active market exists, at fair value less any subsequent accumulated amortisation and accumulated impairment losses.

The service potential of non-current intangible assets is reviewed annually. If an intangible asset is regarded as being impaired, the asset is written down to reflect its remaining service potential.

Intangibles are amortised on a straight-line basis over their anticipated useful life.

1.14 Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate on the date of transaction. Foreign currency receivables and payables are translated at the exchange rate current as at the balance date. Exchange gains and losses are brought to account in determining the operating result for the year.

1.15 Taxation

Defence's activities are exempt from all forms of taxation except fringe benefits tax, goods and services tax (GST), and certain excise and customs duties.

- revenues, expenses and assets are recognised net of GST except:
 - where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
 - for receivables and payables (which are shown inclusive of GST in the Budgeted Balance Sheet).

1.16 Insurance

Defence has insured for key insurable risks, excluding workers compensation, through the Government's insurable risk managed fund, called 'Comcover'. Workers compensation is through Comcare.

1.17 Schedule of Budgeted Administered Activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the Schedules of Administered Items and related notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards and Interpretations issued by the AASB.

Revenue collected by Defence, for use by the Australian Government rather than Defence, is Administered Revenue. Collections are transferred to the OPA maintained by the Department of Finance and Deregulation. Conversely, cash is drawn down from the OPA to make payments under parliamentary appropriations on behalf of the Australian Government. These transfers to and from the OPA are reported as adjustments to the administered cash held by Defence on behalf of the Government and reported as such in the Budgeted Statement of Cash Flows in the Schedule of Administered Items and in the Administered Reconciliation Table. Thus the Budgeted Schedules of Administered Items largely reflects the Australian Government's transactions, through Defence, with parties outside the Australian Government.

Administered Revenue

All administered revenues relate to activities performed by Defence on behalf of the Australian Government. Administered revenues mainly comprise military superannuation contributions, payments received from the United Nations and foreign governments, bank interest and dividends paid by DHA.

Administered Expenses

All administered expenses relate to activities performed by Defence on behalf of the Australian Government. Administered expenses mainly comprise unfunded military superannuation benefits, ADF housing subsidies and ADF retention benefits.

Administered Investments

Defence reports the Australian Government's capital investment in DHA. The investment is classified as 'available for sale' and is measured at fair value using the net assets valuation approach in accordance with the FMOs. The investment is subject to impairment testing.

Military Retention Benefits

Certain categories of ADF personnel who are members of the Military Superannuation and Benefits Scheme and have had 15-years of service receive retention benefits as an incentive for continued service. Retention benefit payments are initially recorded as prepayments and written down over the period of service.

Military Superannuation

The Defence Force Retirement and Death Benefits Scheme (DFRDB) and the Military Superannuation Benefits Scheme (MSBS) are defined benefit superannuation plans for ADF members. Contributions, benefit payments and the provision for unfunded obligations are reflected in the Budgeted Schedule of Administered Items.

The DFRDB is a fully unfunded scheme but the MSBS is a partly-funded scheme. MSBS member contributions are paid into the Military Superannuation Benefit (MSB) Fund that is controlled by the MSB Board and are therefore not reflected in the Budgeted Schedule of Administered Items. The Australian Government on behalf of the MSB Fund makes funded benefit payments to members of the scheme and is reimbursed by the MSB Fund for these payments.

The Australian Government Actuary (AGA) estimates the unfunded provisions and expected future cash flows as at 30 June each year. These estimates are reflected in the Budgeted Schedule of Administered Items. The AGA completes a full review of the unfunded liabilities (a long-term cost report) every three years.

