

PORTFOLIO ADDITIONAL ESTIMATES STATEMENTS 2013-14

DEFENCE PORTFOLIO

EXPLANATIONS OF ADDITIONAL ESTIMATES 2013-14

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ISBN 978-0-9874959-1-4

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**Senator the Hon David Johnston
Minister for Defence**

MA13-003499

President of the Senate
Australian Senate
Parliament House
CANBERRA ACT 2600

Speaker
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Mr President
Dear Madam Speaker

I hereby submit Portfolio Additional Estimates Statements in support of the 2013-14 Additional Estimates for the Defence Portfolio.

These statements have been developed, and are submitted to the Parliament, as a statement on the outcomes for the portfolio.

I present these statements to provide accountability to the Parliament and, through it, the public.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'David Johnston', with a large, stylized flourish at the end.

David Johnston

Abbreviations and Conventions

The following notations may be used:

NEC/nec	not elsewhere classified
-	nil
..	not zero, but rounded to zero
na	not applicable (unless otherwise specified)
nfp	not for publication
\$m	\$ million
\$b	\$ billion

Figures in tables and in the text may be rounded. Figures in text are generally rounded to one decimal place, whereas figures in tables are generally rounded to the nearest thousand. Discrepancies in tables between totals and sums of components are due to rounding.

Table of Contents

USER GUIDE	XI
DEFENCE PORTFOLIO OVERVIEW	3
Ministers and their Portfolio Responsibilities	4
Changes affecting the Portfolio	4
Portfolio Structure and Outcomes	5
DEPARTMENT OF DEFENCE	11
Section 1: Defence Overview and Resources	11
1.1 Strategic Direction Statement	11
1.2 Defence Resource Statement	12
1.3 Budget Measures	15
1.4 Capital Investment Program	17
1.5 People	20
Section 2: Defence Outcomes and Planned Performance	24
2.1 Outcomes and Performance Information	24
Section 3: Defence Explanatory Tables and Budgeted Financial Statements	56
3.1 Explanatory Tables	56
3.2 Resource Summary	60
3.3 Budgeted Financial Statements	65
3.4 Consolidated Budgeted Financial Statements for the Department of Defence (including DMO)	81
APPENDICES	88
Appendix A: Defence Cooperation Program	89
Appendix B: The Unapproved Major Capital Investment Program (also known as the Defence Capability Plan)	90
Appendix C: Major Capital Facilities Program	91
Appendix D: Approved Projects Being Developed for Private Financing Arrangements	102
Appendix E: Status of Major Projects Foreshadowed for Government and Parliamentary Standing Committee on Public Works Consideration (PWC) in 2013-14	103

DEFENCE MATERIEL ORGANISATION	109
Section 1: DMO Overview and Resources.....	109
1.1 Strategic Direction Statement	109
1.2 DMO Resource Statement	112
1.3 DMO Measures Table and Other Adjustments.....	113
1.4 Breakdown of Additional Estimates by Appropriation Bill	114
1.5 People.....	115
Section 2: DMO Outcomes and Planned Performance.....	116
2.1 Outcomes and Performance Information.....	117
Section 3: DMO Explanatory Tables and Budgeted Financial Statements.....	143
3.1 Explanatory Tables.....	143
3.2 DMO Budgeted Financial Statements.....	145
3.2.1 Budgeted Financial Statements Tables	145
DEFENCE HOUSING AUSTRALIA	155
Section 1: DHA Overview and Resources	155
1.1 Strategic Direction Statement	155
1.2 DHA Resource Statement.....	157
1.3 Budget Measures	158
1.4 Additional Estimates and Variations.....	159
1.5 Breakdown of Additional Estimates by Appropriation Bill	160
Section 2: DHA Outcomes and Planned Performance	161
2.1 Outcome and Performance Information	161
Section 3: DHA Explanatory Tables and Budgeted Financial Statements	164
3.1 Explanatory Tables.....	164
3.2 Budgeted Financial Statements	165
GLOSSARY	170
ACRONYMS	176

**USER GUIDE
TO THE
PORTFOLIO ADDITIONAL
ESTIMATES STATEMENTS**

User Guide

The purpose of the Portfolio Additional Estimates Statements (PAES), like that of the Portfolio Budget Statements (PB Statements), is to inform Senators and Members of Parliament of the proposed allocation of resources to Government outcomes by agencies within the portfolio. The focus of the PAES differs from the PB Statements in one important aspect. While the PAES include an Agency Resource Statement to inform Parliament of the Revised Estimate of the total resources available to an agency, the focus of the PAES is on explaining the changes in resourcing by outcome(s) since the Budget. As such, the PAES provides information on new measures and their impact on the financial and/or non-financial planned performance of programs supporting those outcomes.

The PAES facilitate understanding of the proposed appropriations in Appropriation Bills (No. 3 and No. 4) 2013-14. In this sense the PAES is declared by the Additional Estimates Appropriation Bills to be a 'relevant document' to the interpretation of the Bills according to section 15AB of the *Acts Interpretation Act 1901*.

Whereas the *Mid Year Economic and Fiscal Outlook 2013-14* is a mid-year budget report which provides updated information to allow the assessment of the Government's fiscal performance against its fiscal strategy, the PAES update the most recent budget appropriations for agencies within the portfolio.

PORTFOLIO OVERVIEW

Defence Portfolio Overview

The Defence Portfolio consists of a number of component organisations that together are responsible for supporting the defence of Australia and its national interests. The three most significant bodies are:

- the Department of Defence – a department of state, headed by the Secretary of the Department of Defence
- the Australian Defence Force (ADF) – which consists of the three Services, Navy, Army and the Air Force (including Reserves) commanded by the Chief of the Defence Force (CDF). Each Service Chief also administers their respective Cadet service, although the Cadet service is not a component of the parent Service
- the Defence Materiel Organisation (DMO) – a prescribed agency within the Department of Defence, headed by its Chief Executive Officer (CEO) DMO.

In practice, these bodies have to work together closely and are broadly regarded as one organisation known simply as Defence.

The Portfolio also contains some smaller entities, including a number of statutory offices created by the *Defence Force Discipline Act 1982* which are independent but reside administratively within Defence and various trusts and companies such as Defence Housing Australia (DHA) and the Australian Strategic Policy Institute.

The Minister for Defence's Portfolio also contains the Department of Veterans' Affairs and associated bodies, as it is designated as part of the Defence Portfolio in the Administrative Arrangements Order. The Department of Veterans' Affairs is administered separately to Defence.

Ministers and their Portfolio Responsibilities

Changes affecting the Portfolio

On 18 September 2013, the new Coalition Government was sworn in with the following Ministers in the Defence Portfolio:

- Minister for Defence – Senator the Hon David Johnston
- Assistant Minister for Defence – The Hon Stuart Robert MP
- Parliamentary Secretary to the Minister for Defence – The Hon Darren Chester MP

The Minister for Veterans' Affairs, Senator the Hon Michael Ronaldson, is in the Defence Portfolio but reported separately in the Department of Veterans' Affairs budget statements.

Details of the allocation of portfolio responsibilities for Defence can be found online at:

<http://www.minister.defence.gov.au/allocation-of-portfolio-responsibilities/>

Portfolio Structure and Outcomes

Figure 1: Defence Portfolio Structure and Outcomes

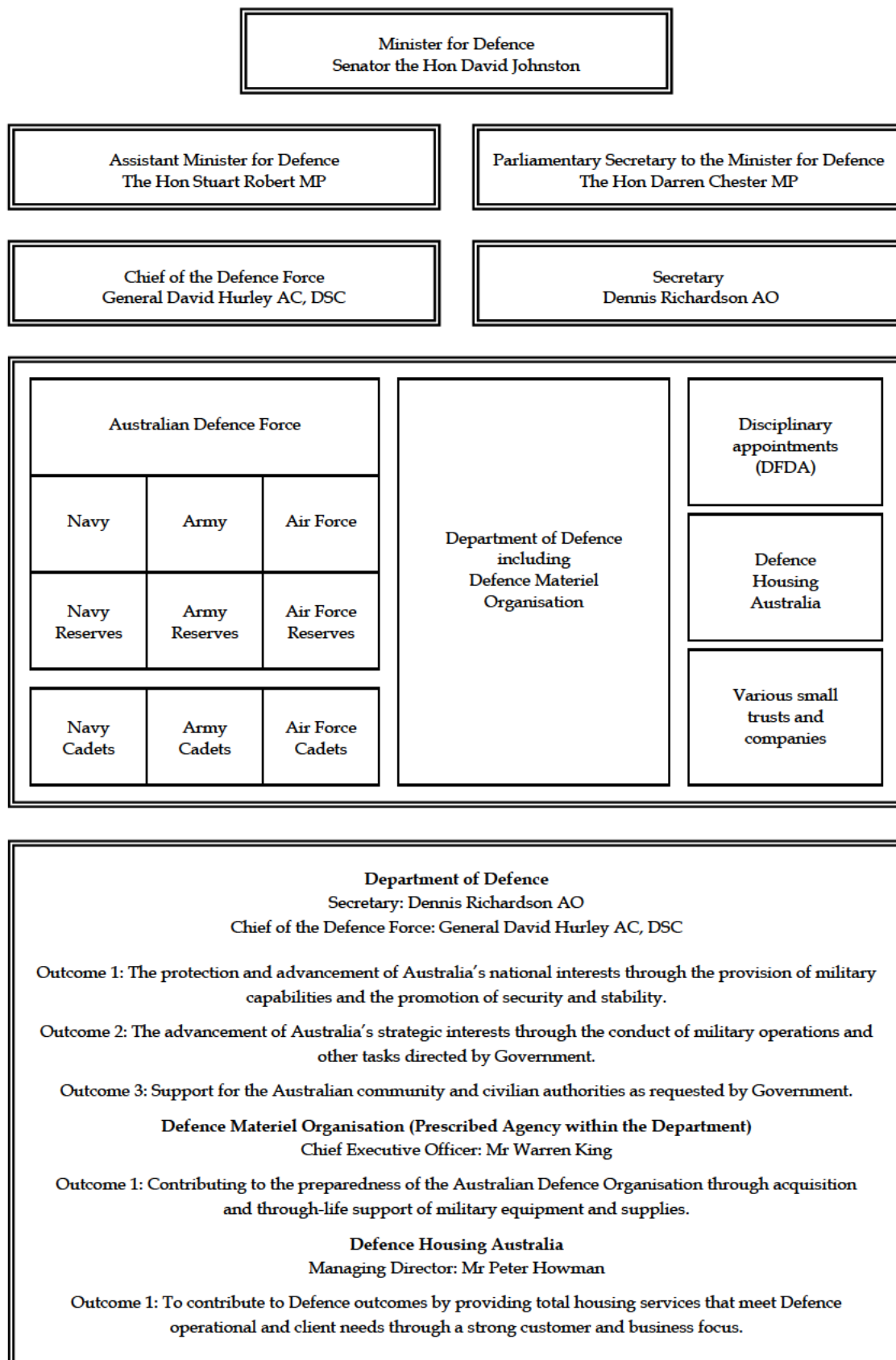
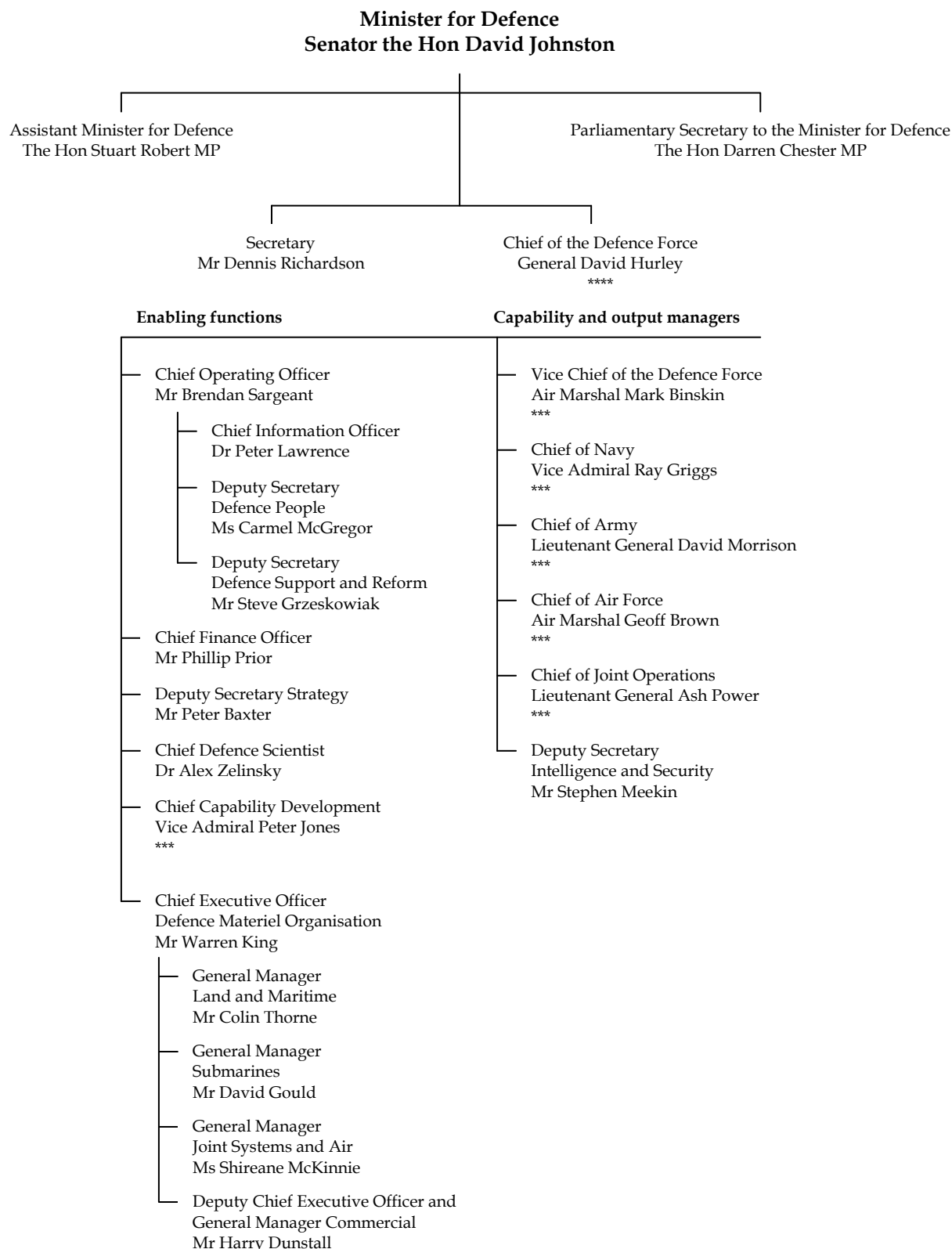


Figure 2: Defence Organisational Chart



Stars (-) refer to ADF Star Rank

Senior Executive Changes

The following changes have taken place since the *Portfolio Budget Statements (PBS) 2013-14*:

- With effect 9 September 2013, Mr Colin Thorne was appointed to the position of General Manager Land and Maritime within the Defence Materiel Organisation.
- With effect 12 September 2013, Mr Brendan Sargeant was appointed to the position of Associate Secretary Chief Operating Officer.
- With effect 28 January 2014, Mr Peter Baxter was appointed to the position of Deputy Secretary Strategy.

Organisational Structure

The following changes have taken place since the PBS 2013-14:

- The Australian Defence Simulation and Training Centre has been established following transfer of responsibility for Defence Simulation from Vice Chief of the Defence Force Group to Joint Operations Command (JOC).
- Responsibility for Forces Entertainment has transferred from Defence Support and Reform Group (DSRG) to JOC.
- Recommendations from a Unit Establishment Review have been implemented since publication of the PBS 2013-14. There has been no increase in liability to the Services and AFS guidance remains static.
- Enterprise Planning and Reporting Branch moved from Strategy Group to DSRG on 1 October 2013.

Defence Portfolio Bodies

The following changes have taken place since the PBS 2013-14:

Army and Air Force Canteen Service

Mr E Moore has moved from the position of Chair and become a Director. Mr A Tregaskis has moved from the position of Director and become the Chair.

The Army and Air Force Canteen Service (AAFCANS) has ceased trading as Frontline and is now trading as AAFCANS.

Royal Australian Navy Central Canteens Board

The Royal Australian Navy Central Canteens Board has rebranded itself and commenced trading as Navy Canteens.

Royal Australian Navy Relief Trust Fund

A new Charity, called Keeping Watch (KW) has been established as part of this Trust.

Portfolio Resource Statement

Table 1: Portfolio Resource Statement^[1]

	Departmental Bill No. 3	Appropriation Bill No. 4	Section 10 Appropriation Act (No.1) 2013-14	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Department of Defence									
Administered appropriations	-	-	-	16.9	-3.6	13.3	-16.9	-	-3.6
Departmental appropriations	662.4	235.4	-	67.3	-	965.1	47.5	-	1,012.7
Total Department of Defence	662.4	235.4	-	84.2	-3.6	978.5	30.6	-	1,009.1
	Departmental Bill No. 3	Departmental Bill No. 4	Section 10 Appropriation Act (No.1) 2013-14	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Defence Materiel Organisation									
Administered appropriations ^[2]	-	-	-	-	-	-	-	-	-
Departmental appropriations	-	-	-35.4	-	-	-35.4	754.4	-	719.0
Total Defence Materiel Organisation	-	-	-35.4	-	-	-35.4	754.4	-	719.0
	Departmental Bill No. 3	Departmental Bill No. 4	Section 10 Appropriation Act (No.1) 2013-14	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Defence Housing Australia									
Administered appropriations	-	-	-	-	-	-	-	-	-
Departmental appropriations	-	-	-	-	-	-	27.7	-	27.7
Total Defence Housing Australia	-	-	-	-	-	-	27.7	-	27.7
Total Portfolio	662.4	235.4	-35.4	84.2	-3.6	943.0	812.7	-	1,755.8

Notes

1. Figures shown include inter-agency transactions.

2. DMO receives interest receipts from overseas bank accounts which are returned to the OPA and do not form part of DMO's resources. The revised estimate for 2013-14 is \$0.3m.

DEPARTMENT OF DEFENCE

AGENCY RESOURCES AND PLANNED PERFORMANCE

Section 1: Defence Overview and Resources

- 1.1 Strategic Direction Statement
- 1.2 Defence Resource Statement
- 1.3 Budget Measures
- 1.4 Capital Investment Program
- 1.5 People

Section 2: Defence Outcomes and Planned Performance

- 2.1 Outcomes and Performance Information

Section 3: Defence Explanatory Tables and Budgeted Financial Statements

- 3.1 Explanatory Tables
- 3.2 Resource Summary
- 3.3 Budgeted Financial Statements
- 3.4 Consolidated Budgeted Financial Statements for the Department of Defence (including DMO)

Department of Defence

Section 1: Defence Overview and Resources

1.1 Strategic Direction Statement

The following changes have been made to 1.1 Strategic Direction Statement since the *Portfolio Budget Statements 2013-14*:

Defence's primary focus continues to be to protect and advance Australia's strategic interests through the provision of appropriately prepared, equipped and supported armed forces. To achieve this, Defence provides policy advice on and prepares for and conducts military operations and other tasks as directed by the Government.

In 2013-14, Defence will continue its operational transition from Afghanistan, and conclude current ADF operations in the Solomon Islands. ADF operations in Timor-Leste concluded in March 2013. This transition will release and allow the remediation of capabilities that have been on high tempo operations for more than a decade and enable the remediation of deployed equipment.

One strategic initiative in 2013-14 will be the implementation of the Government's commitment to release a new *Defence White Paper* within 18 months of taking office. The White Paper will provide Government's strategic direction and priorities to Defence on defence policy, operations, force posture and structure, budget, and the Defence Organisation.

Defence will continue to implement Government's priorities including enhanced ADF activities in the Indo-Pacific region, implementation of agreed recommendations of the ADF Posture Review subject to changes through the White Paper, and introduction into service of new major capabilities such as the Landing Helicopter Dock ships and the EA-18G Growler. Defence will also continue to drive cultural change through *Pathway to Change: Evolving Defence Culture*.

1.2 Defence Resource Statement

Table 2: Total Defence Resourcing

Serial No.	2012-13 Actual \$'000		2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	Variation %	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
		Defence resourcing							
1	22,827,992	Appropriation for departmental outcomes	23,796,086	24,458,502	662,416	2.8	25,631,057	27,050,322	27,305,441
2	456,289	Equity injection appropriation	683,005	918,385	235,380	34.5	1,963,011	1,607,720	1,841,398
3	-	Prior year appropriation	-	-	-	-	-	-	-
4	23,284,281	Current year's appropriation (1 + 2 + 3)	24,479,091	25,376,887	897,796	3.7	27,594,068	28,658,042	29,146,839
5	76,857	Draw down of appropriations carried forward	-	67,349	67,349	-	-	-	-
6	-	Other appropriation receivable movements	-	-	-	-	-	-	-
7	-11,798	Return to the Official Public Account ^[1]	-48,771	-48,771	-	-	-38,733	-46,042	-14,349
8	65,059	Funding from / to the OPA (5 + 6 + 7)	-48,771	18,578	67,349	-138.1	-38,733	-46,042	-14,349
9	23,349,340	Funding from Government (4 + 8)	24,430,320	25,395,465	965,145	4.0	27,555,335	28,612,000	29,132,490
10	77,259	Capital receipts	101,666	100,966	-700	-0.7	95,524	170,234	113,846
11	885,636	Own source revenue (s31 receipts) ^[2]	901,937	950,160	48,223	5.3	848,306	891,189	911,793
12	-	Prior year receipts	-	-	-	-	-	-	-
13	962,895	Funding from other sources (10 + 11 + 12)	1,003,603	1,051,126	47,523	4.7	943,830	1,061,423	1,025,639
14	24,312,235	Total Defence funding (9 + 13)	25,433,923	26,446,591	1,012,668	4.0	28,499,165	29,673,423	30,158,129
		Administered							
15	5,870,658	Administered special appropriations	4,386,577	4,382,997	-3,580	-0.1	4,602,100	4,793,756	5,026,869
16	1,404,197	Own source revenue	1,445,580	1,428,688	-16,892	-1.2	1,481,715	1,528,661	1,592,223
17	-1,404,197	Returns to the Official Public Account	-1,445,580	-1,428,688	16,892	-1.2	-1,481,715	-1,528,661	-1,592,223
18	5,870,658	Total Administered funding (15 + 16 + 17)	4,386,577	4,382,997	-3,580	-0.1	4,602,100	4,793,756	5,026,869
19	30,182,893	Total Defence resourcing (14 + 18)	29,820,500	30,829,588	1,009,088	3.4	33,101,265	34,467,179	35,184,998
		Appropriation carried forward							
20	76,857	Appropriation receivable including previous year's outputs	76,857	67,349	-9,508	-12.4	-	-	-
21	18,091	Cash in bank	18,091	68,460	50,369	278.4	466	466	466
22	94,948	Total appropriations carried forward (20 + 21)	94,948	135,809	40,861	43.0	466	466	466

Notes

1. Represents net transfers to and from the Official Public Account.
2. All figures are net of GST.

Annual Appropriations

Table 3: Appropriation Bill (No 3) 2013-14

	2012-13 Available \$'000	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Increase in Estimates \$'000	Decrease in Estimates \$'000
Departmental Outputs					
Outcome 1					
Australia's national interests are protected and advanced through the provision of military capabilities and the promotion of security and stability	21,491,302	22,877,532	23,406,633	529,101	-
Outcome 2					
Military operations and other tasks directed by the Government to achieve the desired results	1,394,539	901,621	997,772	96,151	-
Outcome 3					
Defence's support to the Australian community and civilian authorities to achieve the desired results	9,500	16,933	54,097	37,164	-
Total	22,895,341	23,796,086	24,458,502	662,416	-

Table 4: Appropriation Bill (No 4)

	2012-13 Available \$'000	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Increase in Estimates \$'000	Decrease in Estimates \$'000
Non-operating					
Equity injections	456,289	683,005	918,385	235,380	-
Total non-operating	456,289	683,005	918,385	235,380	-

Drawdown of Appropriations Carried Forward

Table 5: Revised Appropriation Receivable

	2013-14 Revised Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Portfolio Budget Statements 2013-14 Estimates	76,857	76,857	76,857	76,857
Net Drawdown	-76,857	-76,857	-76,857	-76,857
Closing balance appropriation receivable	-	-	-	-

Funding from Other Sources

Own Source Revenue

Table 6: Variation in Own Source Revenue

	2013-14 Revised Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Portfolio Budget Statements 2013-14 Estimates	901,937	922,044	966,583	993,873
Variation in own source revenue	48,223	-73,738	-75,394	-82,080
Own source revenue revised estimates	950,160	848,306	891,189	911,793
Prior year receipts	-	-	-	-
Total	950,160	848,306	891,189	911,793

1.3 Budget Measures

2013-14 Budget Measures and Other Budget Adjustments

Table 7: Variation to Defence Funding

	Program	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Budget measures					
Expenditure measures					
Papua New Guinea Regional Resettlement Arrangement — accommodation support services	3.1	15.0	-	-	-
Efficiency Dividend — temporary increase in the rate	Various	-	-28.3	-67.6	-106.8
Reforms to APS management and efficient procurement of agency software	Various	-11.9	-15.4	-20.5	-13.1
Middle East Area of Operations — special forces training component of Australia's military contribution in Afghanistan ^[1]	2.2	-	-	-	-
Operation Slipper - Al Minhad Air Base – extension	2.2	66.5	-	-	-
Operation Slipper – Heron Remotely Piloted Aircraft – extension	2.2	29.5	4.2	-	-
Operation Sovereign Borders – Operation Resolute – extension	3.1	31.6	-	-	-
Free basic health care to all Australian Defence Force family members ^[1]	1.10	-	-	-	-
Assistance to the Philippines – Typhoon Haiyan ^[1]	3.1	-	-	-	-
Total budget measures		130.5	-39.5	-88.2	-119.9
Other budget adjustments					
DMO Direct Appropriation Adjustments	Various	35.6	39.4	41.1	43.5
Foreign Exchange	Various	381.7	428.3	480.8	528.3
Defence Budget Rephasing	Various	359.4	304.0	-89.0	-1,000.4
Carried Forward Appropriation Receivable Drawn Down	1.13	67.3	-	-	-
Papua New Guinea Regional Resettlement Arrangement — accommodation support services - Transfer to Department of Immigration and Border Protection	3.1	-9.4	-	-	-
Total other budget adjustments		834.6	771.7	432.9	-428.7
Variation to Defence funding		965.1	732.2	344.8	-548.6

Note

1. The cost of this measure will be met from within the existing resourcing of the Department of Defence.

Operations Summary

Table 8: Net Additional Cost of Operations from 1999-00 to 2016-17

	1999-00 to 2012-13 Actual Result \$m	2013-14 Revised Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m
Operation Astute	4,308.1	5.4	-	-	-
Operation Bel Isi	47.7	-	-	-	-
Operation Slipper	6,189.5	970.9	217.5	160.1	87.1
Operation Resolute	150.0	41.4	..	..	-
Operation Catalyst	2,364.5	-	-	-	-
Operation Anode	346.4	11.3	0.1	-	-
Operation Sumatra Assist	44.5	-	-	-	-
Operation Acolyte	10.5	-	-	-	-
Operation Deluge	6.7	-	-	-	-
Operation Pakistan Assist	9.8	-	-	-	-
Operation Outreach	14.6	-	-	-	-
Operation Kruger	45.3	-	-	-	-
Enhanced Force Protection in Afghanistan	530.0	10.0	16.2	-	-
Defence Support to 2014 G20 Summit	-	7.1	-	-	-
Total Net Additional Costs	14,067.7	1,046.0	233.8	160.1	87.1
Sources of Funding for Operations:					
Government Supplementation	12,459.7	1,013.7	217.6	160.1	87.1
Department of Foreign Affairs and Trade	9.1	-	-	-	-
Department of Defence (Absorbed)	1,599.0	32.3	16.2	-	-
Total Cost	14,067.7	1,046.0	233.8	160.1	87.1

1.4 Capital Investment Program

The Capital Investment Program comprises the Defence Capability Plan (DCP), the Approved Major Capital Investment Program (AMCIP), the ICT Integrated Plan of Work, Minor Projects and other investment (infrastructure costs, repairable items, other plants and equipment).