3.2.3 2009-10 CONSOLIDATED DEFENCE AND DMO BUDGETED FINANCIAL STATEMENTS

Table 56: Consolidated Defence and DMO Departmental Balance Sheet (as at 30 June)

	2009-10 Estimated Actual \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	58,088	58,088	58,088	58,088	58,088
Trade and other receivables	142,961	181,184	218,769	249,939	285,343
Investments accounted for under the equity method	-	-	-	-	-
Other investments	-	-	-	-	-
Tax assets	183,261	183,261	183,261	183,261	183,261
Appropriation receivable	818,525	762,015	763,068	769,373	778,148
Other receivables	74,940	74,940	135,940	115,940	95,940
Total financial assets	1,277,775	1,259,488	1,359,126	1,376,601	1,400,780
Non-financial assets					
Land and buildings	14,703,557	15,504,694	16,037,890	16,424,961	16,745,472
Infrastructure, plant and equipment	5,807,682	5,888,035	5,707,108	5,384,699	5,128,986
Specialist military equipment	35,947,292	38,610,542	41,291,601	43,178,774	45,360,618
Intangibles	432,145	397,382	379,753	336,022	302,167
Heritage and cultural	869,393	869,393	869,393	869,393	869,393
Inventories	5,159,113	5,450,947	5,691,387	5,902,501	6,107,800
Prepayments	1,785,847	1,624,937	1,490,780	1,490,780	1,490,780
Other	-	-	-	-	-
Total non-financial assets	64,705,029	68,345,930	71,467,912	73,587,130	76,005,216
Assets held for sale	23,768	23,768	23,768	23,768	23,768
Total assets	66,006,572	69,629,186	72,850,806	74,987,499	77,429,764
LIABILITIES					
Interest bearing liabilities					
Loans	-	-	-	-	-
Leases	823,882	918,654	841,781	756,836	704,493
Deposits	-	-	-	-	-
Other	-	-	-	-	-
Total interest bearing liabilities	823,882	918,654	841,781	756,836	704,493
Provisions					
Employees	2,233,861	2,368,475	2,459,951	2,560,822	2,675,759
Restoration, decontamination and decommissioning	656,472	674,647	691,443	713,448	731,950
Other provisions	28,340	28,340	28,340	28,340	28,340
Total provisions	2,918,673	3,071,462	3,179,734	3,302,610	3,436,049
Payables					
Suppliers	2,152,753	1,978,483	1,997,795	2,039,001	2,137,343
Grants	-	-	-	-	-
Dividends	-	-	-	-	-
Other payables	507,683	516,080	517,925	522,175	529,768
Total payables	2,660,436	2,494,563	2,515,720	2,561,176	2,667,111
Total liabilities	6,402,991	6,484,679	6,537,235	6,620,622	6,807,653
NET ASSETS	59,603,581	63,144,507	66,313,571	68,366,877	70,622,111
EQUITY					
Contributed equity	11,791,583	15,332,509	18,501,573	20,554,879	22,810,113
Reserves	13,636,846	13,636,846	13,636,846	13,636,846	13,636,846
Retained surpluses or accumulated deficits	34,175,152	34,175,152	34,175,152	34,175,152	34,175,152
Total equity	59,603,581	63,144,507	66,313,571	68,366,877	70,622,111

Table 57: Consolidated Defence and DMO Departmental Comprehensive Income Statement (Showing Net Cost of Services)

	2009-10 Estimated Actual \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses					
Employee benefits	9,465,227	10,055,603	9,964,737	10,410,667	10,970,770
Supplier Expenses	9,518,901	9,417,629	9,086,341	9,281,488	10,288,361
Grants	83,020	56,971	57,974	59,178	60,736
Depreciation and amortisation	3,632,299	3,463,984	3,402,668	3,539,792	3,644,778
Finance costs	81,544	99,006	92,274	91,157	81,964
Write-down of assets and impairment of assets	1,073,584	1,293,662	1,217,578	1,256,577	1,324,906
Losses from sale of assets	8,375	-	-	-	-
Foreign exchange	-	-	-	-	-
Other	872	895	909	940	961
Total expenses	23,863,822	24,387,750	23,822,481	24,639,799	26,372,476
LESS:					
Own-source income					
Revenue					
Sales of goods and rendering of services	385,675	420,937	378,478	393,045	424,655
Fees and fines	-	-	-	-	-
Interest	-	-	-	-	-
Dividends	-	-	-	-	-
Royalties	-	-	-	-	-
Rental income	6,094	6,258	6,373	6,535	6,715
Other revenue	142,800	240,850	143,830	147,377	151,026
Total revenue	534,569	668,045	528,681	546,957	582,396
Gains					
Reversals of previous asset write-downs	589,573	619,983	652,082	685,982	721,785
Sale of assets	-	2,832	3,682	4,862	6,209
Other gains	2,417	2,521	2,584	2,661	2,730
Total gains	591,990	625,336	658,348	693,505	730,724
Total own-source income	1,126,559	1,293,381	1,187,029	1,240,462	1,313,120
Net cost of (contribution by) services	22,737,263	23,094,369	22,635,452	23,399,337	25,059,356
Revenue from Government	22,822,263	23,094,369	22,635,452	23,399,337	25,059,356
Surplus (Deficit)	85,000	-	-	-	-
Surplus (Deficit) attributable to the Australian Government	85,000	-	-	-	-
OTHER COMPREHENSIVE INCOME					
Charges in asset revaluation reserves	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Total comprehensive income	85,000	-	-	-	-
Total comprehensive income attributable to the Australian Government	85,000	-	-	-	-

Table 58: Consolidated Defence and DMO Departmental Cash Flow Statement

	2009-10 Estimated Actual \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash Received					
Goods and services	518,931	382,714	340,893	361,875	389,251
Net GST received	1,214,420	1,267,026	1,184,149	1,175,196	1,295,723
Appropriations	22,822,263	23,092,269	22,635,452	23,399,337	25,059,356
Interest	-	-	-	-	-
Dividends	-	-	-	-	-
Other cash received	142,694	240,908	144,003	147,712	151,541
Cash transfer from the Official Public Account (receivables)	149,385	65,000	6,389	-	-
Total cash received	24,847,693	25,047,917	24,310,886	25,084,120	26,895,871
Cash Used					
Employees	9,316,387	9,912,592	9,871,416	10,305,546	10,848,240
Suppliers	8,967,561	8,598,830	8,227,877	8,571,527	9,523,348
Borrowing costs	-	-	-	-	-
Net GST payments	1,214,420	1,267,026	1,184,149	1,175,196	1,295,723
Grants	83,020	56,971	57,974	59,178	60,736
Other cash used	872	895	909	940	961
Cash transfer to the Official Public Account (receivables)	-	-	-	-	-
Total cash used	19,582,260	19,836,314	19,342,325	20,112,387	21,729,008
Net cash from or (used by) operating activities	5,265,433	5,211,603	4,968,561	4,971,733	5,166,863
INVESTING ACTIVITIES					
Cash Received					
Proceeds from sales of land and buildings	85,525	120,343	105,212	72,934	145,481
Proceeds from sales of infrastructure, plant and equipment	35,704	35,947	35,839	35,947	36,160
Proceeds from sales of specialist military equipment	-	-	-	-	-
Proceeds from sale of financial instruments	-	-	-	-	-
Investments	-	-	-	-	-
Other cash received	-	-	-	-	-
Total cash received	121,229	156,290	141,051	108,881	181,641
Cash used					
Purchase of land and buildings	1,462,269	1,566,191	1,371,993	1,153,554	1,199,817
Purchase of infrastructure, plant and equipment	150,985	370,359	303,664	160,141	209,901
Purchase of specialist military equipment	5,054,475	5,527,338	5,342,381	4,662,914	5,084,769
Purchase of intangibles	21,023	25,296	42,263	18,120	8,746
Purchase of inventory	921,262	1,186,322	1,033,009	954,139	954,595
Purchase of heritage and cultural assets	-	-	-	-	-
Selling costs on sale of assets	33,314	22,005	33,015	30,955	30,105
Purchase of financial instruments	-	-	-	-	-
Finance costs	69,802	80,831	75,478	69,152	63,462
Investments	-	-	-	-	-
Other cash used	-	-	-	-	-
Total cash used	7,713,130	8,778,342	8,201,803	7,048,975	7,551,395
Net cash from or (used by) investing activities	(7,591,901)	(8,622,052)	(8,060,752)	(6,940,094)	(7,369,754)

FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	2,418,961	3,578,161	3,242,151	2,096,207	2,371,724
Proceeds from issuing financial instruments	-	-	-	-	-
Other	-	-	-	-	-
Total cash received	2,418,961	3,578,161	3,242,151	2,096,207	2,371,724
Cash Used					
Repayment of debt	46,287	68,723	76,873	84,945	52,343
Dividends paid	-	-	-	-	-
Cash to the Official Public Account	62,017	98,989	73,087	42,901	116,490
Other	-	-	-	-	-
Total cash used	108,304	167,712	149,960	127,846	168,833
Net cash from or (used by) financing activities	2,310,657	3,410,449	3,092,191	1,968,361	2,202,891
Net increase or (decrease) in cash and cash equivalents held					
	-15,811	-	-	-	-
Cash and cash equivalents at beginning of the reporting period	73,899	58,088	58,088	58,088	58,088
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents at end of the reporting period	58,088	58,088	58,088	58,088	58,088

Table 59: Consolidated Defence and DMO Administered Assets and Liabilities (as at 30 June)

	2009-10 Estimated Actual \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash and cash equivalents	-	-	-	-	-
Taxation receivables	-	-	-	-	-
Receivables	48,621	51,489	54,136	55,326	57,151
Investments accounted for using the equity method	-	-	-	-	-
Other investments	2,043,388	2,043,388	2,043,388	2,043,388	2,043,388
Loans	265,480	84,580	84,580	84,580	84,580
Total financial assets	2,357,489	2,179,457	2,182,104	2,183,294	2,185,119
Non-financial assets					
Land and buildings	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-
Investment properties	-	-	-	-	-
Inventories	-	-	-	-	-
Intangibles	-	-	-	-	-
Prepayments	90,361	90,361	90,361	90,361	90,361
Other	-	-	-	-	-
Total non-financial assets	90,361	90,361	90,361	90,361	90,361
Assets held for sale	-	-	-	-	-
Total assets administered on behalf of Government	2,447,850	2,269,818	2,272,465	2,273,655	2,275,480
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Interest bearing liabilities					
Australian Government securities	-	-	-	-	-
Loans	-	-	-	-	-
Leases	-	-	-	-	-
Deposits	-	-	-	-	-
Other	-	-	-	-	-
Total Interest bearing liabilities	-	-	-	-	-
Provisions					
Employee Provisions	-	-	-	-	-
Taxation refunds provided	-	-	-	-	-
Australian currency on issue	-	-	-	-	-
Superannuation - DFRDB	25,599,000	25,656,000	25,688,000	25,692,000	25,661,000
Superannuation - MSBS	16,334,000	18,024,000	19,855,000	21,822,000	23,923,000
Other	-	-	-	-	-
Total provisions	41,933,000	43,680,000	45,543,000	47,514,000	49,584,000
Payables					
Suppliers	-	-	-	-	-
Subsidies	-	-	-	-	-
Personal benefits	-	-	-	-	-
Grants	-	-	-	-	-
Other	38,444	38,444	38,444	38,444	38,444
Total Payables	38,444	38,444	38,444	38,444	38,444
Total liabilities administered on behalf of Government	41,971,444	43,718,444	45,581,444	47,552,444	49,622,444