Table 9: Capital Investment Program

Defence Capability Plan Budget Update				
Serial No.		2013-14 Budget Estimate \$m	2013-14 Revised Estimate \$m	Variation \$m
	Defence Capability Plan (DCP)			
1	DMO delivered	556.7	505.1	-51.6
2	Group and Services delivered	61.9	113.5	51.6
3	Other adjustments (reallocations, foreign exchange, etc)	-	6.8	6.8
4	Total Defence Capability Plan (1+2+3)	618.6	625.4	6.8
5	Remaining DCP approvals in 2012-13	242.8	121.5	-121.3
6	DCP available from 1 July 2013	100.3	221.6	121.3
7	Total Unapproved DCP (5+6)	343.1	343.1	-
Total Capital Investment Program				
Serial No.		2013-14 Budget Estimate \$m	2013-14 Revised Estimate \$m	Variation \$m
	Defence Capability Plan (DCP) - remaining approvals			
1	DMO delivered	308.8	12.6	-296.2
2	Group and Services delivered	34.3	1.4	-32.9
3	Total Defence Capability Plan (1+2)	343.1	14.0	-329.1
	Approved Major Capital Investment Program			
4	DMO delivered	2,921.4	3,405.4	484.0
5	Group and Services delivered (excludes Capital Facilities and ICT Integrated Plan of Work)	71.6	133.4	61.8
6	Government approved DCP projects in 2012-13 yet to be allocated to Groups, Services or the DMO	275.5	-	-275.5
7	Government approved DCP projects in 2013-14 yet to be allocated to Groups, Services or the DMO	-	5.0	5.0
8	Total Approved Major Capital Investment Program (4+5+6+7)	3,268.5	3,543.8	275.3
	Capital Facilities			
9	Approved capital facilities projects	977.1	1,179.3	202.2
10	Unapproved capital facilities projects	172.6	42.7	-129.9
11	Total Capital Facilities Program (9+10)	1,149.7	1,222.1	72.4
12	ICT Integrated Plan of Work^[1]	291.0	355.2	64.2
	Minors Program			
13	Approved DMO delivered	53.1	52.8	-0.3
14	Approved Group and Services delivered	35.3	26.8	-8.5
15	Unapproved DMO delivered	90.1	38.2	-51.9
16	Unapproved Group and Services delivered	18.4	-	-18.4
17	Total Minors Program (13+14+15+16)	196.9	117.8	-79.1
18	Other Investment^[2]	452.5	1,009.1	556.6
19	Total Capital Investment Program (3+8+11+12+17+18)	5,701.7	6,262.0	560.3
	<i>Capital component</i>	<i>5,063.5</i>	<i>5,552.4</i>	<i>488.9</i>
	<i>Operating component</i>	<i>638.2</i>	<i>709.6</i>	<i>71.4</i>

Notes

1. Only includes activities delivered by the Chief Information Officer Group.

2. Includes the capital component of Repairable Items within the Capability Sustainment Program.

Table 10: Capability Sustainment Program

Serial No.		2013-14 Budget Estimate \$m	2013-14 Revised Estimate \$m	Variation \$m
	Current Sustainment			
1	Navy Sustainment	1,711.7	1,822.7	111.0
2	Army Sustainment	1,404.7	1,349.6	-55.1
3	Air Force Sustainment	1,672.5	1,707.5	35.0
4	Chief Information Officer Sustainment	473.3	546.1	72.8
5	Vice Chief of the Defence Force Sustainment	41.4	43.7	2.3
6	Office of the Secretary and CDF Sustainment	19.6	19.6	-
7	Joint Operations Command Sustainment	6.2	5.5	-0.7
8	Defence Support and Reform Group Sustainment	538.9	579.0	40.1
9	Total Current Sustainment	5,868.3	6,073.8	205.4
	Future Sustainment			
10	Future Sustainment Costs associated with AMCIP, ICT and Facilities	182.2	18.3	-163.9
11	Total Sustainment (9+10)	6,050.5	6,092.1	41.5

Table 11: Retained Capital Receipts

Serial No.		2013-14 Budget Estimate \$m	2013-14 Revised Estimate \$m	Variation \$m
	Property Sales			
	Proceeds from the sale of land and buildings	53.8	53.8	-
	Proceeds from the sale of housing	11.7	11.7	-
	Less return to Government	-47.8	-47.8	-
1	Proceeds retained by Defence	17.7	17.7	-
2	Proceeds from sale of specialist military equipment	-	11.2	11.2
3	Proceeds from sale of infrastructure, plant and equipment	36.2	24.2	-11.9
4	Retained Capital Receipts (1+2+3)	53.9	53.2	-0.7

Table 12: Variation in Estimates of Net Capital Receipts

	2013-14 Revised Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m	2016-17 Forward Estimate \$m
Portfolio Budget Statements 2013-14 Estimates	53.9	60.2	128.8	109.2
Movement in capital withdrawal associated with capital disposals program	-	-	-	-
Movement in proceeds from sales associated with the capital disposals program	-0.7	-2.5	-3.7	-8.9
Variation in Net Capital Receipts	-0.7	-2.5	-3.7	-8.9
Total Net Capital Receipts	53.2	57.6	125.1	100.4

1.5 People

Workforce Overview

ADF Workforce

The number of ADF personnel is slowly growing but a high separation rate is a continuing symptom of strong external employment opportunities for ADF personnel, particularly for those with professional and/or technical skills. While economic growth is slowing and there is uncertainty as Australia transitions to a less labour-intensive mining sector, there is still forecast demand for the next five years (and some existing shortages) for a number of occupations aligned to ADF roles including various engineering occupations, technical occupations, intelligence and policy analysts and general medical practitioners, some roles of which are ADF critical categories.

The gap of 1,665 between the permanent force ADF revised strength estimate and the Budget Estimate (see Table 13) is a result of these external conditions, the ability to achieve approved ADF staffing levels together with workforce that is awaiting funding through the approval of projects as part of the Defence Capability Plan.

In response to the challenging labour market conditions, Defence developed the Defence Employment Offer framework to ensure that the Department maintains a compelling offer to join and stay with Defence. The framework spurred development of the methodology of differentiated offers to deal in a targeted way with retention issues in workforce segments, and a longer-term project to ensure that the offer is as cost-effective as possible.

Additionally, improved prospects for ADF recruitment are expected over the coming years. For example, as the mining industry increasingly transitions from the labour intensive construction phase to the capital intensive production phase, deterioration in the wider labour market is anticipated, with the estimated number of employees required for the production phase half that needed in the construction phase.

APS Workforce

In accordance with Government commitments, the Australian Public Service is reducing in size through natural attrition and a tightening of recruiting practices. As a result, Defence is also reducing its APS workforce, while limiting negative impact on the delivery of capability.

As at 21 November 2013, the Defence APS workforce had reduced from 20,980 full time equivalents at the beginning of the financial year to 20,568, a reduction of 412. By the end of the financial year this is expected to reduce further to approximately 20,300 – an overall reduction of some 680 as illustrated below. In average terms, this equates to an annual achievement of 20,574.

Actual Full Time Equivalent for 2013-14 and End of Year Full Time Equivalent Estimate for the Forward Estimates

	Actual Full Time Equivalent as at 4 Jul 2013	2013-14 Full Time Equivalent Forecast Outcome	Variation	2014-15 Forward estimate	2015-16 Forward estimate	2016-17 Forward estimate
Total APS	20,980	20,300	-680	19,700	19,268	19,155

It is important to note that Defence's APS achievement is affected by the Defence Materiel Organisation's combined workforce management model, under which the DMO can utilise funding from military positions that cannot be filled, to hire civilian staff to fill the gaps. This is illustrated in the APS section of Table 13 below, and has the effect of increasing Defence's APS workforce at a Portfolio level as well as within DMO.

Workforce Summary

The total Defence fulltime workforce, including the DMO, is now forecast to be 77,518 in 2013-14, comprising:

- Permanent Forces (73 per cent) of:
 - 13,794 Navy Personnel
 - 28,833 Army Personnel
 - 13,943 Air Force Personnel
- 20,574 APS staff (26 per cent)
- 374 Contractors (less than 1 per cent)

The revised forecast strength of the Reserve Forces in 2013-14 is 20,450.

Over the forward estimates period, the total fulltime workforce will grow by 789 from the forecast of 77,518 in 2013-14 to 78,307 in 2016-17, while the Reserve workforce grows by 850 from 20,450 to 21,300.

The total planned strength of the Defence workforce is shown in Tables 13 and 14, while a breakdown by Service and rank or level appears at Table 15.

Defence People

No changes have been made to the Defence People section since the *Portfolio Budget Statements 2013-14*.

Table 13: Planned Workforce Allocation for the 2013-14 Budget and Forward Estimates—Fulltime^[1]

	2013-14 Budget estimate	2013-14 Revised estimate ^[2]	Variation	2014-15 Forward estimate ^[2]	2015-16 Forward estimate ^[2]	2016-17 Forward estimate ^[2]
ADF Permanent Force^[3]						
Navy	14,224	13,794	-430	14,318	14,332	14,321
Army	29,847	28,833	-1,014	30,069	30,157	30,202
Air Force	14,164	13,943	-221	14,104	14,110	14,130
1 Total Permanent Force	58,235	56,570	-1,665	58,491	58,599	58,653
Civilian Employees						
APS – Defence	15,547	15,268	-279	14,883	14,362	14,014
APS – DMO	5,307	4,878	-429	5,087	5,106	5,141
APS – DMO – ADF backfill	363	428	65	–	–	–
2 Total APS	21,217	20,574	-643	19,970	19,468	19,155
Contractors – Defence ^[4]	445	346	-99	445	447	453
Contractors – DMO	48	28	-20	48	46	46
3 Total Contractors	493	374	-119	493	493	499
4 Total Civilian Employees (2 + 3)	21,710	20,948	-762	19,927	19,761	19,654
Total Workforce Strength (1 + 4)	79,945	77,518	-2,427	78,418	78,360	78,307

Table 14: Planned Workforce Allocation for the 2013-14 Budget and Forward Estimates—Reserve^[1]

	2013-14 Budget estimate	2013-14 Revised estimate	Variation	2014-15 Forward estimate	2015-16 Forward estimate	2016-17 Forward estimate
Active Reserve Force						
Navy	2,150	2,150	0	2,200	2,200	2,200
Army	14,400	14,400	0	14,600	14,800	15,000
Air Force	2,500	2,500	0	2,500	2,500	2,500
1 Sub-total Active Reserve Force	19,050	19,050	0	19,300	19,500	19,700
High Readiness Reserve						
Navy	–	–	–	–	–	–
Army	800	800	0	900	950	1,000
Air Force	600	600	0	600	600	600
2 Sub-total High Readiness Reserve Force	1,400	1,400	0	1,500	1,550	1,600
Total Reserves (1 + 2)	20,450	20,450	0	20,800	21,050	21,300

Notes to Tables 13 and 14:

1. All numbers for the fulltime workforce elements represent average fulltime equivalents. Due to the nature of Reserve service, numbers for the Reserve Force represent headcounts.
2. Revised Estimates figures for the fulltime workforce elements represent forecast 2013-14 achievement for each element, while Forward Estimates figures represent the Government approved strength for each year.
3. Numbers for ADF Permanent Force include ADF members in the DMO and Reservists on full-time service.
4. Contractors are individuals under contract performing agency roles. Contractors are not APS employees.

Table 15: Breakdown of Personnel Numbers by Service and Rank

	2013-14 Budget Estimate	2013-14 Revised Estimate
Navy^[1]		
One Star and above	57	59
Senior Officers ^[2]	554	607
Officers	2,834	2,772
Other Ranks	10,779	10,356
Total Navy	14,224	13,794
Army^[1]		
One Star and above	77	78
Senior Officers ^[2]	821	812
Officers	5,532	5,440
Other Ranks	23,417	22,503
Total Army	29,847	28,833
Air Force^[1]		
One Star and above	56	53
Senior Officers ^[2]	667	670
Officers	3,964	4,010
Other Ranks	9,477	9,210
Total Air Force	14,164	13,943
APS^[1]		
Senior Executives ^[3]	168	164
Senior Officers ^[2]	6,670	6,566
Other APS Staff	14,379	13,844
Total APS	21,217	20,574
Contractors ^[4]	493	374
Total Workforce	79,945	77,518

Notes

1. Permanent Forces and APS numbers are forecasts of the average strength for 2013-14. Numbers for the APS and Contractors include the DMO.
2. Senior Officers are of Colonel or Lieutenant Colonel rank equivalent and substantive APS Executive Level 1 and 2.
3. The figures for the Senior Executive Service include the Secretary of the Department of Defence, 16 Chiefs of Division and 2 Medical Officers Grade 6.
4. Contractors are individuals under contract performing agency roles. Contractors are not APS employees.

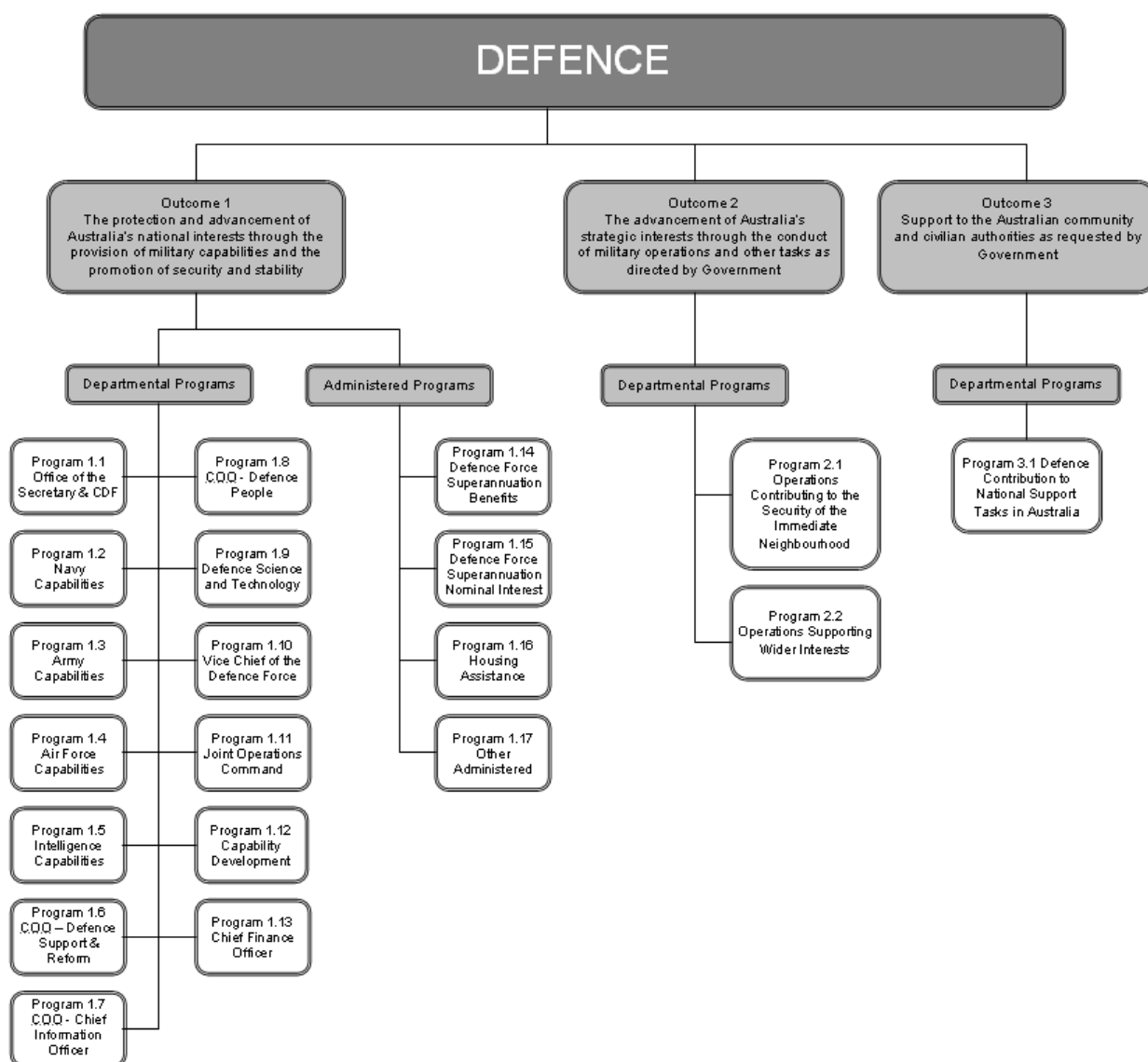
Section 2: Defence Outcomes and Planned Performance

2.1 Outcomes and Performance Information

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which government agencies achieve the intended results of their outcome statements. Agencies are required to identify the programs which contribute to Government outcomes over the budget and forward years.

Each outcome is described below together with its related programs, 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

The following changes have been made to the Outcome 1 Strategy since the *Portfolio Budget Statements 2013-14*.

Outcome 1 addresses the following strategic objectives:

- maintaining and building a defence capability that underpins Australia's security and prosperity and provides options for a credible response wherever Australia's security interests are engaged
- strengthening Australia's defence partnerships with our allies and regional partners and globally.

The primary focus of Outcome 1 is on maintaining the capacity to support current commitments and provide strategic 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 2013-14 are:

- to increase the professional and personal accountability of Defence personnel, and to improve Defence management and decision-making processes
- implementing the Government's commitment to release a new Defence White Paper within 18 months of taking office
- implementing the recommendations of the Cultural Reviews under the *Pathway to Change*
- supporting the program of efficiency and economy measures to ensure that all areas of Defence are best able to support and deliver future military capability requirements
- continuing the commitment to the recruitment and retention of ADF personnel.

Outcome 1 Resources

Table 16: Total Budgeted Resources Available for Outcome 1

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Program 1.1 Office of the Secretary and CDF						
Revenues from other sources	539	539	-	538	540	534
Departmental outputs	164,183	163,980	-203	161,272	192,192	189,289
Program 1.2 Navy Capabilities						
Revenues from other sources	248,407	165,008	-83,399	129,268	134,469	138,467
Departmental outputs	4,332,858	4,575,162	242,304	4,780,955	4,906,861	4,834,579
Program 1.3 Army Capabilities						
Revenues from other sources	156,852	101,929	-54,923	106,617	111,337	108,499
Departmental outputs	5,343,805	5,707,101	363,296	5,921,307	6,241,750	6,200,618
Program 1.4 Air Force Capabilities						
Revenues from other sources	323,449	218,462	-104,987	194,840	203,149	211,875
Departmental outputs	4,165,276	4,545,404	380,128	4,725,001	4,935,275	4,879,927
Program 1.5 Intelligence Capabilities						
Revenues from other sources	13,550	12,276	-1,274	11,479	12,020	12,244
Departmental outputs	524,824	518,892	-5,932	549,846	601,068	591,369
Chief Operating Officer (COO)						
Revenues from other sources	348,905	335,401	-13,504	355,052	444,264	427,929
Departmental outputs	5,173,208	5,287,601	114,393	5,556,098	5,595,246	5,426,478
Program 1.6 Chief Operating Officer - Defence Support and Reform						
Revenues from other sources	334,311	327,142	-7,169	345,593	434,287	417,809
Departmental outputs	3,747,675	3,702,261	-45,414	3,980,159	3,979,214	3,931,750
Program 1.7 Chief Operating Officer - Chief Information Officer						
Revenues from other sources	14,594	8,259	-6,335	9,459	9,977	10,120
Departmental outputs	972,779	1,102,984	130,205	1,084,634	1,146,009	1,020,394
Program 1.8 Chief Operating Officer - Defence People						
Revenues from other sources	-	-	-	-	-	-
Departmental outputs	452,754	482,356	29,602	491,305	470,023	474,334
Program 1.9 Defence Science and Technology						
Revenues from other sources	35,317	32,077	-3,240	35,142	36,036	37,005
Departmental outputs	427,200	411,837	-15,363	423,418	427,939	420,242
Program 1.10 Vice Chief of the Defence Force						
Revenues from other sources	231,636	329,382	97,746	341,137	352,969	365,085
Departmental outputs	1,251,094	1,191,333	-59,761	1,210,640	1,244,958	1,288,711
Program 1.11 Joint Operations Command						
Revenues from other sources	373	343	-30	360	368	371
Departmental outputs	50,680	52,952	2,272	50,974	54,310	56,725
Program 1.12 Capability Development						
Revenues from other sources	86,203	19,485	-66,718	25,271	31,423	37,545
Departmental outputs	883,841	360,871	-522,970	1,411,470	2,054,865	2,715,281
Program 1.13 Chief Finance Officer						
Revenues from other sources	822,302	820,563	-1,739	866,260	922,566	970,034
Departmental outputs	560,563	591,500	30,937	618,318	635,731	615,076

Table 16 (Cont): Total Budgeted Resources Available for Outcome 1

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Program 1.14 Defence Force Superannuation Benefits						
<i>Defence Force Retirement Benefits Act, 1948 Part 1, s.15D and VIC, s.82ZJ (1)</i>	-	-	-	-	-	-
<i>Defence Force Retirements and Death Benefits Act, 1973 Part XII, s.125 (3)</i>	96,957	96,957	-	85,377	75,307	66,101
<i>Military Superannuation and Benefits Act, 1991 Part V, s.17</i>	1,255,387	1,255,387	-	1,340,561	1,391,045	1,476,384
Total Administered Expenses	1,352,344	1,352,344	-	1,425,938	1,466,352	1,542,485
Administered Revenues from other sources	1,279,134	1,279,902	768	1,324,094	1,366,335	1,408,622
Total Program 1.14	73,210	72,442	-768	101,844	100,017	133,863
Program 1.15 Defence Force Superannuation Nominal Interest						
<i>Defence Force Retirement Benefits Act, 1948 Part 1, s.15D and VIC, s.82ZJ (1)</i>	26,918	26,918	-	25,357	23,848	22,391
<i>Defence Force Retirements and Death Benefits Act, 1973 Part XII, s.125 (3)</i>	1,481,592	1,481,592	-	1,483,710	1,483,692	1,481,497
<i>Military Superannuation and Benefits Act, 1991 Part V, s.17</i>	1,419,134	1,419,134	-	1,553,931	1,698,035	1,851,519
Total Administered Expenses	2,927,644	2,927,644	-	3,062,998	3,205,575	3,355,407
Administered Revenues from other sources	-	-	-	-	-	-
Total Program 1.15	2,927,644	2,927,644	-	3,062,998	3,205,575	3,355,407
Program 1.16 Housing Assistance						
<i>Defence Force (Home Loan Assistance) Act, 1990 Part IV, s.38</i>	1,963	1,817	-146	1,511	1,256	1,042
<i>Defence Home Ownership Assistance Scheme Act 2008 Part VI, s.84</i>	104,626	101,192	-3,434	111,653	120,573	127,935
Total Administered Expenses	106,589	103,009	-3,580	113,164	121,829	128,977
Administered Revenues from other sources	12,192	12,727	535	13,335	13,973	14,384
Total Program 1.16	94,397	90,282	-4,115	99,829	107,856	114,593
Program 1.17 Other Administered						
Administered Revenues from other sources	158,214	132,879	-25,335	141,058	157,942	169,826
Total Program 1.17	-158,214	-132,879	25,335	-141,058	-157,942	-169,826
Total resourcing						
Total Departmental outputs	22,877,532	23,406,633	529,101	25,409,299	26,890,195	27,218,295
Total Administered	2,937,037	2,957,489	20,452	3,123,613	3,255,506	3,434,037
Total Departmental revenue from other sources	2,267,533	2,035,465	-232,068	2,065,964	2,249,141	2,309,588
Total Administered revenue from other sources	1,449,540	1,425,508	-24,032	1,478,487	1,538,250	1,592,832
Equity Injection	683,005	918,385	235,380	1,963,011	1,607,720	1,841,398
Total resources for Outcome 1	30,214,647	30,743,480	528,833	34,040,374	35,540,812	36,396,150

Contributions to Outcome 1

Program 1.1: Office of the Secretary and CDF

Performance information is as reported in the *Portfolio Budget Statements 2013-14* except for the following revisions.

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 deliver high quality policy advice to the Government, drive organisational reform and exercise strategic leadership.

The OSCDF Group manages the vast array of operational, policy, commercial, regulatory, risk and other matters associated with the Defence mission of defending Australia and its national interests.

During 2013-14, the Group will continue to drive implementation of the strategic reforms across Defence. It will implement new measures to align Defence's corporate functions with strategic planning and guide the development of the *2015 Defence White Paper*.

The Group comprises the small personal offices of the Secretary and CDF, the Strategy Executive, the Audit and Fraud Control Division and a number of Military Justice agencies.

Table 17: Cost Summary for Program 1.1 Office of the Secretary and CDF

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Employees	37,187	36,625	-562	36,576	39,841	39,319
Suppliers	121,867	121,746	-121	119,321	147,621	145,445
Grants	4,557	4,653	96	4,735	4,307	4,416
Depreciation and amortisation	1,111	1,495	384	1,178	963	643
Finance cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	164,722	164,519	-203	161,810	192,732	189,823
Income						
Revenues						
Goods and services	539	439	-100	435	434	426
Other revenue	-	100	100	103	106	108
Total Revenue	539	539	-	538	540	534
Gains						
Reversal of previous asset write-downs	-	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	-	-	-	-	-	-
Total income	539	539	-	538	540	534
Program 1.1 Office of the Secretary and CDF	164,183	163,980	-203	161,272	192,192	189,289

Program 1.1 Deliverables

- Ensure delivery of the Defence Cooperation Program within available resources.
- Oversee implementation of agreed recommendations of the *ADF Posture Review*.
- Guide the development of the *2015 Defence White Paper*.
- Ensure Defence strategic policy aligns with Government direction and priorities, including fiscal policy.
- Administer use of the Australia-United States Defence Trade Cooperation Treaty by Australian Government agencies and defence industry.

The following Deliverables transferred to the Chief Operating Officer Organisation since the *Portfolio Budget Statements 2013-14*:

- Enhance Defence's governance framework, through clearer authority and accountability and more rigorous performance management, risk management, assurance and audit processes.
- Align Defence's corporate, enterprise risk and strategic planning functions, including through Defence's annual and corporate plans.
- Ensure Defence corporate strategy aligns with Government direction and priorities, including fiscal policy.

Program 1.2: Navy Capabilities

Performance information is as reported in the *Portfolio Budget Statements 2013-14* except for the following revisions.

Table 18: Cost Summary for Program 1.2 Navy Capabilities

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Employees	1,788,501	1,789,282	781	1,869,235	1,986,273	1,960,397
Suppliers	1,813,436	1,949,665	136,229	2,101,978	2,194,530	2,171,937
Grants	-	400	400	-	-	-
Depreciation and amortisation	772,860	889,212	116,352	822,701	742,682	722,066
Finance cost	20,721	21,582	861	26,693	28,438	29,122
Write-down of assets and impairment of assets	185,747	90,029	-95,718	89,616	89,407	89,524
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	4,581,265	4,740,170	158,905	4,910,223	5,041,330	4,973,046
Income						
Revenues						
Goods and services	91,790	91,790	-	67,162	71,258	74,624
Other revenue	42,520	42,520	-	31,241	32,034	32,216
Total Revenue	134,310	134,310	-	98,403	103,292	106,840
Gains						
Reversal of previous asset write-downs	114,097	30,698	-83,399	30,865	31,177	31,627
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	114,097	30,698	-83,399	30,865	31,177	31,627
Total income	248,407	165,008	-83,399	129,268	134,469	138,467
Program 1.2 Navy Capabilities	4,332,858	4,575,162	242,304	4,780,955	4,906,861	4,834,579

Table 19: Navy Deliverables (Unit Ready Days)^[1]

Deliverables		2013-14 Budget Estimate	2013-14 Revised Estimate
18	Major Combatants	3,501	3,522 ^[2]
20	Minor Combatants	4,581	4,477 ^[3]
9	Amphibious and Afloat Support	2,186	2,047 ^[4]
9	Hydrographic Force	2,805	2,819 ^[5]

Notes

- Unit Ready Days (URD) are the aggregate number of days that constituent force elements are available for tasking.
- Major Combatants include the Adelaide class frigates, Anzac class frigates, and submarines. The increase in URD is due to changes in the dates of scheduled maintenance periods.
- Minor Combatants include Armidale class patrol boats and coastal mine hunters. The decrease in URD is attributable to extensions of major maintenance periods.
- Amphibious and Afloat Support comprises the oil tanker, replenishment ship, landing ship dock, heavy landing ship, and heavy landing craft. The decrease in URD is due to a refit extension and other schedule changes.
- Hydrographic Force comprises the hydrographic ships, survey motor launches, chart production office and meteorological and oceanographic centres. The increase in URD is due to schedule changes.

Program 1.3: Army Capabilities

Performance information is as reported in the *Portfolio Budget Statements 2013-14* except for the following revisions.

Program 1.3 Objective

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. Army is to prepare forces for Joint Force-In-Being contributions to understanding and shaping the strategic environment; assisting civil authorities in Australia and abroad; and, deterring, denying and/or defeating adversaries the opportunity to attack or threaten Australia, or its strategic interests.

Army's first priority is to continue to support forces and individuals deployed on operations. During 2013-14 Army will remain heavily committed across a spectrum of operations at the domestic, regional and global level. Army will continue to sustain and preserve the ability to deploy and sustain a brigade group and a battalion group, in different areas of operation, for a prolonged period of time in our primary operational environment.

Army will further develop and refine the Army Sustainment Campaign Plan and Force Generation Cycle to ensure Army is capable of supporting current operations while concurrently posturing to meet the challenges of future operations. During 2013-14, the implementation of Multi-role Combat Brigade and Army Reserve reform under Plan BEERSHEBA will see increased commonality of structures and capability across Army. These changes will optimize its Force Generation Cycle and achieve efficiencies through cyclical personnel and resource usage and rationalisation of the equipment required to sustain operational missions and readiness for potential contingencies.

Army will build on its existing cultural strengths through the implementation of a *Pathway to Change*, to ensure the organisation excels in preparing for and conducting operations in support of Australia and national interests, while reflecting modern community standards and attitudes.

Table 20: Cost Summary for Program 1.3 Army Capabilities

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Employees	3,402,847	3,389,866	-12,981	3,580,647	3,878,588	3,836,827
Suppliers	1,441,882	1,460,923	19,041	1,695,211	1,791,432	1,803,200
Grants	284	284	-	84	88	90
Depreciation and amortisation	530,145	892,003	361,858	684,660	614,613	599,169
Finance cost	1,886	2,089	203	3,171	3,572	3,764
Write-down of assets and impairment of assets	123,613	63,865	-59,748	64,151	64,794	66,067
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	5,500,657	5,809,030	308,373	6,027,924	6,353,087	6,309,117
Income						
Revenues						
Goods and services	73,856	72,024	-1,832	82,018	86,427	86,244
Other revenue	3,857	4,689	832	-	-	617
Total Revenue	77,713	76,713	-1,000	82,018	86,427	86,861
Gains						
Reversal of previous asset write-downs	75,232	22,009	-53,223	22,401	23,012	23,940
Net gains from sale of assets ^[1]	3,907	3,207	-700	2,198	1,898	-2,302
Other gains	-	-	-	-	-	-
Total gains	79,139	25,216	-53,923	24,599	24,910	21,638
Total income	156,852	101,929	-54,923	106,617	111,337	108,499
Program 1.3 Army Capabilities	5,343,805	5,707,101	363,296	5,921,307	6,241,750	6,200,618

Note

1. At the Portfolio level Defence has budgeted for a total net gain from sale of assets. Whilst the amount shown in the 2016-17 forward estimate represents a loss for this Program, the overall Portfolio budgeted outcome is for a gain.

Table 21: Army Deliverables (Rate of Effort – Flying Hours)

Deliverables	2013-14 Budget Estimate	2013-14 Revised Budget	2014-15 Forward Year 1	2015-16 Forward Year 2	2016-17 Forward Year 3
6 CH-47D Chinook ^{[1][2]}	1,850	1,850	383		
7 CH-47F Chinook ^[2]			1,317	1,700	1,700
34 S-70A-9 Black Hawk ^[3]	6,200	6,500	5,090	4,230	3,730
41 B-206 Kiowa	6,400	6,400	6,150	6,150	6,150
22 Armed Reconnaissance Helicopter (ARH) Tiger	3,360	3,360	4,566	5,661	6,042
46 Multi Role Helicopter (MRH90) ^{[3][4]}	4,000	4,000	5,400	7,100	8,450

Notes

- The Chinook 2013-14 Rate of Effort comprises 1700 hours Baseline plus 150 hours Operational Supplement.
- The Chinook has been split into two lines to reflect replacement of six CH-47D with seven CH-47F in 2014-15. The 2014-15 Rate of Effort balance between the two aircraft variants is an initial estimate.
- MRH90 Rate of Effort has been reduced by 4,400 hours across the four years. The key reasons for this are delays to the MRH90 aircraft delivery schedule, and delays to certification and testing of critical aircraft systems and role equipment. There has been a consequential increase of 3,750 hours in Black Hawk Rate of Effort across the four years.
- MRH90 aircraft quantities include six for Navy (five in 808 Squadron, and one in deeper maintenance). MRH90 Rate of Effort includes Navy flying hours (1,400 hours in 2013-14, and 1,500 pa thereafter).

Program 1.4: Air Force Capabilities

Performance information is as reported in the *Portfolio Budget Statements 2013-14*.

Table 22: Cost Summary for Program 1.4 Air Force Capabilities

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Employees	1,807,222	1,802,139	-5,083	1,868,515	1,998,407	1,983,885
Suppliers	1,774,456	1,808,739	34,283	2,006,352	2,100,450	2,075,752
Grants	-	50	50	-	-	-
Depreciation and amortisation	671,224	1,034,398	363,174	923,063	916,681	908,662
Finance cost	6,148	7,351	1,203	11,156	12,571	13,244
Write-down of assets and impairment of assets	229,675	111,189	-118,486	110,755	110,315	110,259
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	4,488,725	4,763,866	275,141	4,919,841	5,138,424	5,091,802
Income						
Revenues						
Goods and services	175,662	173,965	-1,697	151,537	159,395	167,508
Other revenue	6,552	6,552	-	5,086	5,213	5,333
Total Revenue	182,214	180,517	-1,697	156,623	164,608	172,841
Gains						
Reversal of previous asset write-downs	141,235	37,945	-103,290	38,217	38,541	39,034
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	141,235	37,945	-103,290	38,217	38,541	39,034
Total income	323,449	218,462	-104,987	194,840	203,149	211,875
Program 1.4 Air Force Capabilities	4,165,276	4,545,404	380,128	4,725,001	4,935,275	4,879,927

Program 1.5: Intelligence Capabilities

Performance information is as reported in the *Portfolio Budget Statements 2013-14*.

Table 23: Cost Summary for Program 1.5 Intelligence Capabilities

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Employees	269,859	262,846	-7,013	268,971	289,087	288,476
Suppliers	230,027	222,322	-7,705	243,983	270,740	254,841
Grants	-	-	-	-	-	-
Depreciation and amortisation	34,713	43,692	8,979	45,364	49,944	56,739
Finance cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	3,775	2,308	-1,467	3,007	3,317	3,557
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	538,374	531,168	-7,206	561,325	613,088	603,613
Income						
Revenues						
Goods and services	11,243	11,243	-	10,134	10,536	10,652
Other revenue	-	-	-	-	-	-
Total Revenue	11,243	11,243	-	10,134	10,536	10,652
Gains						
Reversal of previous asset write-downs	2,307	1,033	-1,274	1,345	1,484	1,592
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	2,307	1,033	-1,274	1,345	1,484	1,592
Total income	13,550	12,276	-1,274	11,479	12,020	12,244
Program 1.5 Intelligence Capabilities	524,824	518,892	-5,932	549,846	601,068	591,369

Chief Operating Officer

Performance information is as reported in the *Portfolio Budget Statements 2013-14* except for the following revisions.

Chief Operating Officer Objective

DSRG and CIOG continue to work together to progress the development of Information Management as an enterprise capability for Defence including the development of a consistent governance framework to be applied across Defence and the adoption of enterprise approaches to the use of technology to enable information management.

Table 24: Cost Summary for Chief Operating Officer

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Employees	1,363,437	1,369,675	6,238	1,412,174	1,476,937	1,493,771
Suppliers	2,926,969	2,949,669	22,700	3,169,031	3,176,126	2,965,136
Grants	1,478	1,342	-136	1,569	1,596	1,628
Depreciation and amortisation	1,011,222	1,085,662	74,440	1,100,262	1,093,793	1,090,232
Finance cost	103,984	97,171	-6,813	108,408	106,442	105,912
Write-down of assets and impairment of assets	93,950	75,110	-18,840	80,492	83,996	85,414
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	21,073	44,373	23,300	39,214	100,620	112,314
Total expenses	5,522,113	5,623,002	100,889	5,911,150	6,039,510	5,854,407
Income						
Revenues						
Goods and services	305,336	304,783	-553	314,729	335,094	338,360
Other revenue	6,455	9,757	3,302	8,022	8,413	8,824
Total Revenue	311,791	314,540	2,749	322,751	343,507	347,184
Gains						
Reversal of previous asset write-downs	25,114	8,861	-16,253	10,301	10,757	10,845
Net gains from sale of assets	12,000	12,000	-	22,000	90,000	69,900
Other gains	-	-	-	-	-	-
Total gains	37,114	20,861	-16,253	32,301	100,757	80,745
Total income	348,905	335,401	-13,504	355,052	444,264	427,929
Chief Operating Officer (COO)	5,173,208	5,287,601	114,393	5,556,098	5,595,246	5,426,478

Chief Operating Officer Deliverables

The following deliverables for the Chief Operating Officer focus on oversight of the COO organisation:

- Oversee, integrate and coordinate reforms.
- Ensure policy advice provided to the Government is accurate, timely and responsive, and offers practical and cost-effective approaches to fulfill the Government's defence responsibilities.
- Provide overarching strategic guidance, policy and supporting plans to implement the recommendations of the reviews into the culture of the ADF and Defence. Notwithstanding, the Secretary and CDF retain personal accountability for *Pathway to Change* which is executed through the Culture Reform Steering Committee. Resourcing of individual initiatives in support of the *Pathway to Change* comes from the individual Groups and Services as appropriate.

Program 1.6: Chief Operating Officer – Defence Support and Reform

Performance information is as reported in the *Portfolio Budget Statements 2013-14* except for the following revisions.

Program 1.6 Objective

DSRG is responsible for delivering shared services that support the ADF and Defence Groups, and is fundamental to generating Defence capability through the services it provides. DSRG supports Defence through the provision of a range of products and services including: housing; business services; base support services including catering, accommodation, cleaning and grounds maintenance; and managing, developing and sustaining the Defence estate and whole-of-Defence information management capability.

Table 25: Cost Summary for Program 1.6 Chief Operating Officer – Defence Support and Reform

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Employees	1,061,651	1,031,128	-30,523	1,111,190	1,184,071	1,211,118
Suppliers	1,905,859	1,876,576	-29,283	2,088,085	2,047,610	1,940,007
Grants	17	-	-17	-	-	-
Depreciation and amortisation	914,050	917,640	3,590	913,329	906,547	910,575
Finance cost	103,928	97,115	-6,813	108,364	106,432	105,912
Write-down of assets and impairment of assets	75,408	62,571	-12,837	65,570	68,221	69,633
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	21,073	44,373	23,300	39,214	100,620	112,314
Total expenses	4,081,986	4,029,403	-52,583	4,325,752	4,413,501	4,349,559
Income						
Revenues						
Goods and services	302,167	301,614	-553	311,440	331,683	334,823
Other revenue	6,455	9,757	3,302	8,022	8,413	8,824
Total Revenue	308,622	311,371	2,749	319,462	340,096	343,647
Gains						
Reversal of previous asset write-downs	13,689	3,771	-9,918	4,131	4,191	4,262
Net gains from sale of assets	12,000	12,000	-	22,000	90,000	69,900
Other gains	-	-	-	-	-	-
Total gains	25,689	15,771	-9,918	26,131	94,191	74,162
Total income	334,311	327,142	-7,169	345,593	434,287	417,809
Program 1.6 Chief Operating Officer - Defence Support and Reform	3,747,675	3,702,261	-45,414	3,980,159	3,979,214	3,931,750

Program 1.6 Deliverables

- Enhance Defence's governance framework, through clearer authority and accountability and more rigorous performance management, risk management, assurance and audit processes¹.
- Align Defence's corporate, enterprise risk and strategic planning functions, including through Defence's annual and corporate plans¹.
- Ensure Defence's corporate strategy aligns with Government direction and priorities, including fiscal policy¹.
- Development of the Defence Information Management Strategy and a subordinate Information Management Plan to progress the development of an information management capability across Defence.
- Manage, develop and sustain the Defence estate to meet Defence and Government requirements by developing and delivering major estate and environment programs on time, to budget and compliant with the *Work Health and Safety Act 2011*, *Environment Protection and Biodiversity Conservation Act 1999* and other statutory requirements.

Program 1.6 Key Performance Indicators

- Improve business outcomes as part of broader Defence reform, including ongoing implementation of an enhanced enterprise planning system and the revised responsibilities and accountabilities for base support.
- The Defence Information Management Strategy is developed and endorsed and the first iteration of the Defence Information Management Plan is developed, endorsed and implementation is underway.

¹ This deliverable has transferred from Program 1.1: Office of the Secretary and CDF.

Program 1.7: Chief Operating Officer – Chief Information Officer

Performance information is as reported in the *Portfolio Budget Statements 2013-14*.

Table 26: Cost Summary for Program 1.7 Chief Operating Officer - Chief Information Officer

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Employees	137,256	130,534	-6,722	109,705	110,250	101,682
Suppliers	737,183	801,812	64,629	784,697	845,231	736,062
Grants	-	-	-	-	-	-
Depreciation and amortisation	94,336	166,302	71,966	184,725	184,720	176,989
Finance cost	56	56	-	44	10	-
Write-down of assets and impairment of assets	18,542	12,539	-6,003	14,922	15,775	15,781
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	987,373	1,111,243	123,870	1,094,093	1,155,986	1,030,514
Income						
Revenues						
Goods and services	3,169	3,169	-	3,289	3,411	3,537
Other revenue	-	-	-	-	-	-
Total Revenue	3,169	3,169	-	3,289	3,411	3,537
Gains						
Reversal of previous asset write-downs	11,425	5,090	-6,335	6,170	6,566	6,583
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	11,425	5,090	-6,335	6,170	6,566	6,583
Total income	14,594	8,259	-6,335	9,459	9,977	10,120
Program 1.7 Chief Operating Officer - Chief Information Officer	972,779	1,102,984	130,205	1,084,634	1,146,009	1,020,394

Program 1.8: Chief Operating Officer – Defence People

Performance information is as reported in the *Portfolio Budget Statements 2013-14* except for the following revisions.

Program 1.8 Objective

The extant strategy document *People in Defence* has been reviewed to identify gaps between current programs and commitments made in the *Defence White Paper 2013*. It is anticipated that further revision of *People in Defence* will occur in conjunction with the development and release of the next *Defence White Paper*.

Table 27: Cost Summary for Program 1.8 Chief Operating Officer – Defence People

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Employees	164,530	208,013	43,483	191,279	182,616	180,971
Suppliers	283,927	271,281	-12,646	296,249	283,285	289,067
Grants	1,461	1,342	-119	1,569	1,596	1,628
Depreciation and amortisation	2,836	1,720	-1,116	2,208	2,526	2,668
Finance cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	452,754	482,356	29,602	491,305	470,023	474,334
Income						
Revenues						
Goods and services	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-
Gains						
Reversal of previous asset write-downs	-	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	-	-	-	-	-	-
Total income	-	-	-	-	-	-
Program 1.8 Chief Operating Officer - Defence People	452,754	482,356	29,602	491,305	470,023	474,334

Program 1.9: Defence Science and Technology

Performance information is as reported in the *Portfolio Budget Statements 2013-14*.

Table 28: Cost Summary for Program 1.9 Defence Science and Technology

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Employees	305,173	289,615	-15,558	311,597	320,080	315,721
Suppliers	128,386	127,530	-856	120,442	118,335	115,662
Grants	-	-	-	-	-	-
Depreciation and amortisation	25,478	24,632	-846	24,206	23,024	23,102
Finance cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	3,480	2,137	-1,343	2,315	2,536	2,762
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	462,517	443,914	-18,603	458,560	463,975	457,247
Income						
Revenues						
Goods and services	33,190	31,121	-2,069	34,106	34,901	35,769
Other revenue	-	-	-	-	-	-
Total Revenue	33,190	31,121	-2,069	34,106	34,901	35,769
Gains						
Reversal of previous asset write-downs	2,127	956	-1,171	1,036	1,135	1,236
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	2,127	956	-1,171	1,036	1,135	1,236
Total income	35,317	32,077	-3,240	35,142	36,036	37,005
Program 1.9 Defence Science and Technology	427,200	411,837	-15,363	423,418	427,939	420,242

Program 1.10: Vice Chief of the Defence Force

Performance information is as reported in the *Portfolio Budget Statements 2013-14* except for the following revisions.

Program 1.10 Objective

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

The US Force Posture Review Implementation Team is completing tasks related to Phase 2 of the United States Marine Corps rotational presence, with the remainder of the responsibility now resting with Strategy Group.

Table 29: Cost Summary for Program 1.10 Vice Chief of the Defence Force

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Employees	535,415	531,674	-3,741	549,177	598,240	625,032
Suppliers	576,122	574,948	-1,174	571,807	552,512	563,895
Grants	-	25	25	25	25	-
Depreciation and amortisation	30,154	28,136	-2,018	28,397	28,347	29,248
Finance cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	341,039	385,932	44,893	402,371	418,803	435,621
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	1,482,730	1,520,715	37,985	1,551,777	1,597,927	1,653,796
Income						
Revenues						
Goods and services	128,952	128,952	-	132,176	135,479	138,866
Other revenue	-	-	-	-	-	-
Total Revenue	128,952	128,952	-	132,176	135,479	138,866
Gains						
Reversal of previous asset write-downs	102,684	200,430	97,746	208,961	217,490	226,219
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	102,684	200,430	97,746	208,961	217,490	226,219
Total income	231,636	329,382	97,746	341,137	352,969	365,085
Program 1.10 Vice Chief of the Defence Force	1,251,094	1,191,333	-59,761	1,210,640	1,244,958	1,288,711

Program 1.10 Deliverables

- Deliver coordinated logistic advice and services to the ADF, and provide oversight and assurance of the Defence Logistic Capability.

Program 1.10 Key Performance Indicators

- Governance and accountability frameworks enhance the youth development experience within the ADF Cadets and the Defence Work Experience Program.

Program 1.11: Joint Operations Command

Performance information is as reported in the *Portfolio Budget Statements 2013-14*.

Table 30: Cost Summary for Program 1.11 Joint Operations Command

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Employees	5,771	6,110	339	6,610	6,565	6,219
Suppliers	42,635	45,046	2,411	41,006	42,889	44,231
Grants	-	-	-	-	-	-
Depreciation and amortisation	2,647	2,139	-508	3,718	5,224	6,646
Finance cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	51,053	53,295	2,242	51,334	54,678	57,096
Income						
Revenues						
Goods and services	373	343	-30	360	368	371
Other revenue	-	-	-	-	-	-
Total Revenue	373	343	-30	360	368	371
Gains						
Reversal of previous asset write-downs	-	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	-	-	-	-	-	-
Total income	373	343	-30	360	368	371
Program 1.11 Joint Operations Command	50,680	52,952	2,272	50,974	54,310	56,725

Program 1.12: Capability Development

Performance information is as reported in the *Portfolio Budget Statements 2013-14*.

Table 31: Cost Summary for Program 1.12 Capability Development

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Employees	61,590	21,145	-40,445	73,399	107,054	134,688
Suppliers	408,844	299,904	-108,940	797,704	1,129,057	1,446,718
Grants	-	-	-	-	-	-
Depreciation and amortisation	361,617	1,432	-360,185	490,622	756,937	1,060,026
Finance cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	137,993	57,875	-80,118	75,016	93,240	111,394
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	970,044	380,356	-589,688	1,436,741	2,086,288	2,752,826
Income						
Revenues						
Goods and services	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-
Gains						
Reversal of previous asset write-downs	86,203	19,485	-66,718	25,271	31,423	37,545
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	86,203	19,485	-66,718	25,271	31,423	37,545
Total income	86,203	19,485	-66,718	25,271	31,423	37,545
Program 1.12 Capability Development	883,841	360,871	-522,970	1,411,470	2,054,865	2,715,281

Program 1.13: Chief Finance Officer

Performance information is as reported in the *Portfolio Budget Statements 2013-14*.

Table 32: Cost Summary for Program 1.13 Chief Finance Officer

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Employees	501,356	533,396	32,040	554,320	570,348	586,494
Suppliers	829,064	827,481	-1,583	889,547	940,496	982,893
Grants	-	-	-	-	-	-
Depreciation and amortisation	416	1,175	759	665	152	168
Finance cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	4,216	2,198	-2,018	2,166	2,134	2,103
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	47,813	47,813	-	37,880	45,167	13,452
Total expenses	1,382,865	1,412,063	29,198	1,484,578	1,558,297	1,585,110
Income						
Revenues						
Goods and services	-	-	-	-	-	-
Other revenue	814,573	814,573	-	860,153	916,337	963,682
Total Revenue	814,573	814,573	-	860,153	916,337	963,682
Gains						
Reversal of previous asset write-downs	2,603	864	-1,739	853	843	832
Net gains from sale of assets	-	-	-	-	-	-
Other gains	5,126	5,126	-	5,254	5,386	5,520
Total gains	7,729	5,990	-1,739	6,107	6,229	6,352
Total income	822,302	820,563	-1,739	866,260	922,566	970,034
Program 1.13 Chief Finance Officer	560,563	591,500	30,937	618,318	635,731	615,076

Administered Program 1.14: Defence Force Superannuation Benefits

Performance information is as reported in the *Portfolio Budget Statements 2013-14*.

Table 33: Cost Summary for Administered Program 1.14 Defence Force Superannuation Benefits

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Net foreign exchange losses	-	-	-	-	-	-
Retention benefits	77,103	77,103	-	95,883	77,940	93,000
Military superannuation benefits	1,275,241	1,275,241	-	1,330,055	1,388,412	1,449,485
Total expenses	1,352,344	1,352,344	-	1,425,938	1,466,352	1,542,485
Income						
Revenues						
Interest	-	-	-	-	-	-
Net foreign exchange gain	-	-	-	-	-	-
Military superannuation contributions	1,279,134	1,279,902	768	1,324,094	1,366,335	1,408,622
Total income	1,279,134	1,279,902	768	1,324,094	1,366,335	1,408,622
Program 1.14 Defence Force Superannuation Benefits	73,210	72,442	-768	101,844	100,017	133,863

Administered Program 1.15: Defence Force Superannuation Nominal Interest

Performance information is as reported in the *Portfolio Budget Statements 2013-14*.

Table 34: Cost Summary for Administered Program 1.15 Defence Force Superannuation Nominal Interest

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Net foreign exchange losses	-	-	-	-	-	-
Retention benefits	-	-	-	-	-	-
Military superannuation benefits	2,927,644	2,927,644	-	3,062,998	3,205,575	3,355,407
Total expenses	2,927,644	2,927,644	-	3,062,998	3,205,575	3,355,407
Income						
Revenues						
Interest	-	-	-	-	-	-
Net foreign exchange gain	-	-	-	-	-	-
Military superannuation contributions	-	-	-	-	-	-
Total income	-	-	-	-	-	-
Program 1.15 Defence Force Superannuation Nominal Interest	2,927,644	2,927,644	-	3,062,998	3,205,575	3,355,407

Administered Program 1.16: Housing Assistance

Performance information is as reported in the *Portfolio Budget Statements 2013-14*.

Table 35: Cost Summary for Administered Program 1.16 Housing Assistance

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Net foreign exchange losses	-	-	-	-	-	-
Housing subsidies	106,589	103,009	-3,580	113,164	121,829	128,977
Total expenses	106,589	103,009	-3,580	113,164	121,829	128,977
Income						
Revenues						
Interest	-	-	-	-	-	-
Net foreign exchange gains	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
License fees	12,192	12,727	535	13,335	13,973	14,384
Other	-	-	-	-	-	-
Total income	12,192	12,727	535	13,335	13,973	14,384
Program 1.16 Housing Assistance	94,397	90,282	-4,115	99,829	107,856	114,593

Administered Program 1.17: Other Administered
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Performance information is as reported in the *Portfolio Budget Statements 2013-14*.

Table 36: Cost Summary for Administered Program 1.17 Other Administered

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Total expenses	-	-	-	-	-	-
Income						
Revenues						
Interest	31,849	29,807	-2,042	34,791	37,161	37,682
Dividends	49,717	50,525	808	47,795	57,539	56,861
Other	76,648	52,547	-24,101	58,472	63,242	75,283
Total income	158,214	132,879	-25,335	141,058	157,942	169,826
Program 1.17 Other Administered	-158,214	-132,879	25,335	-141,058	-157,942	-169,826

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

No changes have been made to this outcome strategy since the *Portfolio Budget Statements 2013-14*.

Outcome 2 Resources

Table 37: Total Budgeted Resources Available for Outcome 2

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Program 2.1 - Operations Contributing to the Security of the Immediate Neighbourhood						
Revenue from other sources	-	-	-	-	-	-
Departmental outputs	16,685	16,685	-	58	-	-
Program 2.2 - Operations Supporting Wider Interests						
Revenue from other sources	10,739	10,766	27	-	-	-
Departmental outputs	884,936	981,087	96,151	221,696	160,123	87,146
Total resourcing						
Total Departmental outputs	901,621	997,772	96,151	221,754	160,123	87,146
Total Departmental revenue from other sources	10,739	10,766	27	-	-	-
Total resources for Outcome 2	912,360	1,008,538	96,178	221,754	160,123	87,146

Contributions to Outcome 2

Program 2.1: Operations Contributing to the Security of the Immediate Neighbourhood

Performance information is as reported in the *Portfolio Budget Statements 2013-14* except for the following revisions.

Table 38: Cost Summary for Program 2.1 Operations Contributing to the Security of the Immediate Neighbourhood

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Employees	4,090	4,090	-	-	-	-
Suppliers	12,595	12,595	-	58	-	-
Grants	-	-	-	-	-	-
Depreciation and amortisation	-	-	-	-	-	-
Finance cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	16,685	16,685	-	58	-	-
Income						
Revenues						
Goods and services	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-
Gains						
Reversal of previous asset write-downs	-	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	-	-	-	-	-	-
Total income	-	-	-	-	-	-
Program 2.1 Operations Contributing to the Security of the Immediate Neighbourhood	16,685	16,685	-	58	-	-

Program 2.1 Deliverables

The following changes have been made to the Program Deliverables since the *Portfolio Budget Statements 2013-14*:

- Operation ANODE: ceased in 2013.
- Operation ASTUTE: ceased in 2013.
- Operation PHILIPPINES ASSIST: commenced in 2013.