Table 60: Consolidated Defence and DMO Administered Income and Expenses

	2009-10 Estimated Actual \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Sale of goods and rendering of services	-	-	-	-	-
Fees and fines	-	-	-	-	-
Interest	22,470	9,961	9,961	9,961	9,961
Dividends	43,525	46,393	49,040	50,230	52,055
Rental income	-	-	-	-	-
Royalties	-	-	-	-	-
Military superannuation contributions	930,719	975,579	1,014,447	1,067,226	1,147,301
License fees	5,469	9,739	12,390	14,451	16,302
Other	28,527	26,100	29,564	28,895	28,011
Total non-taxation	1,030,710	1,067,772	1,115,402	1,170,763	1,253,630
Total revenues administered on behalf of Government	1,030,710	1,067,772	1,115,402	1,170,763	1,253,630
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Employee benefits	-	-	-	-	-
Supplier expenses	-	-	-	-	-
Subsidies	72,270	118,719	129,131	148,314	162,236
Grants	-	-	-	-	-
Depreciation and amortisation	-	-	-	-	-
Finance costs	-	-	-	-	-
Write-down and impairment of assets	-	-	-	-	-
Foreign exchange losses	-	-	-	-	-
CAC Act body payment items	-	-	-	-	-
Military retention benefits	40,000	41,000	41,000	41,000	41,000
Military superannuation benefits	3,391,000	3,584,000	3,739,000	3,899,000	4,067,000
Total expenses administered on behalf of Government	3,503,270	3,743,719	3,909,131	4,088,314	4,270,236

Table 61: Consolidated Defence and DMO Administered Cash Flow Statement

	2009-10 Estimated Actual \$'000	2010-11 Budget Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash Received					
Sales of goods and rendering of services	-	-	-	-	-
Interest	23,490	38,642	38,642	38,642	38,642
Dividends	-	-	-	-	-
Taxes	-	-	-	-	-
Military superannuation contributions	930,719	975,579	1,014,447	1,067,226	1,147,301
Fees	5,469	9,739	12,390	14,451	16,302
Net GST received	-	-	-	-	-
Other	28,527	26,100	29,564	28,895	28,011
Total cash received	988,205	1,050,060	1,095,043	1,149,214	1,230,256
Cash Used					
Grant payments	275,000	-	-	-	-
Subsidies paid	72,270	118,719	129,131	148,314	162,236
Personal benefits	-	-	-	-	-
Suppliers	-	-	-	-	-
Net GST paid	-	-	-	-	-
Borrowing costs	-	-	-	-	-
Employees	-	-	-	-	-
CAC Act body payment item	-	-	-	-	-
Military benefits	1,679,000	1,878,000	1,918,000	1,968,000	2,037,000
Other	-	-	-	-	-
Total cash used	2,026,270	1,996,719	2,047,131	2,116,314	2,199,236
Net cash from or (used by) operating activities	(1,038,065)	(946,659)	(952,088)	(967,100)	(968,980)
INVESTING ACTIVITIES					
Cash Received					
Proceeds from sale of property, plant and equipment	-	-	-	-	-
Proceeds from sales of investments	-	-	-	-	-
Repayments of advances and loans	-	-	-	-	-
Transfers from other entities	-	-	-	-	-
Investments	-	-	-	-	-
Dividends	47,343	48,987	46,393	49,040	50,230
Other	-	-	-	-	-
Total cash received	47,343	48,987	46,393	49,040	50,230
Cash Used					
Purchase of property, plant and equipment	-	-	-	-	-
Advances and loans made	-	-	-	-	-
Loans ⁽¹⁾	225,000	44,100	-	-	-
Transfers to other entities	-	-	-	-	-
Administered Investment	161,000	-	-	-	-
CAC Act body investments	-	-	-	-	-
Other	-	-	-	-	-
Total cash used	386,000	44,100	-	-	-
Net cash from or (used by) investing activities	(338,657)	4,887	46,393	49,040	50,230

FINANCING ACTIVITIES					
Cash received					
Proceeds from borrowing	-	-	-	-	-
Other	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash Used					
Net repayment of borrowing	-	-	-	-	-
Other	-	-	-	-	-
Total cash used	-	-	-	-	-
Net cash from or (used by) financing activities	-	-	-	-	-
Net increase or (decrease) in cash and cash equivalents held	(1,376,722)	(941,772)	(905,695)	(918,060)	(918,750)
Cash at beginning of the reporting period	-	-	-	-	-
Cash from the Official Public Account for appropriations	2,414,580	2,193,720	2,121,111	2,121,234	2,205,166
Cash to the Official Public Account	-1,037,858	-1,251,948	-1,215,416	-1,203,174	-1,286,416
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents at end of the reporting period	-	-	-	-	-

Note

1. Includes payments to CAC Act bodies.