Operation	Commenced	Objective
ANODE	2003-2013	Support the coalition police forces in maintaining the rule of law in Solomon Islands.
ASTUTE	2006-2013	Contribute security support to the Government of Timor- Leste and the United Nations Mission in Timor Leste.
PHILIPPINES ASSIST	2013	Support the Whole of Government contribution to the international humanitarian and disaster relief operations as requested by the Philippines Government.

Program 2.2: Operations Supporting Wider Interests

Performance information is as reported in the *Portfolio Budget Statements 2013-14* except for the following revisions.

Table 39: Cost Summary for Program 2.2 Operations Supporting Wider Interests

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Employees	132,026	174,835	42,809	245	-	-
Suppliers	714,556	767,925	53,369	142,571	80,537	6,849
Grants	39,093	39,093	-	78,880	79,586	80,297
Depreciation and amortisation	-	-	-	-	-	-
Finance cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	10,000	10,000	-	-	-	-
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	895,675	991,853	96,178	221,696	160,123	87,146
Income						
Revenues						
Goods and services	10,739	10,766	27	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenue	10,739	10,766	27	-	-	-
Gains						
Reversal of previous asset write-downs	-	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	-	-	-	-	-	-
Total income	10,739	10,766	27	-	-	-
Program 2.2 Operations Supporting Wider Interests	884,936	981,087	96,151	221,696	160,123	87,146

Program 2.2 Deliverables

The following changes have been made to the Program Deliverables since the *Portfolio Budget Statements 2013-14*:

- Operation RIVERBANK: ceased in 2013.
- Operation PALATE II: a senior Military Advisor and Military Liaison Officers are provided to the United Nations Assistance Mission in Afghanistan.

Operation	Commenced	Objective
RIVERBANK	2008-2013	Contribute to the United Nations Assistance Mission for Iraq.
PALATE II	2005	Provide a Senior Military Advisor and Military Liaison Officers to the United Nations Assistance Mission in Afghanistan.

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

Outcome 3 Strategy

No changes have been made to this outcome strategy since the *Portfolio Budget Statements 2013-14*.

Outcome 3 Resources

Table 40: Total Budgeted Resources Available for Outcome 3

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Program 3.1 - Defence Contribution to National Support Tasks in Australia						
Revenues from other sources	-	-	-	-	-	-
Departmental outputs	16,933	54,097	37,164	4	4	-
Total resourcing	16,933	54,097	37,164	4	4	-
Total Departmental outputs	16,933	54,097	37,164	4	4	-
Total Departmental revenue from other sources	-	-	-	-	-	-
Total resources for Outcome 3	16,933	54,097	37,164	4	4	-

Contributions to Outcome 3

Program 3.1: Defence Contribution to National Support Tasks in Australia

Performance information is as reported in the *Portfolio Budget Statements 2013-14* except for the following revisions.

Table 41: Cost Summary for Program 3.1 Defence Contribution to National Support Tasks in Australia

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
Expenses						
Employees	3,852	13,631	9,779	-	-	-
Suppliers	13,081	40,466	27,385	4	4	-
Grants	-	-	-	-	-	-
Depreciation and amortisation	-	-	-	-	-	-
Finance cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	16,933	54,097	37,164	4	4	-
Income						
Revenues						
Goods and services	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-
Gains						
Reversal 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	16,933	54,097	37,164	4	4	-

Program 3.1 Deliverables

The following changes have been made to the Program Deliverables since the *Portfolio Budget Statements 2013-14*:

- Operation PARAPET: Support to the whole-of government effort as host of the G20 Summit in 2014.
- NSW BUSHFIRE ASSIST: Defence assistance to recovery efforts in NSW following the October 2013 bushfires.

Operation	Commenced	Objective
PARAPET	2013	Support to the whole-of government effort as host of the G20 Summit in 2014.
NSW BUSHFIRE ASSIST	2013	Defence assistance to recovery efforts in NSW following the October 2013 bushfires.

Section 3: Defence Explanatory Tables and Budgeted Financial Statements

3.1 Explanatory Tables

Table 42: Summary of Estimated Special Account Balances^{[1][2][3]}

		Opening 2013-14 2012-13 \$'000	Receipts 2013-14 2012-13 \$'000	Payments 2013-14 2012-13 \$'000	Adjustments 2013-14 2012-13 \$'000	Closing Balance 2013-14 2012-13 \$'000
	Outcome					
Services for Other Entities and Trust Moneys - Defence Special Account- <i>Financial Management and Accountability Act 1997</i>	1	73,363 <i>110,744</i>	38,440 <i>29,580</i>	-40,546 <i>-66,961</i>	- -	71,257 <i>73,363</i>
Defence Endowments Special Account – <i>Financial Management and Accountability Act 1997</i>	1	322 <i>328</i>	36 <i>27</i>	-30 <i>-33</i>	- -	328 <i>322</i>
Fedorczenko Legacy Special Account – <i>Financial Management and Accountability Act 1997</i>	1	166 <i>162</i>	8 <i>8</i>	-5 <i>-4</i>	- -	169 <i>166</i>
Young Endeavour Youth Program Special Account – <i>Financial Management and Accountability Act 1997</i>	1	1,274 <i>1,217</i>	45 <i>58</i>	-2 <i>-1</i>	- -	1,317 <i>1,274</i>
Total Special Accounts 2013-14		75,125	38,529	-40,583	-	73,071
<i>2012-13 actual</i>		<i>112,451</i>	<i>29,673</i>	<i>-66,999</i>	-	<i>75,125</i>

Notes

1. 2013-14 estimates in bold.
2. 2012-13 actuals in italics.
3. These are all Special Public Monies.

3.1.1 Australian Government Indigenous Expenditure

Table 43: Australian Government Indigenous Expenditure

	Program	Bill No. 1 \$'000
Outcome 1		
Defence Indigenous Employment Strategy^[1]	1.8	
Departmental 2013-14 Revised Estimate		3,451
Departmental 2013-14 Budget Estimate		2,866
Defence Indigenous Development Program^[1]	1.8	
Departmental 2013-14 Revised Estimate		5,724
Departmental 2013-14 Budget Estimate		6,372
Army Aboriginal Community Assistance Program^{[1][2]}	1.3	
Departmental 2013-14 Revised Estimate		6,130
Departmental 2013-14 Budget Estimate		5,699
Total 2013-14 Revised Estimate		15,305
Total 2013-14 Budget Estimate		14,937

Notes

1. All amounts are GST exclusive.
2. The majority of costs are subsequently recovered from the Australian Government Department of Social Services (previously, recovery was from the Department of Families, Housing, Community Services and Indigenous Affairs).

Defence Indigenous Employment Strategy

Since the *Portfolio Budget Statements 2013-14*, additional recruitment and retention activities have been implemented to support the Council of Australian Governments Indigenous employment target of 2.7 percent by 2015.

Defence Indigenous Development Program

Since the *Portfolio Budget Statements 2013-14*, the estimated costs of delivering the Defence Indigenous Development Program are less than originally forecast.

Army Aboriginal Community Assistance Program

No changes have been made to the Army Aboriginal Community Assistance Program since the *Portfolio Budget Statements 2013-14*.

3.1.2 Grants

The following changes to the grants program since the *Portfolio Budget Statements 2013-14* total \$2.8m, with two grant programs and seven individual grants approved.

Table 44: Grants Approved Since the 2013-14 Budget

	Total Approvals \$'000 ^[1]	2013-14 Revised Estimate \$'000 ^[1]
Army History Research Grants Scheme	52	52
Family Support Funding Program	1,304	1,304
International Institute for Strategic Studies (IISS) for 2014 Shangri-La Dialogue	90	90
Kokoda Foundation	130	130
Kokoda Foundation	30	30
Royal United Services Institute (RUSI) of Australia	297	97
Strategic and Defence Studies Centre (SDSC) at the Australian National University (ANU) for the Post Doctoral Fellowship Program	434	138
The Australian Sailor Pty Ltd	400	400
The Sir Richard Williams Foundation	50	50
Total additional grants^[2]	2,788	2,291

Notes

1. Approvals and Revised Estimate are as at 31 December 2013 and exclude GST.
2. Total may not add due to rounding.

The following are grants that have been approved since the *Portfolio Budget Statements 2013-14*.

Army History Research Grants Scheme

Grants to the total of \$52,106 were approved for the Army Military History Research Grants Scheme. The grants promote the study and understanding of Army, its history and traditions, which in turn assists in the achievement of Government's Defence policy objectives through the provision of capabilities for land and special operations. The scheme has been in operation since 1992.

Family Support Funding Program

Since the publication of the PBS 2013-14, the Family Support Funding Program has approved grants to the total of \$1,303,978 (plus GST of \$37,833) in 2013-14. The Program provides funds to support projects and services initiated by Defence families. It is also available to existing groups in the community composed of, or benefiting Defence families.

International Institute for Strategic Studies (IISS) for 2014 Shangri-La Dialogue

A grant of \$90,000 was approved to the International Institute for Strategic Studies (IISS) for 2014 Shangri-La Dialogue, which is a major annual Ministerial level meeting of defence and security officials from the Asia-Pacific and wider region. It provides an opportunity for regional states' defence establishments to exchange views on security in the region. IISS is a registered charity based in London and is a leading authority on political-military conflict and an independent source of objective information on international strategic issues.

Kokoda Foundation

A grant of \$130,000 (plus GST of \$13,000) was approved for the Kokoda Foundation to support the Australia-United States Trilogy Dialogue held on 30 October to 1 November 2013. A further grant of \$30,000 (plus GST of \$3,000) was also approved for two weekend congresses of the Kokoda Foundation Young Strategic Leaders program. The Kokoda Foundation is a not-for-profit institution that focuses on issues relating to national security and whole-of-nation responses to crises and threats, and fosters research and innovative thinking on Australia's future security challenges.

Royal United Services Institute (RUSI) of Australia

A multi-year grant of \$297,431 (2013-14 to 2015-16) was approved to the Royal United Services Institute (RUSI) of Australia to promote public discussion and debate on national security and defence matters including improving public awareness and understanding of these issues. RUSI also provide an avenue to engage with and inform the public on the implementation of the Defence White Paper and to engage the community on the next iteration.

Strategic and Defence Studies Centre (SDSC) at the Australian National University (ANU) for the Post Doctoral Fellowship Program

A multi-year grant (2013-14 to 2015-16) of \$434,290 was approved to the SDSC at the ANU to support the development of future academics in the field of Australia's long-term strategic and defence challenges. The role of the Post-Doctoral Fellow is to perform quality research that has a bearing on Australia's long-term strategic and defence challenges and be proactive in their engagement with Defence, particularly in fostering communication and networks with Strategic Policy Division.

The Australian Sailor Pty Ltd

A grant of \$400,000 was approved to the Australian Sailor Charitable Trust as a contribution to the construction of the Australian Sailor Centenary Monument to be erected at Rous Head precinct in Fremantle, Western Australia.

The Sir Richard Williams Foundation

A grant of \$50,000 was approved for The Sir Richard Williams Foundation to undertake independent research and analysis of national security issues facing Australia in today's complex security environment. The planned outcome of the research will be a series of published reports and publications for public education and discussion.

3.2 Resource Summary

Table 45: Budgeted Departmental Net Cost of Service (cash) (for the period ended 30 June)

	2012-13 Actual Result \$'000	2013-14 Revised Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
NET COST OF SERVICE (CASH)					
Cost of Service					
Employee payments	9,921,248	10,153,125	10,474,757	11,204,014	11,205,095
Supplier payments	8,582,206	9,589,625	9,928,914	10,368,613	10,406,899
Purchase of specialist military equipment	3,364,046	3,853,037	5,022,274	5,705,821	6,013,981
Purchase of inventory	900,963	1,069,603	1,172,120	1,329,897	1,407,758
Purchase of other property, plant and equipment	1,268,215	1,592,416	1,581,049	724,017	770,874
Other cash used	818,310	919,152	1,005,858	1,057,239	1,072,344
Total cash used	24,854,988	27,176,958	29,184,972	30,389,601	30,876,951
Own source receipts	1,555,614	1,713,499	1,629,637	1,777,601	1,744,461
Total cash received	1,555,614	1,713,499	1,629,637	1,777,601	1,744,461
Net cost of service (cash)	23,299,374	25,463,459	27,555,335	28,612,000	29,132,490
FUNDED BY					
Appropriation Bill 1/3 (price of outcomes)	22,904,849	24,458,502	25,631,057	27,050,322	27,305,441
Appropriation Bill 2/4 (equity injection)	456,289	918,385	1,963,011	1,607,720	1,841,398
Net cash to the Official Public Account	-11,799	18,578	-38,733	-46,042	-14,349
Total funding source	23,349,339	25,395,465	27,555,335	28,612,000	29,132,490
Change in cash	49,965	-67,994	-	-	-

Portfolio Resource Statement

Table 46: Portfolio Resources^[1]

	Departmental Bill No. 3	Appropriation Bill No. 4	Section 10 Appropriation Act (No.1) 2013-14	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Department of Defence									
Administered appropriations	-	-	-	16.9	-3.6	13.3	-16.9	-	-3.6
Departmental appropriations	662.4	235.4	-	67.3	-	965.1	47.5	-	1,012.7
Total Department of Defence	662.4	235.4	-	84.2	-3.6	978.5	30.6	-	1,009.1
	Departmental Bill No. 3	Departmental Bill No. 4	Section 10 Appropriation Act (No.1) 2013-14	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Defence Materiel Organisation									
Administered appropriations ^[2]	-	-	-	-	-	-	-	-	-
Departmental appropriations	-	-	-35.4	-	-	-35.4	754.4	-	719.0
Total Defence Materiel Organisation	-	-	-35.4	-	-	-35.4	754.4	-	719.0
	Departmental Bill No. 3	Departmental Bill No. 4	Section 10 Appropriation Act (No.1) 2013-14	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Defence Housing Australia									
Administered appropriations	-	-	-	-	-	-	-	-	-
Departmental appropriations	-	-	-	-	-	-	27.7	-	27.7
Total Defence Housing Australia	-	-	-	-	-	-	27.7	-	27.7
Total Portfolio	662.4	235.4	-35.4	84.2	-3.6	943.0	812.7	-	1,755.8

Notes

1. Figures shown include inter-agency transactions.

2. DMO receives interest receipts from overseas bank accounts which are returned to the OPA and do not form part of DMO's resources. The revised estimate for 2013-14 is \$0.3m.

Table 47: Total Departmental and Administered Consolidated Cash Budget for the Department of Defence (including DMO)^[1]

	2013-14 Revised Budget \$m
APPROPRIATIONS AND CAPITAL	
Appropriation (Bill 1) ^[2]	24,665.4
Appropriation - Contributed Equity (Bill 2)	683.0
Appropriation (Bill 3)	662.4
Appropriation (Bill 4)	235.4
Appropriations for military superannuation ^[3]	2,109.0
less Returns to the OPA	-1,410.4
Total cash available	26,944.9
OPERATING ACTIVITIES	
Cash received	
Goods and services	560.4
Net GST received	1,319.5
Interest	30.1
Other cash	240.5
Fees	12.7
Total cash received	2,163.2
Cash used	
Employees	9,421.4
Suppliers	9,689.4
Net GST paid	1,319.5
Grants	65.5
Other cash	44.4
Subsidies paid	103.0
Military benefits	2,006.0
Total cash used	22,649.3
Net cash from or (used by) operating activities	-20,486.1
INVESTING ACTIVITIES	
Cash received	
Proceeds from sales of land and buildings	65.5
Proceeds from sales of infrastructure, plant and equipment	24.2
Proceeds from sales of specialist military equipment	11.2
Dividends	51.1
Total cash received	152.0
Cash used	
Purchase of land and buildings	747.2
Purchase of infrastructure, plant and equipment	813.8
Purchase of specialist military equipment	3,853.0
Purchase of intangibles	34.5
Purchase of inventory	1,069.6
Selling costs on sale of assets	5.7
Finance costs	107.0
Total cash used	6,630.7
Net cash from or (used by) investing activities	-6,478.7
FINANCING ACTIVITIES	
Cash used	
Repayment of debt	53.9
Total cash used	53.9
Net cash from or (used by) financing activities	-53.9
Net increase or (decrease) in cash and cash equivalents held	-73.8
Cash and cash equivalents at the beginning of the reporting period	204.3
Effect of exchange rate movements on cash and cash equivalents	-
Cash and cash equivalents at the end of the reporting period	130.5

Notes

- Figures shown eliminate interagency transactions and transactions flowing between Departmental and Administered funding.
- Includes \$869.3m of appropriation planned to be drawn down by DMO.
- Cross reference with Table 71 Consolidated Budgeted Administered Statement of Cash Flows for the Department of Defence (including DMO) for the period ended 30 June.

Table 48: Defence Resource Statement

Serial No.		Estimate as at Budget 2013-14 \$'000	+	Proposed Additional Estimates 2013-14 \$'000	=	Total Estimate at Additional Estimates 2013-14 \$'000	Total Actual Available Appropriation 2012-13 \$'000
	ORDINARY ANNUAL SERVICES						
	Outcome 1	22,877,532		529,101		23,406,633	21,491,302
	Outcome 2	901,621		96,151		997,772	1,394,539
	Outcome 3	16,933		37,164		54,097	9,500
1	Total Departmental outputs	23,796,086		662,416		24,458,502	22,895,341
2	Total ordinary annual services (1)	23,796,086		662,416		24,458,502	22,895,341
	OTHER SERVICES						
	Departmental non-operating						
	Equity injections	683,005		235,380		918,385	456,289
3	Total Departmental non-operating	683,005		235,380		918,385	456,289
4	Total other services (3)	683,005		235,380		918,385	456,289
5	Total available annual appropriation (2+4)	24,479,091		897,796		25,376,887	23,351,630
	SPECIAL APPROPRIATIONS						
	Special appropriations limited by criteria/entitlement						
	<i>Defence Forces Retirement Benefits Act, 1948 Part 1 s.15D and VIC, s.82ZJ</i>	26,918		-		26,918	18,855
	<i>Defence Force Retirement and Death Benefits Act, 1973 Part XII, s.125</i>	1,578,549		-		1,578,549	1,368,449
	<i>Military Superannuation and Benefits Act, 1991 Part V, s.17</i>	2,674,521		-		2,674,521	4,462,881
	<i>Defence Force (Home Loan Assistance) Act, 1990 Part IV, s.38</i>	1,963		-146		1,817	2,443
	<i>Defence Home Ownership Assistance Scheme Act 2008 Part VI, s.84</i>	104,626		-3,434		101,192	95,593
6	Total special appropriations	4,386,577		-3,580		4,382,997	5,948,221
7	Total appropriations (5+6)	28,865,668		894,216		29,759,884	29,299,851
	Other available resources						
	Funding from other sources	2,449,183		30,631		2,479,814	2,366,309
	Returns from the OPA (net)	-1,494,351		16,892		-1,477,459	-1,398,291
	Previous years' outputs (appropriation receivable)	76,857		-9,508		67,349	76,857
	Cash available	18,091		50,369		68,460	18,091
8	Total other available resources	1,049,780		88,384		1,138,164	1,062,966
9	Total resourcing (7+8)	29,915,448		982,600		30,898,048	30,362,817
	Special Accounts						
	Opening Balance	77,819		-2,694		75,125	112,451
	Appropriation Receipts	-		-		-	-
	Appropriation Receipts - other agencies	-		-		-	-
	Non-Appropriation Receipts to Special Accounts	38,529		-		38,529	50,064
10	Total special accounts	116,348		-2,694		113,654	162,515

Table 49: Third Party Payments to and from other Agencies

	2013-14 Budget Estimate \$m	2013-14 Revised Estimate \$m	Variation \$m
Revenue received from Defence Housing Australia for interest on loans, dividends and competitive neutrality payments (Administered)	104,943	108,161	3,218
Payments made to Defence Housing Australia for the provision of services (Departmental)	524,475	592,871	68,396
Payments made to Department of Foreign Affairs and Trade for the provision of services (Departmental)	21,461	21,461	-
Payments made to Comsuper for the provision of services (Departmental)	31,282	32,563	1,281
Payments made to Attorney-General's Department for the provision of services (Departmental)	24,864	23,076	-1,788
Payments made to the Department of Finance for the provision of services (Departmental)	64,153	64,153	-
Payments made to the Australian Federal Police for the provision of services (Departmental)	56,542	56,542	-

3.3 Budgeted Financial Statements

3.3.1 Departmental and Administered Budgeted Financial Statements

Table 50: Variation in Budgeted Departmental Comprehensive Income Statement (Showing Net Cost of Services) (for the period ended 30 June)

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	Variation %
EXPENSES				
Employee benefits	10,218,326	10,224,929	6,603	0.1
Supplier expenses	11,033,920	11,208,959	175,039	1.6
Grants	45,412	45,847	435	1.0
Depreciation and amortisation	3,441,587	4,003,976	562,389	16.3
Finance costs	132,739	128,193	-4,546	-3.4
Write-down of assets and impairment of assets	1,133,488	800,643	-332,845	-29.4
Losses from sale of assets	-	-	-	-
Other	68,886	92,186	23,300	33.8
Total expenses	26,074,358	26,504,733	430,375	1.7
LESS:				
OWN-SOURCE INCOME				
Own-source revenue				
Sales of goods and rendering of services	831,680	825,426	-6,254	-0.8
Other revenue	873,957	878,191	4,234	0.5
Total own-source revenue	1,705,637	1,703,617	-2,020	-0.1
Gains				
Reversals of previous asset write-downs	551,602	322,281	-229,321	-41.6
Sale of assets	15,907	15,207	-700	-4.4
Other gains	5,126	5,126	-	-
Total gains	572,635	342,614	-230,021	-40.2
Total own-source income	2,278,272	2,046,231	-232,041	-10.2
Net cost of (contribution by) services	23,796,086	24,458,502	662,416	2.8
Revenue from Government	23,796,086	24,458,502	662,416	2.8
Surplus (Deficit) attributable to the Australian Government	-	-	-	-
Total comprehensive income attributable to the Australian Government	-	-	-	-

Table 51: Variation in Budgeted Departmental Balance Sheet (as at 30 June)

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	Variation %
ASSETS				
Financial assets				
Cash and cash equivalents	18,091	466	-17,625	-97.4
Trade and other receivables	132,631	110,402	-22,229	-16.8
Tax assets	84,060	58,205	-25,855	-30.8
Appropriation receivable	76,857	-	-76,857	-100.0
Other receivables	153,790	608,704	454,914	295.8
Total financial assets	465,429	777,777	312,348	67.1
Non-financial assets				
Land and buildings	16,205,821	15,995,483	-210,338	-1.3
Infrastructure, plant and equipment	7,426,858	7,464,310	37,452	0.5
Specialist military equipment	41,354,969	40,631,725	-723,244	-1.7
Intangibles	458,099	558,468	100,369	21.9
Heritage and cultural	984,939	1,023,969	39,030	4.0
Inventories	5,487,528	6,052,902	565,374	10.3
Prepayments	154,149	148,123	-6,026	-3.9
Total non-financial assets	72,072,363	71,874,980	-197,383	-0.3
Assets held for sale	25,698	52,399	26,701	103.9
Total assets	72,563,490	72,705,156	141,666	0.2
LIABILITIES				
Payables				
Suppliers	926,648	990,738	64,090	6.9
Other	426,910	452,076	25,166	5.9
Total payables	1,353,558	1,442,814	89,256	6.6
Interest bearing liabilities				
Leases	1,501,518	1,398,102	-103,416	-6.9
Total interest bearing liabilities	1,501,518	1,398,102	-103,416	-6.9
Provisions				
Employee provisions	2,309,066	2,301,092	-7,974	-0.3
Restoration, decontamination and decommissioning	914,695	893,594	-21,101	-2.3
Other	3,822	3,014	-808	-21.1
Total provisions	3,227,583	3,197,700	-29,883	-0.9
Total liabilities	6,082,659	6,038,616	-44,043	-0.7
NET ASSETS	66,480,831	66,666,540	185,709	0.3
EQUITY				
Contributed equity	18,382,765	18,637,138	254,373	1.4
Reserves	14,715,576	14,729,722	14,146	0.1
Retained surplus (accumulated deficit)	33,382,490	33,299,680	-82,810	-0.2
Total equity	66,480,831	66,666,540	185,709	0.3

Table 52: Variation in Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	Variation %
OPERATING ACTIVITIES				
Cash received				
Appropriations	23,796,086	24,458,502	662,416	2.8
Goods and services	831,680	825,426	-6,254	-0.8
Net GST received	651,870	662,373	10,503	1.6
Other cash received	70,257	124,734	54,477	77.5
Cash transfer from the Official Public Account (receivables)	-	67,349	67,349	-
Total cash received	25,349,893	26,138,384	788,491	3.1
Cash used				
Employees	10,170,235	10,153,125	-17,110	-0.2
Suppliers	9,300,167	9,589,625	289,458	3.1
Net GST paid	651,870	662,373	10,503	1.6
Grants	45,412	45,847	435	1.0
Other cash used	21,073	44,373	23,300	110.6
Cash transfer to the Official Public Account (receivables)	48,771	48,771	-	-
Total cash used	20,237,528	20,544,114	306,586	1.5
Net cash from (used by) operating activities	5,112,365	5,594,270	481,905	9.4
INVESTING ACTIVITIES				
Cash received				
Proceeds from sales of land and buildings	65,506	65,506	-	-
Proceeds from sales of specialist military equipment	-	11,241	11,241	-
Proceeds from sales of infrastructure, plant and equipment	36,160	24,219	-11,941	-33.0
Other cash received	-	-	-	-
Total cash received	101,666	100,966	-700	-0.7
Cash used				
Purchase of land and buildings	952,343	747,166	-205,177	-21.5
Purchase of infrastructure, plant and equipment	531,047	810,767	279,720	52.7
Purchase of specialist military equipment	3,179,327	3,853,037	673,710	21.2
Purchase of intangibles	6,443	34,483	28,040	435.2
Purchase of inventory	1,054,362	1,069,603	15,241	1.4
Selling costs on sale of assets	5,693	5,693	-	-
Finance costs	113,921	106,966	-6,955	-6.1
Total cash used	5,843,136	6,627,715	784,579	13.4
Net cash from (used by) investing activities	-5,741,470	-6,526,749	-785,279	13.7
FINANCING ACTIVITIES				
Cash received				
Appropriations - contributed equity	683,005	918,385	235,380	34.5
Total cash received	683,005	918,385	235,380	34.5
Cash used				
Repayment of debt	53,900	53,900	-	-
Cash to the Official Public Account	-	-	-	-
Total cash used	53,900	53,900	-	-
Net cash from (used by) financing activities	629,105	864,485	235,380	37.4
Net increase (decrease) in cash and cash equivalents held	-	-67,994	-67,994	-
Cash and cash equivalents at the beginning of the reporting period	18,091	68,460	50,369	278.4
Effect of exchange rate movements on cash and cash equivalents at the beginning of the reporting period	-	-	-	-
Cash and cash equivalents at the end of the reporting period	18,091	466	-17,625	-97.4

Table 53: Budgeted Departmental Comprehensive Income Statement (Showing Net Cost of Services) (for the period ended 30 June)

	2012-13 Actual Result \$'000	2013-14 Revised Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
EXPENSES					
Employee benefits	9,986,136	10,224,929	10,531,466	11,271,420	11,270,829
Supplier expenses	9,812,433	11,208,959	11,899,015	12,544,729	12,576,559
Grants	50,736	45,847	85,293	85,602	86,431
Depreciation and amortisation	3,999,977	4,003,976	4,124,836	4,232,360	4,496,701
Finance costs	85,049	128,193	149,428	151,023	152,042
Write-down of assets and impairment of assets	800,598	800,643	829,889	868,542	906,701
Foreign exchange	1,046	-	-	-	-
Losses from sale of assets	11,642	-	-	-	-
Other	88,664	92,186	77,094	145,787	125,766
Total expenses	24,836,281	26,504,733	27,697,021	29,299,463	29,615,029
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sales of goods and rendering of services	765,869	825,426	792,657	833,892	852,820
Other revenue	1,259,255	878,191	904,605	962,103	1,010,780
Total own-source revenue	2,025,124	1,703,617	1,697,262	1,795,995	1,863,600
Gains					
Foreign exchange	-	-	-	-	-
Reversals of previous asset write-downs	317,915	322,281	339,250	355,862	372,870
Sale of assets	-	15,207	24,198	91,898	67,598
Other gains	65,872	5,126	5,254	5,386	5,520
Total gains	383,787	342,614	368,702	453,146	445,988
Total own-source income	2,408,911	2,046,231	2,065,964	2,249,141	2,309,588
Net cost of (contribution by) services	22,427,370	24,458,502	25,631,057	27,050,322	27,305,441
Revenue from Government	22,707,890	24,458,502	25,631,057	27,050,322	27,305,441
Surplus (Deficit) attributable to the Australian Government	280,520	-	-	-	-
Total comprehensive income attributable to the Australian Government	280,520	-	-	-	-

Table 54: Budgeted Departmental Balance Sheet (as at 30 June)

	2012-13 Actual Result \$'000	2013-14 Revised Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	68,460	466	466	466	466
Trade and other receivables	110,375	110,402	110,402	110,402	110,402
Tax assets	58,205	58,205	58,205	58,205	58,205
Appropriation receivable	67,349	-	-	-	-
Other receivables	638,910	608,704	608,146	607,208	607,208
Total financial assets	943,299	777,777	777,219	776,281	776,281
Non-financial assets					
Land and buildings	15,925,406	15,995,483	16,137,832	16,318,293	16,086,364
Infrastructure, plant and equipment	6,764,118	7,464,310	7,636,869	7,394,249	7,128,771
Specialist military equipment	40,244,821	40,631,725	42,495,546	44,911,268	47,354,584
Intangibles	606,336	558,468	496,854	478,839	463,520
Heritage and cultural	1,023,969	1,023,969	1,023,969	1,023,969	1,023,969
Inventories	6,160,288	6,052,902	5,942,556	5,832,800	5,716,998
Prepayments	148,140	148,123	148,105	148,087	148,068
Total non-financial assets	70,873,078	71,874,980	73,881,731	76,107,505	77,922,274
Assets held for sale	52,399	52,399	52,399	52,399	52,399
Total assets	71,868,776	72,705,156	74,711,349	76,936,185	78,750,954
LIABILITIES					
Payables					
Suppliers	1,579,468	990,738	1,022,385	1,058,122	1,035,549
Other	459,040	452,076	463,057	465,824	402,462
Total payables	2,038,508	1,442,814	1,485,442	1,523,946	1,438,011
Interest bearing liabilities					
Leases	969,818	1,398,102	1,321,565	1,282,967	1,243,134
Total interest bearing liabilities	969,818	1,398,102	1,321,565	1,282,967	1,243,134
Provisions					
Employee provisions	2,235,956	2,301,092	2,346,820	2,411,459	2,473,252
Restoration, decontamination and decommissioning	872,367	893,594	925,810	962,110	1,000,353
Other	3,014	3,014	3,014	3,014	3,014
Total provisions	3,111,337	3,197,700	3,275,644	3,376,583	3,476,619
Total liabilities	6,119,663	6,038,616	6,082,651	6,183,496	6,157,764
NET ASSETS	65,749,113	66,666,540	68,628,698	70,752,689	72,593,190
EQUITY					
Contributed equity	17,719,711	18,637,138	20,599,296	22,206,141	24,046,642
Reserves	14,729,722	14,729,722	14,729,722	14,729,722	14,729,722
Retained surplus (accumulated deficit)	33,299,680	33,299,680	33,299,680	33,816,826	33,816,826
Total equity	65,749,113	66,666,540	68,628,698	70,752,689	72,593,190

Table 55: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)

	2012-13 Actual Result \$'000	2013-14 Revised Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	22,904,849	24,458,502	25,631,057	27,050,322	27,305,441
Goods and services	756,369	825,426	792,657	833,892	852,820
Net GST received	592,721	662,373	685,807	716,178	718,822
Interest	111	-	-	-	-
Other cash received	129,155	124,734	55,649	57,297	58,973
Cash transfer from the Official Public Account (receivables)	753,784	67,349	-	-	-
Total cash received	25,136,989	26,138,384	27,165,170	28,657,689	28,936,056
Cash used					
Employees	9,921,248	10,153,125	10,474,757	11,204,014	11,205,095
Suppliers	8,582,206	9,589,625	9,928,914	10,368,613	10,406,899
Net GST paid	575,268	662,373	685,807	716,178	718,822
Grants	50,911	45,847	85,293	85,602	86,431
Other cash used	81,838	44,373	39,214	100,620	112,314
Cash transfer to the Official Public Account (receivables)	765,583	48,771	38,733	46,042	14,349
Total cash used	19,977,054	20,544,114	21,252,718	22,521,069	22,543,910
Net cash from (used by) operating activities	5,159,935	5,594,270	5,912,452	6,136,620	6,392,146
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of land and buildings	41,001	65,506	61,675	136,685	84,497
Proceeds from sales of infrastructure, plant and equipment	19,613	24,219	26,300	26,000	21,800
Proceeds from sales of specialist military equipment	10,420	11,241	7,549	7,549	7,549
Proceeds from sales of heritage and cultural assets	-	-	-	-	-
Other cash received	6,224	-	-	-	-
Total cash received	77,258	100,966	95,524	170,234	113,846
Cash used					
Purchase of land and buildings	887,404	747,166	804,610	328,483	406,524
Purchase of infrastructure, plant and equipment	340,819	810,767	759,036	336,949	300,327
Purchase of specialist military equipment	3,364,046	3,853,037	5,022,274	5,705,821	6,013,981
Purchase of heritage and cultural assets	30	-	-	-	-
Purchase of intangibles	39,962	34,483	17,403	58,585	64,023
Purchase of inventory	900,963	1,069,603	1,172,120	1,329,897	1,407,758
Selling costs on sale of assets	8,577	5,693	1,795	1,518	1,145
Finance costs	58,235	106,966	117,212	114,723	113,799
Total cash used	5,600,036	6,627,715	7,894,450	7,875,976	8,307,557
Net cash from (used by) investing activities	-5,522,778	-6,526,749	-7,798,926	-7,705,742	-8,193,711
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	456,289	918,385	1,963,011	1,607,720	1,841,398
Total cash received	456,289	918,385	1,963,011	1,607,720	1,841,398
Cash used					
Repayment of debt	43,481	53,900	76,537	38,598	39,833
Cash to the Official Public Account	-	-	-	-	-
Total cash used	43,481	53,900	76,537	38,598	39,833
Net cash from (used by) financing activities	412,808	864,485	1,886,474	1,569,122	1,801,565
Net increase (decrease) in cash and cash equivalents held	49,965	-67,994	-	-	-
Cash and cash equivalents at the beginning of the reporting period	18,091	68,460	466	466	466
Effect of exchange rate movements on cash and cash equivalents at beginning of the reporting period	404	-	-	-	-
Cash and cash equivalents at the end of the reporting period	68,460	466	466	466	466

Table 56: Departmental Statement of Changes in Equity — Summary of Movement (Budget year 2013-14)

	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Contributed Equity/ Capital \$'000	Total Equity \$'000
Opening balance as at 1 July 2013				
Balance carried forward from previous period	33,299,680	14,729,722	17,719,711	65,749,113
Adjustment for changes in accounting policies	-	-	-	-
Adjusted opening balance	33,299,680	14,729,722	17,719,711	65,749,113
Comprehensive income				
Comprehensive income recognised directly in equity:				
Gain/loss on revaluation of property	-	-	-	-
Subtotal comprehensive income	-	-	-	-
Surplus (Deficit) for the period	-	-	-	-
Total comprehensive income recognised directly in equity	-	-	-	-
Transactions with owners				
<i>Distribution to owners</i>				
Returns on capital:				
Restructuring	-	-	-	-
Other	-	-	-958	-958
<i>Contributions by owners</i>				
Appropriation (equity injection)	-	-	918,385	918,385
Other	-	-	-	-
Sub-total transaction with owners	-	-	917,427	917,427
Transfers between equity components	-	-	-	-
Estimated closing balance as at 30 June 2014	33,299,680	14,729,722	18,637,138	66,666,540

Table 57: Departmental Capital Budget Statement

	2012-13 Actual Result \$'000	2013-14 Revised Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
CAPITAL APPROPRIATIONS					
Equity injection	456,289	918,385	1,963,011	1,607,720	1,841,398
Total capital appropriations	456,289	918,385	1,963,011	1,607,720	1,841,398
Represented by:					
Purchase of non-financial assets	412,808	864,485	1,886,474	1,569,122	1,801,565
Annual finance lease costs	43,481	53,900	76,537	38,598	39,833
Other items	-	-	-	-	-
Total Items	456,289	918,385	1,963,011	1,607,720	1,841,398
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations	456,289	918,385	1,963,011	1,607,720	1,841,398
Funded by finance lease costs	364,095	468,552	-	-	-
Funded internally from departmental resources ^[1]	4,175,972	4,527,068	4,640,312	4,822,118	4,943,457
Total	4,996,356	5,914,005	6,603,323	6,429,838	6,784,855
Reconciliation of cash used to acquire assets to asset movement table					
Total purchases	4,996,356	5,914,005	6,603,323	6,429,838	6,784,855
less additions by finance lease	364,095	468,552	-	-	-
less additions by creditors/borrowings	-	-	-	-	-
plus borrowing/finance costs	58,235	106,966	117,212	114,723	113,799
plus annual finance lease costs	43,481	53,900	76,537	38,598	39,833
less gifted assets	-	-	-	-	-
less s32/restructuring	-	-	-	-	-
Total cash used to acquire assets	4,733,977	5,606,319	6,797,072	6,583,159	6,938,487

Note

1. 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 58: Statement of Departmental Asset Movements (2013-14)

	Land \$'000	Buildings \$'000	Specialist Military Equipment \$'000	Infrastructure, Plant and Equipment \$'000	Intangibles \$'000	Heritage and Cultural Assets \$'000	Assets Held for Sale \$'000	Total \$'000
As at 1 July 2013								
Gross book value	4,629,030	11,641,632	74,897,933	7,240,814	1,207,669	1,023,969	52,399	100,693,446
Accumulated depreciation/amortisation and impairment	-	345,256	34,653,112	476,696	601,333	-	-	36,076,397
Opening net book balance	4,629,030	11,296,376	40,244,821	6,764,118	606,336	1,023,969	52,399	64,617,049
CAPITAL ASSET ADDITIONS								
Estimated expenditure on new or replacement assets								
By purchase - appropriation equity	18,486	728,680	3,422,965	810,767	34,483	-	-	5,015,381
By purchase - donated funds	-	-	-	-	-	-	-	-
By finance lease	-	-	-	468,552	-	-	-	468,552
Total additions	18,486	728,680	3,422,965	1,279,319	34,483	-	-	5,483,933
Other movements								
Assets held for sale	-	-	-	-	-	-	-	-
Reclassifications ^[1]	-	-	107,448	12,064	-	-	-	119,512
Depreciation and amortisation	-	575,311	2,814,334	531,980	82,351	-	-	4,003,976
Disposal of entities or other operations (including restructuring)	36,200	11,434	-	32,253	-	-	-	79,887
Other disposals ^[2]	-	54,144	329,175	26,958	-	-	-	410,277
Total other movements	36,200	640,889	3,250,957	603,255	82,351	-	-	4,613,652
As at 30 June 2014								
Gross book value	4,611,316	12,304,734	78,099,171	8,472,986	1,242,152	1,023,969	52,399	105,806,727
Accumulated depreciation/amortisation and impairment	-	920,567	37,467,446	1,008,676	683,684	-	-	40,080,373
Closing net book value	4,611,316	11,384,167	40,631,725	7,464,310	558,468	1,023,969	52,399	65,726,354

Notes

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

Table 59: Variation in Schedule of Budgeted Income and Expenses Administered on Behalf of Government (for the period ended 30 June)

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	Variation %
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT				
Revenue				
Non-taxation				
Interest	31,849	29,807	-2,042	-6.4
Dividends	49,717	50,525	808	1.6
Military superannuation contributions	1,279,134	1,279,902	768	0.1
Fees	12,192	12,727	535	4.4
Other	76,648	52,547	-24,101	-31.4
Total non-taxation	1,449,540	1,425,508	-24,032	-1.7
Total revenues administered on behalf of Government	1,449,540	1,425,508	-24,032	-1.7
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT				
Subsidies	106,589	103,009	-3,580	-3.4
Military retention benefits	77,103	77,103	-	-
Military superannuation benefits	4,202,885	4,202,885	-	-
Total expenses administered on behalf of Government	4,386,577	4,382,997	-3,580	-0.1

Table 60: Variation in Schedule of Budgeted Assets and Liabilities Administered on Behalf of Government (as at 30 June)

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	Variation %
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT				
Financial assets				
Cash and cash equivalents	-	-	-	-
Trade and other receivables	64,293	67,937	3,644	5.7
Investments accounted for using the equity method	2,188,131	2,219,189	31,058	1.4
Loans	509,580	509,580	-	-
Total financial assets	2,762,004	2,796,706	34,702	1.3
Non-financial assets				
Prepayments	152,069	155,873	3,804	2.5
Total non-financial assets	152,069	155,873	3,804	2.5
Total assets administered on behalf of Government	2,914,073	2,952,579	38,506	1.3
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT				
Payables				
Other	5,159	5,543	384	7.4
Total payables	5,159	5,543	384	7.4
Provisions				
Superannuation - DFRB ^[1]	448,096	448,096	-	-
Superannuation - DFRDB ^[2]	25,450,787	25,450,787	-	-
Superannuation - MSBS ^[3]	25,484,781	25,484,781	-	-
Total provisions	51,383,664	51,383,664	-	-
Total liabilities administered on behalf of Government	51,388,823	51,389,207	384	-

Notes

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

Table 61: Variation in Schedule of Budgeted Administered Cash Flows (for the period ended 30 June)

	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	Variation \$'000	Variation %
OPERATING ACTIVITIES				
Cash received				
Interest	31,849	29,807	-2,042	-6.4
Military superannuation contributions	1,279,078	1,279,902	824	0.1
Fees	12,192	12,727	535	4.4
Other	76,648	55,179	-21,469	-28.0
Total cash received	1,399,767	1,377,615	-22,152	-1.6
Cash used				
Subsidies paid	106,589	103,009	-3,580	-3.4
Military benefits	2,006,026	2,006,026	-	0.0
Total cash used	2,112,615	2,109,035	-3,580	-0.2
Net cash from or (used by) operating activities	-712,848	-731,420	-18,572	2.6
INVESTING ACTIVITIES				
Cash received				
Dividends	45,813	51,073	5,260	11.5
Total cash received	45,813	51,073	5,260	11.5
Net cash from or (used by) investing activities	45,813	51,073	5,260	11.5
Net increase (decrease) in cash held	-667,035	-680,347	-13,312	2.0
Cash at the beginning of the reporting period	-	-	-	0.0
Cash from the Official Public Account for appropriations	2,112,615	2,109,035	-3,580	-0.2
Cash to the Official Public Account	-1,445,580	-1,428,688	16,892	-1.2
Effect of exchange rate movements on cash and cash equivalents	-	-	-	0.0
Cash and cash equivalents at the end of the reporting period	-	-	-	0.0

**Table 62: Schedule of Budgeted Income and Expenses Administered on Behalf of Government
(for the period ended 30 June)**

	2012-13 Actual Result \$'000	2013-14 Revised Budget \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Interest	30,854	29,807	34,791	37,161	37,682
Dividends	51,073	50,525	47,795	57,539	56,861
Military superannuation contributions	1,213,777	1,279,902	1,324,094	1,366,335	1,408,622
Fees	14,239	12,727	13,335	13,973	14,384
Foreign exchange	321	-	-	-	-
Other	48,169	52,547	58,472	63,242	75,283
Total non-taxation	1,358,433	1,425,508	1,478,487	1,538,250	1,592,832
Total revenues administered on behalf of Government	1,358,433	1,425,508	1,478,487	1,538,250	1,592,832
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Write-down and impairment of assets	84	-	-	-	-
Subsidies	95,944	103,009	113,164	121,829	128,977
Military retention benefits	61,883	77,103	95,883	77,940	93,000
Military superannuation benefits	5,712,747	4,202,885	4,393,053	4,593,987	4,804,892
Total expenses administered on behalf of Government	5,870,658	4,382,997	4,602,100	4,793,756	5,026,869

**Table 63: Schedule of Budgeted Assets and Liabilities Administered on Behalf of Government
(as at 30 June)**

	2012-13 Actual Result \$'000	2013-14 Revised Budget \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash and cash equivalents	-	-	-	-	-
Trade and other receivables	71,117	67,937	64,709	74,298	74,907
Investments accounted for using the equity method	2,343,471	2,219,189	2,269,712	2,324,655	2,380,015
Loans	509,580	509,580	594,580	594,580	634,580
Total financial assets	2,924,168	2,796,706	2,929,001	2,993,533	3,089,502
Non-financial assets					
Prepayments	168,576	155,873	153,890	182,350	230,750
Total non-financial assets	168,576	155,873	153,890	182,350	230,750
Total assets administered on behalf of Government	3,092,744	2,952,579	3,082,891	3,175,883	3,320,252
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Payables					
Other	5,543	5,543	5,543	5,543	5,543
Total payables	5,543	5,543	5,543	5,543	5,543
Provisions					
Superannuation - DFRB ^[1]	540,300	448,096	421,758	396,311	371,780
Superannuation - DFRDB ^[2]	31,859,000	25,450,787	25,468,585	25,449,604	25,392,713
Superannuation - MSBS ^[3]	35,777,000	25,484,781	27,879,102	30,432,546	33,148,860
Total provisions	68,176,300	51,383,664	53,769,445	56,278,461	58,913,353
Total liabilities administered on behalf of Government	68,181,843	51,389,207	53,774,988	56,284,004	58,918,896

Notes

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

Table 64: Schedule of Budgeted Administered Cash Flows (for the period ended 30 June)

	2012-13 Actual Result \$'000	2013-14 Revised Budget \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	30,854	29,807	34,791	37,161	37,682
Military superannuation contributions	1,265,959	1,279,902	1,324,094	1,366,335	1,408,622
Fees	11,231	12,727	13,335	13,973	14,384
Other	46,499	55,179	58,970	63,397	73,996
Total cash received	1,354,543	1,377,615	1,431,190	1,480,866	1,534,684
Cash used					
Subsidies paid	95,547	103,009	113,164	121,829	128,977
Military benefits	1,920,671	2,006,026	2,101,173	2,191,371	2,311,399
Total cash used	2,016,218	2,109,035	2,214,337	2,313,200	2,440,376
Net cash from or (used by) operating activities	-661,675	-731,420	-783,147	-832,334	-905,692
INVESTING ACTIVITIES					
Cash received					
Dividends	49,654	51,073	50,525	47,795	57,539
Total cash received	49,654	51,073	50,525	47,795	57,539
Cash used					
Loans	-	-	85,000	-	40,000
Total cash used	-	-	85,000	-	40,000
Net cash from (used by) investing activities	49,654	51,073	-34,475	47,795	17,539
Net increase (decrease) in cash held	-612,021	-680,347	-817,622	-784,539	-888,153
Cash at the beginning of reporting period	-	-	-	-	-
Cash from the Official Public Account for appropriations	2,016,218	2,109,035	2,299,337	2,313,200	2,480,376
Cash to the Official Public Account	-1,404,197	-1,428,688	-1,481,715	-1,528,661	-1,592,223
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents at the end of the reporting period	-	-	-	-	-

3.3.2 Notes to the Financial Statements

The financial statements have been prepared in accordance with the Australian Accounting Standards and the Finance Minister's Orders.

3.4 Consolidated Budgeted Financial Statements for the Department of Defence (including DMO)

Table 65: Consolidated Budgeted Departmental Net Cost of Service (cash) for the Department of Defence (including DMO) (for the period ended 30 June)

	2012-13 Actual Result \$'000	2013-14 Revised Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
NET COST OF SERVICE (CASH)					
Cost of Service					
Employee payments	10,532,011	10,701,344	11,036,289	11,806,277	11,814,683
Supplier payments	8,709,155	9,689,400	9,995,391	10,430,172	10,401,193
Purchase of specialist military equipment	3,364,046	3,853,037	5,022,274	5,705,821	6,013,981
Purchase of inventory	900,963	1,069,603	1,172,120	1,329,897	1,407,758
Purchase of other property, plant and equipment	1,268,675	1,595,427	1,584,136	727,181	774,117
Other cash used	1,450,446	1,595,994	1,827,657	1,953,791	1,981,977
Total cash used	26,225,296	28,504,805	30,637,867	31,953,139	32,393,709
Own source receipts	1,927,986	2,166,230	2,174,212	2,382,212	2,346,957
Total cash received	1,927,986	2,166,230	2,174,212	2,382,212	2,346,957
Net cost of service (cash)	24,297,310	26,338,575	28,463,655	29,570,927	30,046,752
FUNDED BY					
Appropriation Bill 1/3 (price of outcomes)	23,998,801	25,327,813	26,539,377	28,009,249	28,287,006
Appropriation Bill 2/4 (equity injection)	456,289	918,385	1,963,011	1,607,720	1,841,398
Net cash to the Official Public Account	3,268	18,578	-38,733	-46,042	-81,652
Total funding source	24,458,358	26,264,776	28,463,655	29,570,927	30,046,752
Change in cash	161,048	-73,799	-	-	-

Table 66: Consolidated Comprehensive Departmental Income Statement (Showing Net Cost of Services) for the Department of Defence (including DMO) (for the period ending 30 June)

	2012-13 Actual Result \$'000	2013-14 Revised Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
EXPENSES					
Employee benefits	10,577,206	10,776,636	11,097,086	11,860,991	11,889,563
Supplier expenses	8,919,190	10,442,209	11,058,005	11,641,400	11,624,677
Grants	69,998	65,523	96,369	94,201	96,301
Depreciation and amortisation	4,001,684	4,006,566	4,127,490	4,235,081	4,499,490
Finance costs	85,049	128,193	149,428	151,023	152,042
Write-down of assets and impairment of assets	800,733	800,643	829,889	868,542	906,701
Foreign exchange	16,345	-	-	-	-
Losses from sale of assets	11,642	-	-	-	-
Other	88,718	92,186	77,094	145,787	125,766
Total expenses	24,570,565	26,311,956	27,435,361	28,997,025	29,294,540
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sales of goods and rendering of services	425,341	562,871	466,878	489,368	492,781
Other revenue	467,606	74,491	55,649	57,297	58,973
Total own-source revenue	892,947	637,362	522,527	546,665	551,754
Gains					
Reversals of previous asset write-downs	317,915	322,281	339,250	355,862	372,870
Sale of assets	-	15,207	24,198	91,898	67,598
Other gains	53,868	6,226	6,354	6,486	6,620
Total gains	371,783	343,714	369,802	454,246	447,088
Total own-source income	1,264,730	981,076	892,329	1,000,911	998,842
Net cost of (contribution by) services	23,305,835	25,330,880	26,543,032	27,996,114	28,295,698
Revenue from Government	23,618,994	25,330,880	26,543,032	27,996,114	28,295,698
Surplus (Deficit) attributable to the Australian Government	313,159	-	-	-	-
Total comprehensive income attributable to the Australian Government	313,159	-	-	-	-

Table 67: Consolidated Budgeted Departmental Balance Sheet for the Department of Defence (including DMO) (as at 30 June)

	2012-13 Actual Result \$'000	2013-14 Revised Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	204,265	130,466	130,466	130,466	130,466
Trade and other receivables	113,065	113,065	113,065	113,065	113,065
Tax assets	151,041	151,041	151,041	151,041	151,041
Appropriation receivable	178,680	120,203	123,858	110,723	186,718
Other receivables	610,320	563,267	562,709	561,771	554,266
Total financial assets	1,257,371	1,078,042	1,081,139	1,067,066	1,135,556
Non-financial assets					
Land and buildings	15,925,406	15,995,483	16,137,832	16,318,293	16,086,364
Infrastructure, plant and equipment	6,769,678	7,470,206	7,643,110	7,400,843	7,135,727
Specialist military equipment	40,244,821	40,631,725	42,495,546	44,911,268	47,354,584
Intangibles	606,364	558,581	497,055	479,130	463,903
Heritage and cultural	1,023,969	1,023,969	1,023,969	1,023,969	1,023,969
Inventories	6,160,288	6,052,902	5,942,556	5,832,800	5,716,998
Prepayments	1,352,787	1,582,770	1,582,752	1,582,734	1,582,715
Total non-financial assets	72,083,313	73,315,636	75,322,820	77,549,037	79,364,260
Assets held for sale	52,399	52,399	52,399	52,399	52,399
Total assets	73,393,083	74,446,077	76,456,358	78,668,502	80,552,215
LIABILITIES					
Payables					
Suppliers	2,450,002	2,183,257	2,214,904	2,250,641	2,228,068
Other	529,277	415,898	429,347	413,106	412,166
Total payables	2,979,279	2,599,155	2,644,251	2,663,747	2,640,234
Interest bearing liabilities					
Leases	969,818	1,398,102	1,321,565	1,282,967	1,243,134
Total interest bearing liabilities	969,818	1,398,102	1,321,565	1,282,967	1,243,134
Provisions					
Employee provisions	2,410,937	2,477,117	2,524,465	2,595,420	2,663,735
Restoration, decontamination and decommissioning	872,367	893,594	925,810	962,110	1,000,353
Other	8,895	8,895	8,895	8,895	8,895
Total provisions	3,292,199	3,379,606	3,459,170	3,566,425	3,672,983
Total liabilities	7,241,296	7,376,863	7,424,986	7,513,139	7,556,351
NET ASSETS	66,151,787	67,069,214	69,031,372	71,155,363	72,995,864
EQUITY					
Contributed equity	17,966,765	18,792,506	20,754,664	22,361,509	24,202,010
Reserves	14,729,974	14,729,974	14,729,974	14,729,974	14,729,974
Retained surplus (accumulated deficit)	33,455,048	33,546,734	33,546,734	34,063,880	34,063,880
Total equity	66,151,787	67,069,214	69,031,372	71,155,363	72,995,864

Table 68: Consolidated Budgeted Departmental Statement of Cash Flows for the Department of Defence (including DMO) (for the period ended 30 June)

	2012-13 Actual Result \$'000	2013-14 Revised Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	23,998,801	25,327,813	26,539,377	28,009,249	28,287,006
Goods and services	457,429	560,422	465,984	488,451	490,185
Net GST received	1,210,808	1,319,539	1,496,530	1,604,131	1,618,585
Interest	111	-	-	-	-
Other cash received	182,380	185,303	116,174	119,396	124,341
Cash transfer from the Official Public Account (receivables)	3,268	67,349	-	-	-
Total cash received	25,852,797	27,460,426	28,618,065	30,221,227	30,520,117
Cash used					
Employees	10,532,011	10,701,344	11,036,289	11,806,277	11,814,683
Suppliers	8,709,155	9,689,400	9,995,391	10,430,172	10,401,193
Net GST paid	1,173,000	1,319,539	1,496,530	1,604,131	1,618,585
Grants	70,223	65,523	96,369	94,201	96,301
Other cash used	96,930	44,373	39,214	100,620	112,314
Cash transfer to the Official Public Account (receivables)	-	48,771	38,733	46,042	81,652
Total cash used	20,581,319	21,868,950	22,702,526	24,081,443	24,124,728
Net cash from (used by) operating activities	5,271,478	5,591,476	5,915,539	6,139,784	6,395,389
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of land and buildings	41,001	65,506	61,675	136,685	84,497
Proceeds from sales of infrastructure, plant and equipment	19,613	24,219	26,300	26,000	21,800
Proceeds from sales of specialist military equipment	10,420	11,241	7,549	7,549	7,549
Other cash received	6,224	-	-	-	-
Total cash received	77,258	100,966	95,524	170,234	113,846
Cash used					
Purchase of land and buildings	887,404	747,166	804,610	328,483	406,524
Purchase of infrastructure, plant and equipment	341,279	813,778	762,123	340,113	303,570
Purchase of specialist military equipment	3,364,046	3,853,037	5,022,274	5,705,821	6,013,981
Purchase of intangibles	39,962	34,483	17,403	58,585	64,023
Purchase of inventory	900,963	1,069,603	1,172,120	1,329,897	1,407,758
Purchase of heritage and cultural assets	30	-	-	-	-
Selling costs on sale of assets	8,577	5,693	1,795	1,518	1,145
Finance costs	58,235	106,966	117,212	114,723	113,799
Total cash used	5,600,496	6,630,726	7,897,537	7,879,140	8,310,800
Net cash from (used by) investing activities	-5,523,238	-6,529,760	-7,802,013	-7,708,906	-8,196,954
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	456,289	918,385	1,963,011	1,607,720	1,841,398
Total cash received	456,289	918,385	1,963,011	1,607,720	1,841,398
Cash used					
Repayment of debt	43,481	53,900	76,537	38,598	39,833
Cash to the Official Public Account	-	-	-	-	-
Total cash used	43,481	53,900	76,537	38,598	39,833
Net cash from (used by) financing activities	412,808	864,485	1,886,474	1,569,122	1,801,565
Net increase (decrease) in cash and cash equivalents held	161,048	-73,799	-	-	-
Cash and cash equivalents at the beginning of the reporting period	42,813	204,265	130,466	130,466	130,466
Effect of exchange rate movements on cash and cash equivalents at beginning of the reporting period	404	-	-	-	-
Cash and cash equivalents at the end of the reporting period	204,265	130,466	130,466	130,466	130,466

Table 69: Consolidated Budgeted Income and Expenses Administered on Behalf of Government for the Department of Defence (including DMO) (for the period ended 30 June)

	2012-13 Actual Result \$'000	2013-14 Revised Budget \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Interest	30,939	30,057	35,041	37,411	37,932
Dividends	51,073	50,525	47,795	57,539	56,861
Military superannuation contributions	1,213,777	1,279,902	1,324,094	1,366,335	1,408,622
Fees	14,239	12,727	13,335	13,973	14,384
Foreign exchange	510	-	-	-	-
Other	48,169	52,547	58,472	63,242	75,283
Total non-taxation	1,358,707	1,425,758	1,478,737	1,538,500	1,593,082
Total revenues administered on behalf of Government	1,358,707	1,425,758	1,478,737	1,538,500	1,593,082
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Write-down and impairment of assets	84	-	-	-	-
Subsidies	95,944	103,009	113,164	121,829	128,977
Military retention benefits	61,883	77,103	95,883	77,940	93,000
Military superannuation benefits	5,712,747	4,202,885	4,393,053	4,593,987	4,804,892
Total expenses administered on behalf of Government	5,870,658	4,382,997	4,602,100	4,793,756	5,026,869

Table 70: Consolidated Budgeted Assets and Liabilities Administered on Behalf of Government for the Department of Defence (including DMO) (as at 30 June)

	2012-13 Actual Result \$'000	2013-14 Revised Budget \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash and cash equivalents	-	-	-	-	-
Trade and other receivables	73,176	69,996	66,768	76,357	76,966
Investments accounted for using the equity method	2,343,471	2,219,189	2,269,712	2,324,655	2,380,015
Loans	509,580	509,580	594,580	594,580	634,580
Total financial assets	2,926,227	2,798,765	2,931,060	2,995,592	3,091,561
Non-financial assets					
Prepayments	168,576	155,873	153,890	182,350	230,750
Total non-financial assets	168,576	155,873	153,890	182,350	230,750
Total assets administered on behalf of Government	3,094,803	2,954,638	3,084,950	3,177,942	3,322,311
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Payables					
Other	5,543	5,543	5,543	5,543	5,543
Total payables	5,543	5,543	5,543	5,543	5,543
Provisions					
Superannuation - DFRB ^[1]	540,300	448,096	421,758	396,311	371,780
Superannuation - DFRDB ^[2]	31,859,000	25,450,787	25,468,585	25,449,604	25,392,713
Superannuation - MSBS ^[3]	35,777,000	25,484,781	27,879,102	30,432,546	33,148,860
Total provisions	68,176,300	51,383,664	53,769,445	56,278,461	58,913,353
Total liabilities administered on behalf of Government	68,181,843	51,389,207	53,774,988	56,284,004	58,918,896

Notes

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

Table 71: Consolidated Budgeted Administered Statement of Cash Flows for the Department of Defence (including DMO) (for the period ended 30 June)

	2012-13 Actual Result \$'000	2013-14 Revised Budget \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	32,653	30,057	35,041	37,411	37,932
Military superannuation contributions	1,265,959	1,279,902	1,324,094	1,366,335	1,408,622
Fees	11,231	12,727	13,335	13,973	14,384
Other	46,499	55,179	58,970	63,397	73,996
Total cash received	1,356,342	1,377,865	1,431,440	1,481,116	1,534,934
Cash used					
Subsidies paid	95,547	103,009	113,164	121,829	128,977
Military benefits	1,920,671	2,006,026	2,101,173	2,191,371	2,311,399
Total cash used	2,016,218	2,109,035	2,214,337	2,313,200	2,440,376
Net cash from or (used by) operating activities	-659,876	-731,170	-782,897	-832,084	-905,442
INVESTING ACTIVITIES					
Cash received					
Dividends	49,654	51,073	50,525	47,795	57,539
Total cash received	49,654	51,073	50,525	47,795	57,539
Cash used					
Loans	-	-	85,000	-	40,000
Total Cash used	-	-	85,000	-	40,000
Net cash from (used by) investing activities	49,654	51,073	-34,475	47,795	17,539
Net increase (decrease) in cash held	-610,222	-680,097	-817,372	-784,289	-887,903
Cash at the beginning of reporting period	-	-	-	-	-
Cash from the Official Public Account for appropriations	2,016,218	2,109,035	2,299,337	2,313,200	2,480,376
Cash to the Official Public Account	-1,405,996	-1,428,938	-1,481,965	-1,528,911	-1,592,473
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents at the end of the reporting period	-	-	-	-	-

Appendices

Appendix A	Defence Cooperation Program
Appendix B	The Unapproved Major Capital Investment Program (also known as the Defence Capability Plan)
Appendix C	Major Capital Facilities Program
Appendix D	Approved Projects Being Developed for Private Financing Arrangements
Appendix E	Status of Major Projects Foreshadowed for Government and Parliamentary Standing Committee on Public Works Consideration (PWC) in 2013-14

Appendix A: Defence Cooperation Program

No changes have been made to the Defence Cooperation Program since the *Portfolio Budget Statements 2013-14*.

Appendix B: The Unapproved Major Capital Investment Program (also known as the Defence Capability Plan)

Since the release of the *Portfolio Budget Statements 2013-14*, 11 investment decisions have been made on Defence Capability Plan projects, with a total value of around \$1.8b. Further projects will be considered for approval in 2013-14.

Major Projects Recently Approved by Government

Tables 72, 73 and 74 identify major projects that have been approved since publication of the *Portfolio Budget Statements 2013-14*.

Table 72: Significant Defence Capability Plan Projects with First Pass Approval

Project Number	Project Title
JP 2069 Phase 3	High Grade Cryptographic Equipment
JP 3025 Phase 1	Deployable Special Operations Engineer Regiment Capability

Table 73: Significant Defence Capability Plan Projects with Second Pass Approval

Project Number	Project Title
AIR 5416 Phase 4B.2	C-130J Large Aircraft Infrared Counter Measure (LAIRCM)
JP 2064 Phase 3	Geospatial Information, Infrastructure and Services
SEA 1442 Phase 4	Maritime Communication Modernisation
AIR 5276 CAP2	AP-3C Capability Assurance Program
JP 2072 Phase 3	Battlespace Communications System (Land)
LAND 75 Phase 4	Battlefield Command Systems

Table 74: Other Defence Capability Plan Projects with an Approval

Project Number	Project Title
LAND 121 Phase 3B/5B	Overlander – Medium and Heavy Tactical Training Vehicles
JP 2069 Phase 3 (initial approval)	High Grade Cryptographic Equipment
JP 3029 Phase 2 (initial second pass)	Space Telescope

Appendix C: Major Capital Facilities Program

Information is as reported in the PBS 2013-14.

Approved Major Capital Facilities Projects

Table 75 and the following descriptions provide details on the progress and expenditure during 2013-14 on major capital facilities projects.

Table 75: Approved Major Capital Facilities Projects by State and Federal Electorate

	State and Electorate	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2013	2013-14 Budget Estimate \$m	2013-14 Revised Estimate \$m	Variation \$m	Project Performance Update and Explanation of Variation
Enhanced Land Force Stage 1 Works ^[1]							
Holsworthy Barracks	NSW - Hughes	-	38.6	-	-	-	
Singleton Training Area	NSW - Hunter	-	62.0	-	-	-	
Kapooka Training Area	NSW - Riverina	-	104.1	-	-	-	
Swan Island	VIC - Corangamite	-	6.4	-	-	-	
Puckapunyal Training Area	VIC - McEwan	-	63.8	10.5	12.6	2.1	The financial variation is due to increased costs to complete decontamination works required prior to construction on the site.
RAAF Amberley	QLD - Blair	-	122.5	-	-	-	
Townsville	QLD - Herbert	-	185.4	3.3	3.8	0.5	The financial variation is due to increased costs being identified during completion of design and contract award.
Edinburgh Defence Precinct	SA - Wakefield	-	23.7	1.3	12.4	11.1	The financial variation is as a result of work elements to be brought forward to allow beneficial programming of project delivery and value for money.
Campbell Barracks	WA - Curtin	-	3.9	-	-	-	
Total		793.1	610.4	15.1	28.8	13.7	

Table 75 (Cont): Approved Major Capital Facilities Projects by State and Federal Electorate

	State and Electorate	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2013	2013-14 Budget Estimate \$m	2013-14 Revised Estimate \$m	Variation \$m	Project Performance Update and Explanation of Variation
Enhanced Land Force Stage 2 Works ^[1]							
Singleton Training Area	NSW - Hunter	-	112.3	10.1	6.6	-3.5	The financial variation reflects a more accurate spend spread based on the current delivery program.
Simpson Barracks, Watsonia	VIC - Jagajaga	-	20.0	-	-	-	
RAAF Amberley	QLD - Blair	-	9.7	-	-	-	
Kokoda Barracks, Canungra	QLD - Forde	-	39.8	40.3	31.0	-9.3	The financial variation reflects a more accurate spend spread based on the current delivery program.
Lavarack Barracks, Townsville	QLD - Herbert	-	60.5	0.0	-	-0.0	
Greenbank Training Area	QLD - Rankin	-	101.3	13.0	18.0	5.0	The financial variation is as a result of increased costs to implement an approved change to scope and costs associated with environmental compliance action.
Gallipoli Barracks, Enoggera	QLD - Ryan	-	635.7	133.5	145.0	11.5	The financial variation is as a result of better than anticipated weather conditions enabling more construction to be completed than was estimated at the time of the publication of the <i>Portfolio Budget Statements 2013-14</i> .
Wide Bay Training Area	QLD - Wide Bay	-	59.7	19.0	11.0	-8.0	The financial variation is as a result of reduced construction onsite while an environmental assessment was undertaken and outcomes addressed.
RAAF Edinburgh	SA - Wakefield	-	34.4	0.0	1.6	1.6	The financial variation reflects a more accurate spend spread based on the current delivery program.
Majura Field Training Area	ACT - Fraser	-	22.6	-	-	-	
Total		1,457.8	1,096.0	216.1	213.2	-2.9	

Table 75 (Cont): Approved Major Capital Facilities Projects by State and Federal Electorate

	State and Electorate	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2013	2013-14 Budget Estimate \$m	2013-14 Revised Estimate \$m	Variation \$m	Project Performance Update and Explanation of Variation
Defence Logistics Transformation Program							
[1]							
Defence National Storage & Distribution Centre, Moorebank	NSW - Hughes	-	53.4	146.5	135.7	-10.8	
Wadsworth Barracks, Bandiana	VIC - Indi	-	-	7.8	19.1	11.3	
RAAF Amberley	QLD - Blair	-	5.8	68.7	84.2	15.5	
Townsville	QLD - Herbert	-	-	9.6	32.7	23.1	
RAAF Edinburgh	SA - Wakefield	-	-	6.4	0.4	-6.1	
Robertson Barracks	NT - Solomon	-	11.6	88.1	101.6	13.5	
Total		752.7	70.8	327.1	373.6	46.6	The financial variation is as a result of accelerated delivery of some elements to achieve value for money and reduce the risk of escalation in costs.

Table 75 (Cont): Approved Major Capital Facilities Projects by State and Federal Electorate

	State and Electorate	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2013	2013-14 Budget Estimate \$m	2013-14 Revised Estimate \$m	Variation \$m	Project Performance Update and Explanation of Variation
Moorebank Units Relocation ^[2]							
Steele Barracks, Moorebank	NSW - Hughes	352.9	43.9	101.5	118.4	16.9	The financial variation is as a result of work elements to be brought forward to allow beneficial programming of project delivery and value for money.
Amberley Redevelopment Stage 3							
RAAF Amberley	QLD - Blair	331.5	306.4	13.6	21.9	8.3	The financial variation is as a result of work elements to be brought forward to allow beneficial programming of project delivery and value for money.
Albatross Redevelopment Stage 3							
HMAS Albatross, Nowra	NSW - Gilmore	192.0	0.7	39.9	22.0	-17.9	The financial variation is due to a delay in finalising delivery phase contracts.
Facilities for MH-60R Seahawk Maritime Combat Helicopters							
HMAS Albatross, Nowra	NSW - Gilmore	-	-	-	63.5	63.5	
HMAS Stirling, Rockingham	WA - Brand	-			5.2	5.2	
Total		189.0	-	-	68.8	68.8	Project has been approved since the <i>Portfolio Budget Statements 2013-14</i>

Table 75 (Cont): Approved Major Capital Facilities Projects by State and Federal Electorate

	State and Electorate	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2013	2013-14 Budget Estimate \$m	2013-14 Revised Estimate \$m	Variation \$m	Project Performance Update and Explanation of Variation
East Sale Redevelopment							
RAAF East Sale	VIC - Gippsland	185.6	11.6	79.0	62.2	-16.8	The financial variation reflects a more accurate spend spread based on a reprogrammed delivery schedule.
Defence Facilities at HMAS Harman							
HMAS Harman	ACT - Canberra	163.5	149.4	0.3	10.3	10.0	The financial variation is as a result of slippage of expenditure from financial year 2012-13 to 2013-14 and finalisation of costs associated with Information and Communications Technology (ICT) works.
Facilities for Air Warfare Destroyer (SEA 4000)							
Garden Island	NSW - Wentworth	109.9	-	-	16.0	16.0	Project has been approved since the <i>Portfolio Budget Statements 2013-14</i> .
Defence Force School of Signals							
Simpson Barracks, Watsonia	VIC - Jagajaga	101.3	90.8	3.3	0.1	-3.2	The financial variation is as a result of delays in achieving approval for a change to scope of the final element.
Facilities for Amphibious Deployment and Sustainment (JP 2048)							
Garden Island	NSW - Wentworth	60.3	-	-	5.0	5.0	Project has been approved since the <i>Portfolio Budget Statements 2013-14</i>
ADFA Redevelopment							
ADFA	ACT - Fraser	98.5	44.5	32.4	41.1	8.7	The financial variation is as a result of increased cost associated with remediating unforeseen in-ground conditions.

Table 75 (Cont): Approved Major Capital Facilities Projects by State and Federal Electorate

	State and Electorate	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2013	2013-14 Budget Estimate \$m	2013-14 Revised Estimate \$m	Variation \$m	Project Performance Update and Explanation of Variation
Defence Science and Technology Organisation (DSTO) Fishermans Bend - Human Protection Performance and Security							
Fishermans Bend	VIC - Melbourne Ports	41.1	-	-	2.5	2.5	Project has been approved since the <i>Portfolio Budget Statements 2013-14</i>
Airfield Capital Works ^[1]							
RAAF Williamtown	NSW - Newcastle	-	-	9.6	7.7	-1.9	The financial variation reflects a more accurate spend spread based on the current delivery program.
RAAF Amberley	QLD - Blair	-	2.4	24.8	33.7	8.9	The financial variation is as a result of unforeseen in ground conditions.
RAAF Townsville	QLD - Herbert	-	-	6.5	3.7	-2.8	The financial variation reflects a more accurate spend spread based on the current delivery program.
RAAF Darwin	NT - Solomon	-	1.7	12.7	24.4	11.7	The financial variation is due to slippage in expenditure from financial year 2012-13 to 2013-14 and tender prices being higher than original estimates.
Total		74.7	4.1	53.6	69.5	15.9	
HMAS Penguin and Pittwater Annexe Redevelopment ^[1]							
Pittwater Annexe	NSW - MacKellar	-	4.0	2.0	2.0	-	
HMAS Penguin, Balmoral	NSW - Warringah	-	44.9	9.8	11.3	1.5	The financial variation is as a result of costs associated with testing and remediation of asbestos and upgrading security systems.
Total		63.3	48.9	11.8	13.3	1.5	

Table 75 (Cont): Approved Major Capital Facilities Projects by State and Federal Electorate

	State and Electorate	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2013	2013-14 Budget Estimate \$m	2013-14 Revised Estimate \$m	Variation \$m	Project Performance Update and Explanation of Variation
Facilities for Replacement Towed Artillery (LAND 17) ^[1]							
Gaza Ridge Barracks, Bandiana	VIC - Indi	-	0.9	2.4	1.5	-0.9	The financial variation is as a result of savings realised in the delivery of some elements of these works.
Bridges Barracks, Puckapunyal	VIC - McEwan	-	1.1	2.0	1.3	-0.7	The financial variation is as a result of savings realised in the delivery of some elements of these works.
Lavarack Barracks, Townsville	QLD - Herbert	-	1.8	2.3	2.4	0.1	The financial variation is as a result of increased costs incurred in completing construction to support delivery of new capability.
Gallipoli Barracks, Enoggera	QLD - Ryan	-	7.4	16.3	21.9	5.6	The financial variation is as a result of additional works required to remediate site as a result of unforeseen inground conditions.
RAAF Edinburgh	SA - Wakefield	-	1.0	2.3	2.3	-0.0	
Robertson Barracks, Darwin	NT - Solomon	-	1.1	3.2	1.2	-1.9	The financial variation is as a result of savings realised in the delivery of some elements of these works.
Total		46.5	13.3	28.4	30.6	2.2	

Table 75 (Cont): Approved Major Capital Facilities Projects by State and Federal Electorate

	State and Electorate	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2013	2013-14 Budget Estimate \$m	2013-14 Revised Estimate \$m	Variation \$m	Project Performance Update and Explanation of Variation
Liverpool Military Area High Voltage Reticulation Systems Upgrade							
Liverpool Military Area	NSW - Hughes	19.6	0.1	15.3	16.9	1.6	The financial variation is as a result of costs associated with testing and remediation of asbestos and upgrading security systems.
Scottsdale Specific Nutritional Capability							
Scottsdale	TAS - Bass	18.7	8.9	7.8	9.2	1.4	The financial variation is as a result of work elements to be brought forward to allow beneficial programming of project delivery and additional costs being incurred to meet updated compliance requirements.
Explosive Ordnance Storage							
Proof & Experimental Establishment Port Wakefield	SA - Wakefield	15.5	13.2	2.2	2.2	-	

Table 75 (Cont): Approved Major Capital Facilities Projects by State and Federal Electorate

	State and Electorate	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2013	2013-14 Budget Estimate \$m	2013-14 Revised Estimate \$m	Variation \$m	Project Performance Update and Explanation of Variation
Facilities for Joint Counter Improvised Explosive Device Capability ^[1]							
Steele Barracks, Moorebank	NSW - Hughes	-	0.1	3.1	-	-3.1	
Singleton Training Area	NSW - Hunter	-	-	0.5	-	-0.5	
Wadsworth Barracks, Bandiana	VIC - Indi	-	-	1.5	-	-1.5	
Simpson Barracks, Watsonia	VIC - Jagajaga	-	-	1.8	1.7	-0.1	
Kokoda Barracks, Canungra	QLD - Forde	-	-	0.4	-	-0.4	
Townsville Training Area	QLD - Herbert	-	0.1	0.5	-	-0.5	
Cultana Training Area	SA - Grey	-	-	0.3	-	-0.3	
Edinburgh Defence Precinct	SA - Wakefield	-	-	2.8	1.5	-1.3	
Campbell Barracks, Perth	WA - Curtin	-	-	0.7	-	-0.7	
RAAF Darwin	NT - Solomon	-	-	0.6	-	-0.6	
Total		13.4	0.2	12.2	3.2	-9.0	The financial variation at these locations is as a result of delays in finalising scope and design. This has delayed the completion date to financial year 2015-16.

Table 75 (Cont): Approved Major Capital Facilities Projects by State and Federal Electorate

	State and Electorate	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2013	2013-14 Budget Estimate \$m	2013-14 Revised Estimate \$m	Variation \$m	Project Performance Update and Explanation of Variation
6th Aviation Regiment - Expanded 171 Aviation Squadron Facilities							
Holsworthy Barracks	NSW - Hughes	11.7	8.4	0.0	1.0	1.0	The financial variation is due to slippage of expenditure from financial year 2012-13 to 2013-14 and increased costs associated with Information Communication Technology equipment.
Australian Operational Concept Contingency and Stores ^[1]							
RAAF Williams	VIC - Lalor	-	0.0	-	-	-	
RAAF Townsville	QLD - Herbert	-	0.0	-	-	-	
Gallipoli Barracks, Enoggera	QLD - Ryan	-	0.0	-	-	-	
RAAF Edinburgh	SA - Wakefield	-	0.0	-	-	-	
Derwent Barracks, Glenorchy	TAS - Denison	-	0.0	0.1	-	-0.1	The financial variation is due to a delay in finalising delivery phase contracts. This has delayed the completion date to financial year 2015-16.
RAAF Darwin	NT - Solomon	-	0.0	-	-	-	
Total		7.9	0.1	0.1	-	-0.1	
Thermal Test Facility							
Fishermans Bend	VIC - Melbourne Ports	6.6	0.1	3.6	1.3	-2.3	The financial variation is due to higher than anticipated tender prices. A reassessment of funding is being undertaken and as a result, lower project achievement in financial year 2013-14 is expected.
Corrosion Control Facility ^[3]							
RAAF Tindal	NT - Lingiari	6.7	0.0	4.2	6.7	2.5	The financial variation is due to increased costs to meet updated compliance requirements.

Table 75 (Cont): Approved Major Capital Facilities Projects by State and Federal Electorate

	State and Electorate	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2013	2013-14 Budget Estimate \$m	2013-14 Revised Estimate \$m	Variation \$m	Project Performance Update and Explanation of Variation
Corrosion Control Facility and Spray Paint Booth Facilities Upgrade							
RAAF Williamtown	NSW - Newcastle	6.3	0.6	3.2	5.5	2.3	The financial variation is as a result of design issues which delayed commencement of construction, pushing spend from financial year 2012-13 to 2013-14, and costs to remediate contamination.
Potable Water Supply Upgrade							
RAAF Pearce	WA - Pearce	3.1	0.4	0.8	0.4	-0.4	The financial variation reflects a more accurate spend spread based on the current delivery program. This has delayed the completion date to financial year 2014-15.
Triangular Island Facility Upgrade							
Shoalwater Bay Training Area	QLD - Capricornia	2.2	0.9	-	0.0	0.0	
Projects in or about to enter Defects Liability Period							
				4.8	35.5	30.7	The financial variation is as a result of slippage of some project finalisation costs from financial year 2012-13 to 2013-14.
Total		5,125.3	2,523.6	976.2	1,179.3	203.1	

Notes

1. These projects cross state and electoral boundaries. Cumulative expenditure to 30 June 2013 and expenditure estimates for 2013-14 are provided in the table per project and location.
2. This amount represents the Defence funded element of the Moorebank Units Relocation Project. The Department of Finance are funding the remaining element of \$517.1m with a total approved project value of \$870.0m. These works are at Holsworthy to enable the relocation of units from Steele Barracks, Moorebank to Holsworthy.
3. Project budget has increased since publication of *Portfolio Budget Statements 2013-14*.

Appendix D: Approved Projects Being Developed for Private Financing Arrangements

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

Information is as reported in the *Portfolio Budget Statements 2013-14*.

Appendix E: Status of Major Projects Foreshadowed for Government and Parliamentary Standing Committee on Public Works Consideration (PWC) in 2013-14

During 2013-14, Defence expects to present a number of facilities proposals to the Government and the Public Works Committee (PWC). Table 76 provides details of the proposed major capital projects expected to be referred to the PWC in 2013-14. In some cases, the projects may require the Government's approval before referral to the PWC.

Table 76: Program of Works Foreshadowed for Consideration and Approval

	State/Electorate	Actual/Indicative PWC Referral Date	Actual/Indicative PWC Hearing Date ⁽¹⁾	Current Status
Major Capital Facilities Projects Foreshadowed for PWC Consideration in 2013-14				
RAAF Base Williamtown Redevelopment Stage 2	NSW - Newcastle	Early 2015	Mid 2015	In development
Defence Science and Technology Organisation (DSTO) Fishermans Bend - Human Protection Performance and Security	VIC - Melbourne Port	21-Mar-13	30-Apr-13	Approved
Facilities for Air Warfare Destroyer (SEA 4000)	Multiple	21-Mar-13	23-Apr-13	Approved
Facilities for Amphibious Deployment and Sustainment (Joint Project (JP) 2048)	Multiple	21-Mar-13	23-Apr-13	Approved
Facilities for the MH-60R Seahawk Maritime Combat Helicopters (AIR 9000 Phase 8)	Multiple	21-Mar-13	22-Apr-13	Approved
Facilities for Chinook Helicopter (Air 9000 Phases 5B and 5C)	Herbert	Early 2014	Mid 2014	In development
Facilities for Force Protection Research and Training (Joint Project (JP)154)	Multiple	Mid 2014	Mid 2014	In development
AIR 6000 New Air Combat Capability (NACC)	Multiple	Mid 2014	Mid 2014	In development
Defence Terrestrial Communications Network Facilities Upgrade (Joint Project (JP) 2047)	Multiple	Mid 2014	Mid 2014	In development

Table 76 (Cont): Program of Works Foreshadowed for Consideration and Approval

	State/Electorate	Actual/Indicative PWC Referral Date	Actual/Indicative PWC Hearing Date ^[2]	Current Status
Medium Capital Facilities Projects Foreshadowed to Seek Approval in 2013-14				
Army Emergency Response Facilities, Luscombe Airfield - Holsworthy	NSW - Hughes			In development
Hunter Water Corporation Wastewater Transfer Scheme - RAAF Williamtown	NSW - Newcastle	16 May 2013		Approved
Support Facilities for Joint Project (JP) 2048 Phase 3 Landing Helicopter Dock (LHD) Landing Crafts – Sydney	NSW - Wentworth			In development
End of Lease Relocation - Sydney University	NSW - Sydney			In development
Samford Road– Gallipoli Barracks Enoggera	QLD - Ryan			In development
Explosive Hazard Training Area – Wide Bay Training Area	QLD – Wide Bay			In development
Proof & Experimental Establishment (P&EE) Road and Car park Upgrade - Graytown	VIC - Murray			In development
Low Level Bridge - HMAS Stirling	WA - Brand			In development
Armoury - Royal Military College Duntroon	ACT - Fraser			In development
Cyber Security Operational Centre (CSOC) Refurbishment – Russell Offices	ACT - Fraser			In development
Shoal Bay Receiving Station (SBRS) Facilities Upgrade - Darwin	NT - Lingiari			In development
Flood Mitigation Project - RAAF Darwin	NT - Solomon			In development
Proof & Experimental Establishment (P&EE) Vibration Test Facility Port Wakefield	SA - Wakefield			In development
Joint Project (JP)154 Phase 3A (Project Ningau) Australian Protected Route Clearance Capability	Multiple			In development
Joint Project (JP) 2059 Phase 3 - Water Purification and Desalination Equipment	Multiple			In development
Facilities for Australian Light Armoured Vehicle (ASLAV) Crew Procedural Trainer (CPT)	Multiple			In development

Notes

1. Hearing dates will be subject to the Committee's consideration and agreement.
2. Medium Works projects do not normally require a PWC referral and hearing, but do require PWC notification and approval.

RAAF Base Williamtown Redevelopment Stage 2

The project aims to sustain and improve the functionality and capability of RAAF Base Williamtown (Newcastle, NSW) including upgrades or replacement of critical ageing infrastructure to meet future requirements. Subject to Government approval and Parliamentary clearance, construction is scheduled to commence in late 2015 and be completed by mid 2019.

DSTO Fishermans Bend - Human Protection Performance and Security

The project aims to provide new and upgraded site security and will rectify identified working accommodation shortfalls within on-site Human Protection Performance Division facilities located at the Defence Science and Technology Organisation site at Fisherman Bend (Melbourne, VIC). Construction commenced in mid 2013 and is scheduled for completion in early 2016.

Facilities for Air Warfare Destroyer (SEA 4000)

This project aims to provide new and upgraded wharf-side facilities to support berthing and sustainment at Garden Island (Sydney, NSW) for the new Hobart Class Air Warfare Destroyer. The works also include the provision of training facilities at HMAS Watson and Randwick Barracks in Sydney. Construction commenced in mid 2013 and is scheduled for completion in late 2015.

Facilities for Amphibious Deployment and Sustainment (JP 2048)

This project aims to provide new and upgraded wharf-side facilities to support berthing and sustainment at Garden Island (Sydney, NSW) for the new Canberra Class Landing Helicopter Dock Ship. The works also include the provision of training facilities at Randwick Barracks in Sydney and at the Multi-user wharf at Eden NSW. Construction commenced in mid 2013 and is scheduled for completion in late 2015.

Facilities for the MH-60R Seahawk Maritime Combat Helicopters (AIR 9000 Phase 8) (previously reported as Facilities for Future Naval Aviation Combat System Support Air 9000 Phase 8)

The project aims to provide new and upgraded facilities for maritime helicopter operations at HMAS Stirling (Fremantle, WA), HMAS Albatross (Nowra, NSW) and at Eden NSW. The works include the provision of facilities for, aircraft hangars and workshops, synthetic training and working accommodation primarily at Nowra as well as additional explosive ordnance facilities at Fremantle and Eden. Construction commenced in late 2013 and is scheduled for completion in mid 2017.

Facilities for Chinook Helicopter (Air 9000 Phases 5B and 5C)

The project aims to provide new and upgraded facilities to support the introduction into service of the new CH47, F model Chinook helicopter. The project will provide working accommodation, simulator facilities, aircraft hangars and workshops, storage facilities and supporting infrastructure for the Army's 5 Aviation Regiment at RAAF Base Townsville (Townsville, QLD). Subject to Government approval and Parliamentary clearance, construction is scheduled to commence in late 2014 and be completed in mid-2017.

Facilities for Force Protection Research and Training (JP 154)

The project aims to provide test and evaluation facilities at Nurrungar (Woomera, South Australia) and Edinburgh (Adelaide, South Australia), plus storage and training facilities at 14 other sites across Australia. Subject to Government approval and Parliamentary clearance, construction is scheduled to commence in mid 2014 and be completed in mid 2015.

AIR 6000 New Air Combat Capability (NACC)

The project aims to provide new and refurbished infrastructure and facilities across Australia to support the introduction into service of the F-35A aircraft. The facilities will include operational, maintenance, logistics and training facilities at multiple bases around Australia. Additional explosives ordnance facilities will be provided at Defence Establishment Myambat (Denman, NSW). Subject to Government approval and Parliamentary clearance, construction will commence in early 2015 and be complete in mid-late 2022.

Defence Terrestrial Communications Network Facilities Upgrade (Joint Project (JP) 2047)

The project aims to provide upgraded and new communications infrastructure and supporting facilities at multiple Defence owned and leased sites across Australia. The project will support the introduction into service of the new Defence Terrestrial Communications Network. Subject to Government approval and Parliamentary clearance, construction is scheduled to commence in late 2014 and be completed by mid 2016.

DEFENCE MATERIEL ORGANISATION

AGENCY RESOURCES AND PLANNED PERFORMANCE

Section 1: DMO Overview and Resources

- 1.1 Strategic Direction Statement
- 1.2 DMO Resource Statement
- 1.3 DMO Measures Table and Other Adjustments
- 1.4 Breakdown of Additional Estimates by Appropriation Bill
- 1.5 People

Section 2: DMO Outcomes and Planned Performance

- 2.1 Outcomes and Performance Information

Section 3: DMO Explanatory Tables and Budgeted Financial Statements

- 3.1 Explanatory Tables
- 3.2 DMO Budgeted Financial Statements

Defence Materiel Organisation

Section 1: DMO Overview and Resources

1.1 Strategic Direction Statement

In February 2013, the Chief Executive Officer, Defence Materiel Organisation (DMO) released a new strategic framework to enhance accountability, re-balance the structure and deliver further reform across the DMO.

The DMO is progressively aligning internal business plans, reform activities and initiatives to ensure alignment with the goals and behaviours articulated in the DMO Strategic Framework and outlined in the *Portfolio Budget Statements 2013-14*. The DMO Executive Committee and Council Chairs Forum have been formed and are overseeing the prioritisation and implementation of activities that will contribute directly to DMO staff building better relationships with internal and external stakeholders and performing with greater efficiency and effectiveness in delivering materiel capability solutions to the Government and ADF.

Organisational Structure

The following changes have taken place since the *Portfolio Budget Statement 2013-14*:

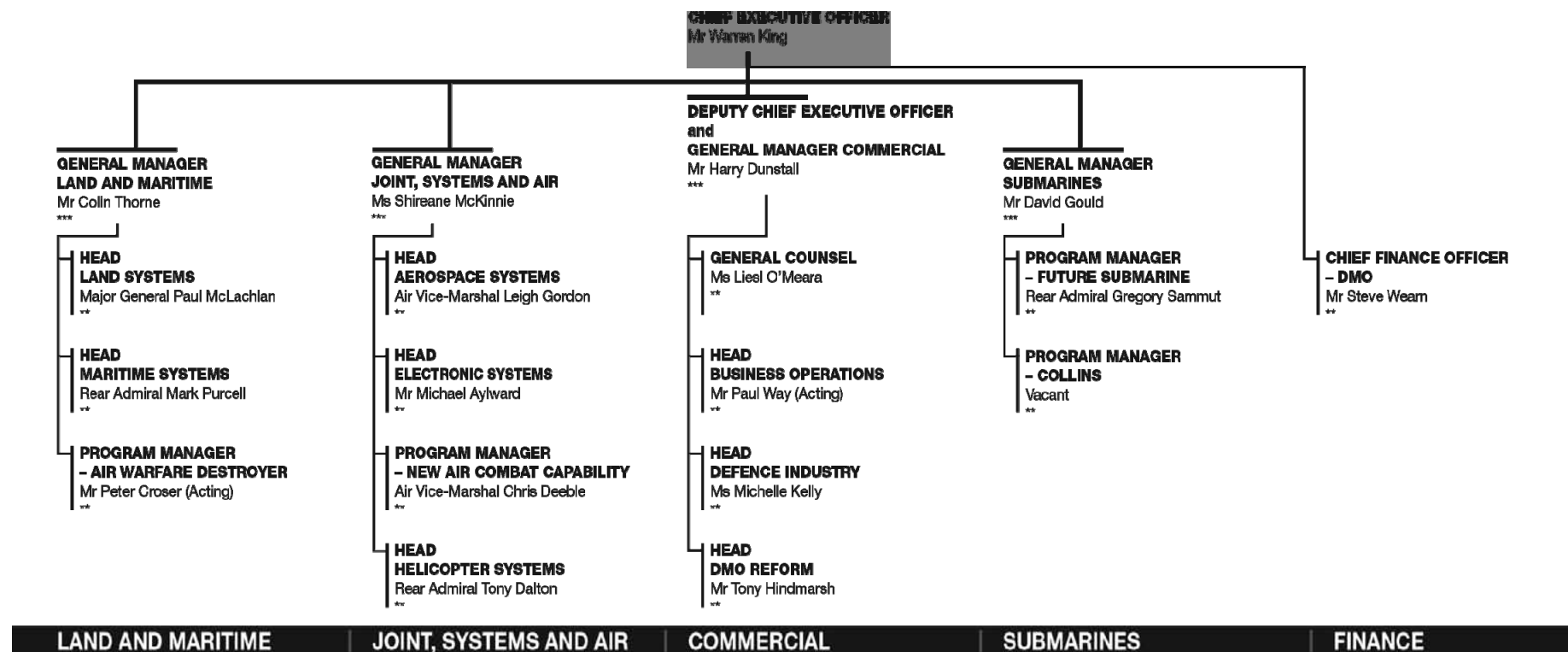
- Commercial Industry Programme and Commercial Enabling Services combined together under the new name Industry Division, headed by Ms Michelle Kelly.
- Explosive Ordnance Branch Heads now report directly to General Manager Land and Maritime, Mr Colin Thorne.

Senior Executive changes

The following changes have taken place since the *Portfolio Budget Statement 2013-14*:

- In July 2013, Ms Michelle Kelly was appointed to position of Head Industry Division, formerly Head Commercial Industry Programs.
- In August 2013, Air Vice-Marshal Leigh Gordon was appointed to the position of Head Aerospace Systems.
- In August 2013, Mr Colin Thorne was appointed to the position of General Manager Land and Maritime.
- In August 2013, Mr Tony Hindmarsh was appointed to the position of Head DMO Reform.
- In September 2013, Mr Mark Reynolds was appointed to Head Business Operations.
- In September 2013, Rear Admiral Gregory Sammut was appointed to Head Future Submarine Program.
- In December 2013, Mr Paul Way was appointed to the position of Acting Head Business Operations.
- In January 2014, Air Vice-Marshal Chris Deeble was appointed to the position Program Manager New Air Combat Capability.

Figure 4: The DMO Organisational Structure as 20 January 2014



1.2 DMO Resource Statement

Resourcing for 2013-14

Table 77 shows the total resources from all sources to support the delivery of the DMO Outcome.

Table 77: DMO Resource Statement for the 2013-14 Additional Estimates

	Estimate as at Budget 2013-14 \$'000	+	Proposed Additional Estimate 2013-14 \$'000	=	Total Estimate at Additional Estimates 2013-14 \$'000	Total Available Appropriation 2012-13 \$'000
ORDINARY ANNUAL SERVICES						
Departmental appropriation						
Prior year departmental appropriation ^[1]	320,000		-72,864		247,136	326,647
Departmental appropriation ^[2]	907,791		-35,413		872,378	911,104
Total Departmental appropriation	1,227,791		-108,277		1,119,514	1,237,751
Total Ordinary Annual Services A	1,227,791		-108,277		1,119,514	1,237,751
Total Available Annual Appropriations	1,227,791		-108,277		1,119,514	1,237,751
Special Accounts						
Opening Balance ^[3]	320,000		-72,864		247,136	326,647
Appropriation Receipts ^[4]	907,791		-35,413		872,378	911,104
Appropriation Receipts - other agencies ^[5]	8,708,445		754,401		9,462,846	8,252,816
Non-Appropriation Receipts to Special Accounts	60,569		-		60,569	98,060
Total Special Accounts B	9,996,805		646,124		10,642,929	9,588,627
Total Resourcing (A + B)	11,224,596		537,847		11,762,443	10,826,378
Less appropriations drawn from annual appropriations above and credited to special accounts						
	1,227,791		-108,277		1,119,514	1,237,751
Total Net Resourcing for DMO	9,996,805		646,124		10,642,929	9,588,627

Notes

1. Estimated adjusted balance carried forward from previous year for annual appropriations.
2. Appropriation Bill (No. 1) 2013-14.
3. Estimated opening balance for the DMO Special Account. For further information refer to Table 92.
4. Direct appropriation for Workforce and Operating Expenses.
5. Appropriation receipts from Defence credited to DMO's special accounts.

Reader Note: All figures are GST exclusive

Table 78: Third Party Payments from and on Behalf of Other Agencies

	Estimate as at Budget 2013-14 \$'000	Estimate at Additional Estimates 2013-14 \$'000
Receipts received from the Department of Defence for the provision of goods and services	8,708,445	9,462,846
Payments made to the Department of Defence for the provision of services ^[1]	376,923	265,004

Note

1. Primarily relates to the payment of military staff posted to the DMO and services provided by the Department of Defence to the DMO in accordance with the Defence Services Agreement.

1.3 DMO Measures Table and Other Adjustments

Table 79: Measures and Other Adjustments

	Program Impacted	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000
Outcome 1					
Budget measures					
Efficiency Dividend - temporary increase in the rate	1.3	-	-1,077	-2,497	-4,030
Total measures		-	-1,077	-2,497	-4,030
Other adjustments					
Decrease in Estimates (Departmental)					
Adjustments to agreed level of activity	All	-35,413	-39,373	-41,093	-43,448
Total other adjustments		-35,413	-39,373	-41,093	-43,448
Net impact on estimates for Outcome 1 (Departmental)					
		-35,413	-40,450	-43,590	-47,478

1.4 Breakdown of Additional Estimates by Appropriation Bill

The following table details changes sought by the DMO during the 2013-14 Additional Estimates. The DMO will seek a determination by the Minister of Finance, under Section 10 of the *Appropriation Act (No.1) 2013-14*, to decrease the Departmental appropriation by \$35.413m due to transfers to Defence.

Table 80: Appropriation Bill (No 3) 2013-14

	2012-13 Available \$'000	2013-14 Budget \$'000	2013-14 Revised \$'000	Additional Estimates \$'000	Reduced Estimates \$'000
Departmental Programs					
Outcome 1					
Contributing to the preparedness of Australian Defence Organisation through acquisition and through-life support of military equipment and supplies	911,104	907,791	872,378	-	35,413
Total	911,104	907,791	872,378	-	35,413

1.5 People

Workforce Summary

The DMO combined APS, ADF and Contractor workforce forecast is 6,658. This is a decrease of 449 in comparison with the 2013-14 budget estimates of 7,107. It is important to note that the DMO manages its workforce under a total workforce model in which the DMO workforce is represented as a combined ADF, APS and Contractor model. Under the DMO's approved total workforce model it is able to employ additional civilian staff to fill positions that cannot be filled by ADF members (428) with appropriate skills and experience, which may lead to the DMO exceeding its budgeted APS workforce even though its overall workforce (civilian + military + contractors) is within agreed parameters. Therefore, the overall total workforce plan should be viewed in its entirety.

Table 81: DMO Consolidated Workforce Statement

	2013-14 Budget Estimate	2013-14 Revised Estimate	Variation	2014-15 Forward Estimate	2015-16 Forward Estimate	2016-17 Forward Estimate
Navy	301	300	-1	360	364	368
Army	383	360	-23	487	492	497
Air Force	705	664	-41	932	944	957
Sub Total Permanent Force ^[1]	1,389	1,324	-65	1,779	1,800	1,822
DMO - APS	5,307	4,878	-429	5,087	5,106	5,141
APS - ADF backfill	363	428	65	-	-	-
Total DMO APS (including APS-ADF Backfill)	5,670	5,306	-364	5,087	5,106	5,141
DMO Contractor ^[2]	48	28	-20	48	46	46
Total Workforce Strength	7,107	6,658	-449	6,914	6,952	7,009

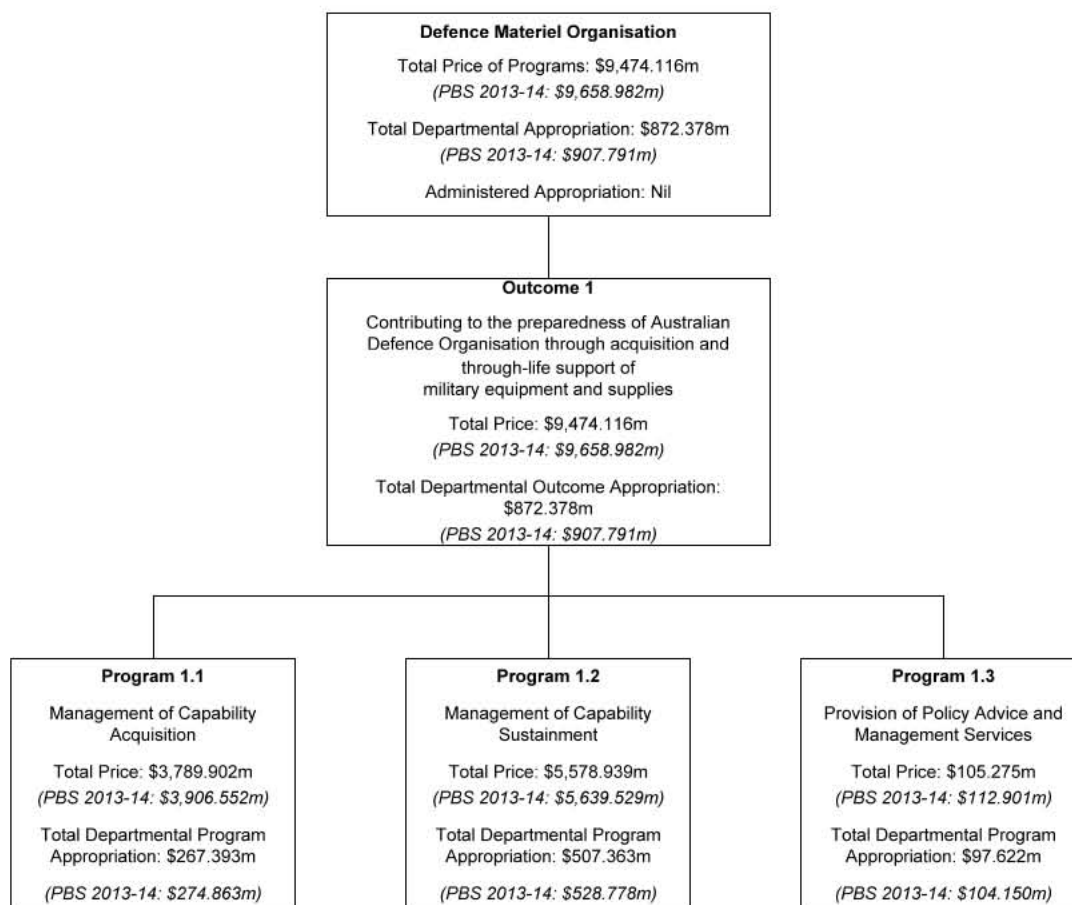
Notes

1. Numbers for ADF Permanent Force includes the DMO ADF Permanent Force and Reservists on continuous full-time service.
2. Contractors are individuals under contract performing agency roles. Contractors are not APS Employees.

Section 2: DMO Outcomes and Planned Performance

Outcome 1 encapsulates the entire business of the DMO, the activities it undertakes as part of Defence in acquisition and sustainment of materiel and the advice it provides on contracting policy and industry policy.

Figure 5: Contributions to Outcomes and Programs



2.1 Outcomes and Performance Information

Outcome 1: Contributing to the preparedness of the Australian Defence Organisation through acquisition and through-life support of military equipment and supplies

Outcome 1 Strategy

No changes have been made to Outcome 1 Strategy since the *Portfolio Budget Statements 2013-14* except for the following:

Program 1.2, Management of Capability Sustainment

Under Rizzo implementation the roll out of the Sustainment Business Model across DMO to promote better and more consistent practice has been delayed pending further trialling (and refinement) in Maritime Systems Division.

Outcome Expenses and Resource Statement

Table 82 provides an overview of the total expenses for Outcome 1 by program.

Table 82: Budgeted Expenses and Resources for Outcome 1

Outcome 1: Contributing to the preparedness of Australian Defence Organisation through acquisition and through-life support of military equipment and supplies	2012-13 Actual Expenses \$'000	2013-14 Revised Estimated Expenses \$'000
Program 1.1 Management of Capability Acquisition		
Departmental expenses		
Departmental appropriation ^[1]	221,455	267,393
Special Accounts	3,733,528	3,513,632
Expenses not requiring appropriation in the Budget year ^[2]	8,967	8,877
Total for Program 1.1	3,963,950	3,789,902
Program 1.2 Management of Capability Sustainment		
Departmental expenses		
Departmental appropriation ^[1]	554,128	507,363
Special Accounts	4,484,405	5,052,741
Expenses not requiring appropriation in the Budget year ^[2]	19,027	18,835
Total for Program 1.2	5,057,560	5,578,939
Program 1.3 Provision of Policy Advice and Management Services		
Departmental expenses		
Departmental appropriation ^[1]	103,742	97,622
Special Accounts	5,396	2,449
Expenses not requiring appropriation in the Budget year ^[2]	4,146	5,204
Total for Program 1.3	113,284	105,275
Outcome 1 Total by appropriation type		
Departmental expenses		
Departmental appropriation ^[1]	879,325	872,378
Special Accounts	8,223,329	8,568,822
Expenses not requiring appropriation in the Budget year ^[2]	32,140	32,916
Total Expenses for Outcome 1	9,134,794	9,474,116
	2012-13	2013-14
Average Staffing Level (number)^[3]	5,748	5,306

Notes

1. Departmental Appropriation combines "Ordinary annual services (Appropriation Bills No. 1)" and "Revenue from independent sources (s31)".
2. Expenses not requiring appropriation in the Budget year is made up of resources received free of charge.
3. Average staffing levels do not include military staff posted to DMO, as military staff remain employees of The Department of Defence and are included in its staffing.

Contributions to Outcome 1

Program 1.1: Management of Capability Acquisition

Program 1.1 Objective

No changes have been made to the Program Objective since the *Portfolio Budget Statement 2013-14*.

Program 1.1 Expenses

The nature and costs of Program 1.1 remains as described in the *Portfolio Budget Statements 2013-14*.

The planned resource use for Program 1.1 is \$3,789.9m in 2013-14 which continues to represent approximately 40 per cent of the DMO's total expenses. The revised planned resource use for Program 1.1 includes:

- the DMO major capital equipment program of \$3,422.5m which comprises \$3,405.4m of the approved major capital investment program and a further \$17.1m of work planned to be transferred to the DMO during the remainder of 2013-14 from Defence
- the DMO minor capital investment program of \$91.1m, including the approved minor program of \$52.8m and \$38.2m of work planned to be transferred to the DMO during the remainder of 2013-14
- direct appropriation of \$267.4m relating to Acquisition workforce and operating expenses
- resources received free of charge from Defence of \$8.9m.

The estimates for Program 1.1 reduced by \$116.6m since the *Portfolio Budget Statements 2013-14* as a result of the following:

- the DMO major capital equipment program decreased by \$55.6m reflecting:
 - reduction in payments required from Defence for approved major projects of \$444.1m in large part reflecting the accelerated outcome achieved in 2012-13
 - supplementation due to foreign exchange movements of \$249.7m
 - reprogramming of estimates from forward years of \$200.0m
 - other changes largely as a result of a reduction by Defence of the estimated value of major projects to be approved and transferred to the DMO for delivery during the remainder of 2013-14 of \$61.2m.
- the DMO minor capital investment program decreased by \$52.1m largely reflecting a reduction by Defence of the estimated value of projects to be approved and transferred to the DMO for the remainder of 2013-14
- the direct appropriation relating to Acquisition workforce and operating expenses decreased by \$7.5m due to minor functional transfers to Defence
- the resources received free of charge from Defence reduced by \$1.5m.

Table 83: Program 1.1 Management of Capability Acquisition

	2012-13 Actual \$'000	2013-14 Revised Budget \$'000	2014-15 Forward Year 1 \$'000	2015-16 Forward Year 2 \$'000	2016-17 Forward Year 3 \$'000
Special Account Expenses:					
Defence Materiel Special Account	3,733,528	3,513,632	5,487,278	6,293,555	6,211,013
Annual Departmental Expenses:					
Ordinary Annual Services (Appropriation Bill No. 1)	221,455	267,393	295,815	316,813	350,427
Expenses not requiring appropriation in the Budget year ^[1]	8,967	8,877	9,099	9,326	9,559
Total Program Expenses	3,963,950	3,789,902	5,792,192	6,619,694	6,570,999

Note

1. Expenses not requiring appropriation in the Budget year is made up of resources received free of charge.

Program 1.1 Deliverables

Changes to the detailed descriptions of deliverables for the top 30 DMO projects is contained in Table 84 Top 30 Projects by 2013-14 Expenditure. A status update on other major projects that are no longer included in the top 30, but were included in the previous five years, is provided at Table 86.

Program 1.1 Key Performance Indicators

No changes have been made to the Program Key Performance Indicators since the *Portfolio Budget Statement 2013-14*.

Top 30 Projects by 2013-14 Forecast Expenditure

Table 84: Top 30 Projects by 2013-14 Forecast Expenditure

		Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2013 \$m	Budget Estimate 2013-14 \$m	Revised Estimate 2013-14 \$m	Variation \$m	Project Performance Update and Explanation of Variation
General Manager Joint, Systems and Air							
Aerospace Systems							
Battlefield Airlift - Caribou Replacement	AIR 8000 Phase 2	1,257	278	162	164	2	Aircraft production is progressing with the first aircraft nearing completion and the next three well advanced. Initial spares deliveries will commence under the Foreign Military Sales (FMS) and the United States Government will finalise contract arrangements for the three year period of interim training and logistics support. Initial training is scheduled to commence second half 2015 to support the planned 2015 Australian In Service Date. The variation is due to the refinement in FMS case in relation to support and spares contracts (-\$17m). This is offset by foreign exchange (Forex) supplementation. (+\$19m).
Growler Airborne Electronic Attack Capability	AIR 5349 Phase 3	2,920	37	90	291	201	Several FMS cases have been signed with the United States Government for the 12 new-build Growler aircraft and associated systems; Anti-Radiation Missiles (training variant) and initial Growler aircrew and maintainer training. The first Growler aircrew commenced training with the United States Navy in November 2013. The variation is due to revised project scope from converting existing Super Hornet aircraft to acquisition of new-build Growler aircraft. The variation includes Forex (+ \$27m).
Airborne Early Warning and Control Aircraft	AIR 5077 Phase 3	3,867	3,452	87	59	-28	Final logistics support requirements are on contract and are progressively being delivered. The remaining radar performance and software remediation activities have been defined and planned, and are being executed. The variation (-\$33m) is due to a combination of rephased milestones and contracting of residual remediation work, and savings in contracted activities, partially offset by Forex (+\$4.9m).
Air to Air Refuelling Capability	AIR 5402	1,815	1,557	61	29	-32	Testing of military avionics identified changes which are being implemented. Testing of the Aerial Refuelling Boom System also identified changes. A joint Industry and Defence "task force" has confirmed the scope and strategy for the development and testing of the changes to the boom. The remaining contracted scope is expected to be delivered but with a delay in the final completion, refurbishment and redelivery of the first (prototype) aircraft. A negative \$36m variation is due to delays in completion of milestones for operational testing of the boom and pod refuelling systems, delays to delivery of spares and a reduction in the reimbursement of Air Force costs for alternative tanker and air logistics services arising from project delays. This is partially offset by a Forex (+\$4m).

Defence Portfolio Additional Estimates Statements 2013-14

	Project number/ phase	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2013 \$m	Budget Estimate 2013-14 \$m	Revised Estimate 2013-14 \$m	Variation \$m	Project Performance Update and Explanation of Variation
Electronic Systems							
Battlespace Communications System (Land)	JP 2072 Phase 2A	456	158	152	114	-37	The project is approximately half way through delivery and introduction into service of the new digital radios. Interim support arrangements are in place while contracts to support the new radios through life-of-type are being tendered. Delivery of Combat Net Radio equipment and associated key generation cryptographic devices has been deferred to 2014-15. The associated mature support contract for this equipment has also been deferred to align with expiration of current support arrangements. This resulted in a -\$48m variance that is partially offset by Forex (+\$11.6m).
Next Generation Satellite Communications System	JP 2008 Phase 4	868	543	38	39	1	Wideband Global Satellite Communications System (WGS) 5 became operational in late 2013 following launch in mid 2013. WGS6, which Australia is funding, also launched in mid 2013, and is expected to become operational by early 2014.
Battle Management System	LAND 75 Phase 3.4	313	184	30	29	-1	This project has delivered to Army all installations of the Battle Management Systems into Bushmaster Protected Mobility Vehicle and selected logistic vehicles. Delivery of installations into G-Wagon vehicles will continue in 2013-14. The focus for the balance of the 2013-14 period is on completion of design acceptance activities and introduction into service processes leading to project closure. The variation is due to minor re-scheduling of project closure activities between financial years.
Military Satellite Capability - Wideband Terrestrial Terminals	JP 2008 Phase 3H	45	8	29	30	2	The project has completed acceptance testing of the transportable satellite terminals with delivery and introduction into service training to commence in early 2014. The variation is due to the cost reduction associated with the installation of a Defence Restricted Network terminal in the Prime Contractors facility.
Anzac Electronic Support System Improvements	SEA 1448 Phase 4A	266	10	25	22	-3	System Preliminary Design Review was completed in October 2013. The variation is due to early delivery of an item (-\$4m) in 2012-13, partially offset by Forex (+\$1m).
Joint Command Support Environment	JP 2030 Phase 8	256	147	24	22	-2	Evolution 2 Releases one to three have been completed. The Special Operations Combat Net Radio Interface capability system has been completed and placed into operational service. An interim support contract has been established for the Combat Net Radio Interface system.
Helicopter Systems							
Future Naval Aviation Combat System Helicopter	AIR 9000 Phase 8	3,141	467	412	425	13	The first two of four MH-60R Seahawk Romeo helicopters scheduled for acceptance in 2013-14 were accepted in December 2013, six months ahead of schedule. The project remains on track to conduct Seahawk Romeo flying operations in the United States throughout 2014 ahead of returning to Australia at the end of 2014. Construction of the dedicated Seahawk Romeo facilities at HMAS Albatross commenced in late 2013. There is little schedule float in the facilities construction schedule and this remains a key project risk. The variation is due to Forex (+\$39m) and FMS payments varying from originally planned (-\$26m).
Multi Role Helicopter	AIR 9000 Phase 2	3,733	2,179	204	244	40	There are currently 26 MRH90 aircraft in service. Contract performance has improved in line with negotiated outcomes of the Deed of Settlement agreed in May 2013. The variation reflects the improved performance of the support arrangements (+\$19m) and Forex (+\$21m).

	Project number/ phase	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2013 \$m	Budget Estimate 2013-14 \$m	Revised Estimate 2013-14 \$m	Variation \$m	Project Performance Update and Explanation of Variation
New Air Combat Capability							
Joint Strike Fighter Aircraft	AIR 6000 Phase 2A/2B	2,808	228	231	214	-18	Since June 2013 the United States Joint Program Office managed contract for Australia's first two Joint Strike Fighter Aircraft was signed. Production of the aircraft continued on schedule to meet the planned delivery and acceptance timeframe in the second half of 2014. The variation is due to delays in contract signature which has been partially offset by Forex (+\$19.7m).
General Manager Land and Maritime							
Air Warfare Destroyer							
Air Warfare Destroyer Build	SEA 4000 Phase 3	7,820	4,565	625	623	-2	The completion of block consolidation and integration for Ship 01, Hobart, is scheduled to be completed in early 2014. The keel-laying ceremony for Ship 02, Brisbane, is scheduled for February 2014. Blocks will continue to arrive in South Australia for Ship 02 and Ship 03. Combat system equipment will continue to be delivered. The variance is due to several factors including a transfer back to Defence for the development of facilities (-\$16m), minor slippage (-\$5m) and Forex (+\$19m).
Explosive Ordnance							
Standard Missile-2 Conversion and Upgrade	SEA 4000 Phase 3.2	102	20	37	35	-2	The Intermediate Level Maintenance Facility upgrade of the existing Standard Missile-2 missile MK 698 Test Set at Orchard Hills remains on schedule to occur in 2014. The variance is due to minor schedule delay.
Lightweight Torpedo Replacement	JP 2070 Phase 2	341	274	26	26	-1	In August 2013, Navy undertook the successful 'world first' war shot firing of an MU90 lightweight torpedo against a manufactured target. In September 2013, the DMO implemented contractor provided maintenance support for the MU90 and the Chief of Navy declared a Final Operational Capability for the MU90 lightweight torpedo system. Work to finalise project transition and project closure is ongoing. The variation is due to the delivery delay of spares.
Mulwala Redevelopment Project	JP 2086 Phase 1	370	329	24	15	-10	Commissioning of the Modernised Facility has proceeded, with this work taking place in two separable zones within the plant, Nitrocellulose Production and Propellant Manufacturing. The Nitrocellulose Production area has been commissioned and performance testing is now underway. Support facilities built around the perimeter of the Modernised Facility have been granted Final Acceptance and are being utilised by the Commonwealth's operator of the Mulwala site. Planning is underway with the construction contractor to deliver functional stages of the plant in 2014. The variation is primarily due to delays in Mulwala infrastructure works.
Bridging Air Combat Capability	AIR 5349 Phase 2	284	138	24	8	-16	The delivery of Joint Stand Off Weapon C1 weapons remain on schedule for early 2014 and the delivery of Advanced Medium Range Air to Air Missile weapons remain on schedule for 2015. Delays in the United States Navy's integration of these weapons with the F/A-18F Super Hornet has the potential to further delay the introduction into service of these capabilities. The variance is due to rephrasing of FMS payments to match United States Government information.

Defence Portfolio Additional Estimates Statements 2013-14

	Project number/ phase	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2013 \$m	Budget Estimate 2013-14 \$m	Revised Estimate 2013-14 \$m	Variation \$m	Project Performance Update and Explanation of Variation
Land Systems							
Field Vehicles and Trailers - Overlander Program	LAND 121 Phase 3A/5A	1,012	386	235	204	-30	As at December 2013, 894 G-Wagons and 564 trailers had been delivered to units. Operator and maintainer training are to be completed by late 2014 and late 2015 respectively. Materiel release of the Surveillance and Reconnaissance variant is scheduled for achievement by mid 2014. The variation reflects some rescheduling of deliveries and cost saving partially offset by Forex (+\$16m).
Bushmaster Protected Mobility Vehicles	LAND 116 Phase 3	1,251	858	62	59	-3	Delivery of 101 Production Period 4 (attrition vehicles) vehicles was completed. Delivery of Production Period 5 vehicles (up to 214) commenced in July 2013 and is due to be completed in mid 2016. The variation is due to a reduction in the cost of External Composite Armour, and the rescheduling of price variation claims.
Additional Lightweight Towed Howitzers	LAND 17 Phase 1C 1	76	24	47	29	-18	This project will take delivery of the additional 19 Howitzers and progress the Capability Assurance Program for Government consideration in early 2014. The first two of the additional Howitzers were delivered in October 2013, with the remaining 17 Howitzers to be delivered from February 2014. The variation is primarily due to FMS payments being brought forward into 2012-13 due to accelerated performance.
Overlander - Medium Heavy Capability, Field Vehicles, Modules and Trailers	LAND 121 Phase 3B	3,391	8	45	45	..	This project successfully sought a revised Second Pass approval from Government and signed contracts for the production, delivery and through-life support of the medium/heavy capability field vehicles, modules and trailers. Initial deliverables have been received and the project will begin the first design review process in early 2014.
Digital Terminal Control System	LAND 17 Phase 1B	120	40	41	37	-4	This project achieved the Initial Materiel Release milestone on schedule and within budget. This included the delivery of the next tranche of digital terminal control systems (updating hardware elements and software), and associated operator training. The upgrade of the currently fielded systems is progressing and software development will continue to include additional platform integration requirements. The variation is due primarily to slipping the payment and delivery of the Laser Target Designator to 2014-15.
Artillery Replacement 155MM Howitzer	LAND 17 Phase 1A	333	135	28	22	-6	This project has achieved Final Materiel Release for the towed howitzers and the battle management system. The acquisition of the course correcting fuze is progressing with ADF certification activities planned to commence this financial year and fuze deliveries expected from 2015. The variation is primarily due to savings identified for both Advanced Field Artillery Tactical Data System support and M777A2 introduction into service activities. This is in addition to rescheduling of Protected Mobility Vehicle integration work to 2014-15.

	Project number/ phase	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2013 \$m	Budget Estimate 2013-14 \$m	Revised Estimate 2013-14 \$m	Variation \$m	Project Performance Update and Explanation of Variation
Maritime Systems							
Amphibious Deployment and Sustainment	JP 2048 Phase 4A/B	3,084	2,391	203	227	24	The variation is due to movement of Prime Contract Milestones from 2012-13 to 2013-14 and Forex.
Anzac Ship Anti-Ship Missile Defence	SEA 1448 Phase 2B	678	405	73	62	-10	Anti-Ship Missile Defence refits continue with HMAS <i>Arunta</i> almost complete and HMAS <i>Anzac</i> well underway. The weapon firings in the Hawaii region were an outstanding success. The variation is due to a rescheduling of work.
Amphibious Watercraft Replacement	JP 2048 Phase 3	233	49	37	39	2	The first four landing craft are currently conducting sea trials which are scheduled to conclude in early 2014. The variation is due to Forex.
SM-1 Missile Replacement	SEA 1390 Phase 4B	406	327	24	7	-17	Work continues towards achieving Operational Release by Navy, and subsequent project closure. The variation is due to realigning FMS payments to match projected disbursement.
Anzac Ship Anti-Ship Missile Defence	SEA 1448 Phase 2A	387	283	23	17	-7	Anti-Ship Missile Defence upgrade work is almost complete on HMAS <i>Arunta</i> and well underway on HMAS <i>Anzac</i> . The variation is due to a rescheduling of work.
General Manager Submarines							
Future Submarines							
Future Submarine - Acquisition	SEA 1000 Phase 1A	234	14	58	52	-7	Government has suspended work on Military off the shelf design options with the project focussing on Option 3 (Evolved Collins Class) and Option 4 (new design) submarines. A contract into the feasibility of an Evolved Collins has been signed with ThyssenKrupp Marine Systems AB of Sweden for Option 3 and the Defence and Industry Project Team has commenced work in Adelaide, South Australia, on Option 4. The variation is due to delays in entering contracts.
Total -Top 30 Projects (Gross Plan)							
		41,865	19,492	3,158	3,189	31	

Table 85: Major Capital Investment Program by 2013-14 Forecast Expenditure

		Budget estimate 2013-14 \$m	Revised estimate 2013-14 \$m	Variation \$m
Top 30 Projects Gross Plans	A	3,158	3,189	31
Other Approved Project Gross Plans	B	403	839	436
Total Gross Plan Project Estimates	C = A+B	3,561	4,028	467
Management Margin: Slippage ¹	D	-640	-623	17
Payments Required from Defence for Approved Programs	E = C+D	2,921	3,405	485
Projects Planned for Government Consideration and Transfer to the DMO	F	557	17	-540
Total Estimated Funds Available	G = E+F	3,478	3,423	-55

Notes

1. Management margin is an estimate of possible overall approved capital program expenditure slippage that may accrue as the 2013-14 financial year progresses.

Acquisition Projects not included in the Top 30 Projects – Current Status

Table 86 provides an update on the status of major projects reported in previous five financial years. These projects were not ranked in the top 30 projects by expenditure in 2013-14.

Table 86: Current Status of Previously Reported Top 30 Projects (Projects Reported in the Last Five Financial Years).

		Last Financial Year Reported in Top 30	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2013 \$m	Budget Estimate 2013-14 \$m	Revised Estimate 2013-14 \$m	Variation \$m	Status Report
General Manager Joint, Systems and Air								
Aerospace Systems								
AP-3C Electronic Support Measure Upgrade	AIR 5276 Phase 8B	2009-10	130	90	17	15	-2	The prototype aircraft testing was successfully completed in October 2013 and the aircraft returned to Air Force. Modification of the second aircraft commenced in October 2013 and is forecast for completion in early 2014. Modification of the supporting ground systems and simulators has commenced and will also be completed in early 2014.
F/A-18 Hornet Upgrade	AIR 5376 Phase 2	2011-12	1,881	1,636	17	11	-6	The Electronic Warfare Self Protection Phase contract closure activities are underway with final spares deliveries expected in December 2014. The Hornet simulators contract was established in November 2013 is due for completion in 2016.
AP-3C Capability Assurance Program	AIR 5276 CAP 1	2009-10	88	69	2	2	..	Nine AP-3C Orion aircraft and all associated ground systems and simulators have been upgraded. Three further aircraft will be modified during 2013-14, with the last two aircraft to be completed in 2014-15.
Bridging Air Combat Capability	AIR 5349 Phase 1	2012-13	3,301	2,726	20	11	-10	Residual acquisition activities and the completion of infrastructure tasks continue. Project closure activities have commenced including a significant reduction in the main Foreign Military Sales case with United States Navy.
Maritime Patrol and Response Aircraft System	AIR 7000 Phase 2	2012-13	178	99	21	23	2	This project has completed all required inputs for the submission to Government for Second Pass Approval planned for early 2014. The project has delivered to the United States Navy its procurement requirements for both aircraft and training systems. These requirements will be incorporated within the United States Navy's request for tender to the prime contractor Boeing, which will be released in early 2014.

Defence Portfolio Additional Estimates Statements 2013-14

	Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2013 \$m	Budget Estimate 2013-14 \$m	Revised Estimate 2013-14 \$m	Variation \$m	Status Report
C-17 Globemaster III	AIR 8000 Phase 3	2012-13	1,855	1,346	19	14	-6	Delivery of the remaining C-17 sustainment support requirements continues, including spares and the procurement of ancillary items such as training devices, role expansion equipment, ground support equipment and material handling equipment.
Additional C-17A Globemaster III	AIR 8000 Phase 4	2012-13	558	422	13	9	-4	The United States common electronic self protection system has been installed on the two C-17 Globemaster III aircraft delivered under this project. The project is progressing the delivery of remaining spares, ground support equipment and material handling equipment.
Airbourne Surveillance for Land Operations	JP 129 Phase 2	2012-13	95	63	9	9	..	Equipment has been delivered and accepted for the Australian configuration of the Shadow 200 System including two Air Vehicles and two Institutional Mission Simulators. Installation of Australian Combat Network Radios into the Ground Control Stations and installation of system shelters on Unimog vehicles was completed and accepted for Mission System One. Final Material Release is planned for May 2014, following airlift certification for C-17 aircraft.
Electronic Systems								
Ultra High Frequency Satellite Communications System	JP 2008 Phase 5A	2012-13	437	328	18	8	-10	Key Milestones, including System Acceptance, have been slipped to 2014-15 due to Commonwealth of Australia delays in providing key government furnished interfaces. These delays have directly affected the prime contractor's ability to deliver.
Battlespace Communications Systems	JP 2072 Phase 1	2011-12	258	207	17	16	-1	All core radios and associated ancillaries have been delivered. Final order for minor components and spares has been placed. Planning and activities for Project Closure have commenced.
High Frequency Modernisation	JP 2043 Phase 3A	2010-11	580	442	22	11	-11	Contract signature for the Direction Finding and Signal Improvement (Nullarbor) has been delayed and is now expected to occur in early 2014. The variation is due to delays in entering a contract for the Direction Finding & Signal Improvement (Nullarbor) scope of work and other minor delays associated with the transmitter replacement and Information Technology refresh.

	Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2013 \$m	Budget Estimate 2013-14 \$m	Revised Estimate 2013-14 \$m	Variation \$m	Status Report
ADF Deployable Logistics Systems	JP 2077 Phase 2B.2	2011-12	21	21	-	-	-	This Project is now closed.
Dismounted Battlegroup and Below Command, Control Communication System	LAND 125 Phase 3A	2011-12	107	81	10	11	2	All dismounted Battle Management Systems have been completed and delivered to Army. The focus for the balance of 2013-14 is on project closure activities.
Tactical Information Exchange Domain	JP 2089 Phase 2A	2010-11	104	68	8	11	3	Rectified Tactical Data Link Processor following non-conformance to standard testing. This resulted in delays to Lead Ship Software installation.
New Air Defence Command and Control Systems for Control Units 2 & 3	AIR 5333	2011-12	274	246	-	-	-	This Project is now closed.
New Air Combat Capability								
Detailed Analysis and Acquisition Planning	AIR 6000 Phase 1B	2009-10	103	98	-	-	-	Project has been completed.
Helicopter Systems								
Armed Reconnaissance Helicopter	AIR 87 Phase 2	2012-13	2,033	1,858	4	7	2	Closure certification is planned for early 2014. Payment variation will result from payment for contract deliverables slipped from 2012-13.
General Manager Land and Maritime								
Land Systems								
Direct Fire Support Weapons	LAND 40 Phase 2	2010-11	145	39	1	..	..	The introduction of the M3 Carl Gustaf and its sights into service is complete and the capability has been accepted by Army. The way forward for acquisition of the Light Weight Automatic Grenade Launcher is under review and this component of the project continues to be managed as a Project of Concern.
Counter Rocket, Artillery & Mortar (C-RAM)	LAND 19 Phase 7A	2012-13	259	175	3	1	-2	The project will evaluate a Request for Tender for C-RAM sustainment costs and initial support arrangements to support a Business Case to be progressed to Government.

Defence Portfolio Additional Estimates Statements 2013-14

	Project number/ phase	Last Financial Year Reported in Top 30	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2013 \$m	Budget Estimate 2013-14 \$m	Revised Estimate 2013-14 \$m	Variation \$m	Status Report
Australian Protected Route Clearance Capability (APRCC)	JP 154 Phase 3A	2012-13	74	32	17	3	-14	Initial Materiel Release was achieved on schedule and Initial Operating Capability achieved ahead of schedule. The Project Office is continuing with Australian-based 'Stage 2' deliverables such as future communications and Battle Management System integration.
Upgrade of M-113 Armoured Vehicles	LAND 106	2012-13	885	790	..	1	1	Applique Armour and Integrated Logistic Support. During 2013-14, the project commenced finalising the remaining activities to obtain Final Material Release.
Maritime Systems								
Guided Missile Frigate Upgrade Implementation	SEA 1390 Phase 2.1	2010-11	1,452	1,352	7	18	12	The remaining component of this project, Underwater Warfare System, is being progressed through a Navy directed solution that will achieve full operational release.
Explosive Ordnance								
Lightweight Torpedo Replacement	JP 2070 Phase 3	2011-12	302	272	5	3	-2	Australian production of MU90 torpedoes is complete and all warshot weapons have been accepted into inventory. In September 2013, Chief of Navy declared a Final Operational Capability for the MU90 lightweight torpedo system. Work to finalise project transition and project closure is underway.
Follow-On Stand Off Weapon	AIR 5418 Phase 1	2011-12	317	284	10	..	-10	Joint Air-to-Surface Stand Off Missile deliveries were completed in April 2013 and the project achieved Final Materiel Release in September 2013. Project closure activities have commenced.
Evolved Sea Sparrow Missiles (ESSM)	SEA 1428 Phase 4	2009-10	88	84	..	..	..	The project remains within scope, budget and schedule. Material Release Milestones 4 (next delivery of ESSM weapons) remains on track for early 2014.
Explosive Ordnance Reserve Stocks	JP 2085 Phase 1B	2008-09	235	206	..	..	-	All planned acquisitions are complete. Service release of the new precision artillery munitions acquired under the project is being finalised. Project closure is planned, but subject to the review of the remaining scope of the Advanced Field Artillery Tactical Data System integration by relevant stakeholders.
General Manager Submarines								
Collins								
New Heavyweight Torpedo	SEA 1429 Phase 2	2009-10	426	299	7	4	-3	System modifications continue.
Collins Class Submarine Reliability and Sustainability	SEA 1439 Phase 3	2008-09	412	335	14	12	-2	System modifications and construction of the diesel engine land based test facility continue.

Top 10 Minor Capital Investment Projects by 2013-14 Forecast Expenditure

Table 87 lists the top 10 approved Minor Capital Investment Projects by forecast expenditure for 2013-14.

Table 87: Top 10 Approved Minor Projects by 2013-14 Forecast Expenditure

	Project number/ phase	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2013 \$m	Budget Estimate 2013-14 \$m	Revised Estimate 2013-14 \$m	Variation \$m	Project Performance Update and Explanation of Variation
Navy							
Digital Voice Recording Equipment	NMP1822	20	7	3	3	..	Following successful installation of the digital voice recording systems on three first-of-class ships, installation in the remainder of the fleet and third (and final) training facility is progressing.
Army							
Enhanced Static Line Parachute Capability	AMP058.08	29	9	8	12	5	The Enhanced Static Line Parachute Project has delivered the bulk of the static line parachutes and all of the dispatcher parachute systems through a Foreign Military Sales case with the United States Government. It is anticipated that the remaining parachutes and ancillary items will be delivered by mid 2014. The variation is due to higher than planned Foreign Military Sales billing and foreign exchange supplementation to the budget.
Enhanced Land Force Weapons Training Simulation System	AMP029.44	35	12	5	7	2	The project successfully delivered the initial capability for five additional Weapons Training Simulation Systems at Edinburgh in South Australia; Townsville and Enoggera in Queensland; and Singleton and Kapooka in New South Wales. The additional Weapons Training Simulation Systems are in support of the Enhanced Land Force. The variation is due to an improved schedule with some elements delivered earlier than forecast.
Australian Light Armoured Vehicle Crew Procedural Trainers	AMP002.12	44	26	5	5	..	The project successfully delivered all nine Crew Procedural Trainers including a Through Life Support contract for engineering, supply, maintenance and training. All capability elements necessary for Final Materiel Release have been delivered.
Chinook Passenger and Crew Seating	AMP015.36	3	1	4	2	-2	The project schedule has slipped due to changes in design of the initial seating and floor configuration. Delays have been compounded by aircraft availability issues resulting from ongoing support to operations.
Kiowa Pilot Seating	AMP015.58	7	2	3	2	-1	The prototype installation did not meet airworthiness requirements and further guidance was required from stakeholders before a suitable design solution was approved. The project remains on track to commence fleet installation in 2013-14.

Defence Portfolio Additional Estimates Statements 2013-14

	Project number/ phase	Approved Project Expenditure \$m	Cumulative Expenditure to 30 June 2013 \$m	Budget Estimate 2013-14 \$m	Revised Estimate 2013-14 \$m	Variation \$m	Project Performance Update and Explanation of Variation
Air Force							
Deployable Tactical Air Control and Navigation	AFM01006	6	-	3	..	-3	The Project is planning to release a Request for Tender (RFT) for the Deployable Tactical Air Control and Navigation system in early 2014. The variation is due to RFT development delays requiring expenditure to be reprogrammed in 2014-15.
Multi-Band, Multi-Mode Radio Capability	AFM00975	5	2	3	..	-2	Single Radio Integrated Base-station design has been sufficient to allow acquisition of prototypes and for testing to begin. Failure of Electromagnetic Interference/Compatibility testing and the amplifier during environmental testing necessitated return to the United States for remediation. This has caused a schedule delay with Base stations now being procured and delivered in 2014-15 instead of 2013-14.
Tactical Communications Router	AFM00935	4	1	2	3	..	All six systems being acquired under this project will be delivered in 2013-14.
Aeronautical Information Services	AFM00930	16	13	2	2	..	Delivery of the Digital Aeronautical Flight Information File Merge Tool has been delayed to May 2014 immediately prior to project closure.
Total - Top 10 Minor Projects		169	72	38	36	-1	

Table 88: Top 10 Minor Capital Investment Program by 2013-14 Forecast Expenditure

	Budget estimate 2013-14 \$m	Revised estimate 2013-14 \$m	Variation \$m
Top 10 Projects Gross Plans	38	36	-2
Other Approved Project Gross Plans	15	16	1
Total Gross Plan Project Estimates	53	52	-1
Management Margin: Slippage ¹	-	-	-
Payments Required from Defence for Approved Programs	53	53	..
Plus Projects Planned for Consideration and Transfer to the DMO	90	38	-52
Total Estimated Funds Available	143	91	-52

Notes

1. Management margin is an estimate of possible overall approved capital program expenditure slippage that may accrue as the 2013-14 year progresses.

Program 1.2: Management of Capability Sustainment

Program 1.2 Objective

No changes have been made to the Program Objective since the *Portfolio Budget Statements 2013-14*.

Program 1.2 Expenses

The nature of the costs of Program 1.2 remains as described in the *Portfolio Budget Statements 2013-14*.

The revised planned resource use for Program 1.2 is \$5,578.9m in 2013-14 which continues to represent approximately 59 per cent of the DMO's total expenses. The revised planned resource use for Program 1.2 includes:

- the cost of contracted sustainment services of \$4,757.1m
- support for current ADF operations of \$293.1m
- direct appropriation of \$507.4m relating to Sustainment workforce and operating expenses
- net Operating Costs of \$2.5m in support of new capabilities expected to enter service
- resources received free of charge from Defence of \$18.8m.

The estimates for Program 1.2 decreased by \$60.6m since the *Portfolio Budget Statements 2013-14* as a result of the following:

- the cost of contracted sustainment services increased by \$91.6m largely reflecting
 - an increase due to supplementation for foreign exchange movements of \$97.9m
 - an increase of \$182.3m relating to new activity and transfers from the Net Personnel and Operating Cost Provision that have been triggered during 2013-14
 - a decrease of \$188.6m relating to a variation in planned sustainment activities as agreed by Defence capability managers.
- the support for current ADF operations decreased by \$3.7m reflecting handbacks and supplementation
- the direct appropriation relating to Sustainment Workforce and Operating Expenses decreased by \$21.4m due to minor functional transfers to Defence
- the Net Personnel and Operating Costs in support of new capabilities expected to enter service decreased by \$122.3m due to transfers to Contracted Sustainment Services
- the resources received free of charge from Defence decreased by \$4.8m.

Table 89: Program 1.2 Management of Capability Sustainment

	2012-13 Actual \$'000	2013-14 Revised Budget \$'000	2014-15 Forward Year 1 \$'000	2015-16 Forward Year 2 \$'000	2016-17 Forward Year 3 \$'000
Special Account Expenses:					
Defence Materiel Special Account	4,484,405	5,052,741	5,690,259	5,975,892	6,208,646
Annual Departmental Expenses:					
Ordinary Annual Services (Appropriation Bill No. 1)	554,128	507,363	520,956	533,709	547,150
Expenses not requiring appropriation in the Budget year ⁽¹⁾	19,027	18,835	19,305	19,788	20,283
Total Program Expenses	5,057,560	5,578,939	6,230,520	6,529,389	6,776,079

Note

1. Expenses not requiring appropriation in the Budget year is made up of resources received free of charge.

Program 1.2 Deliverables

Information relating to Program 1.2 Deliverables remains as reported in the *Portfolio Budget Statements 2013-14*. Changes to the detailed descriptions of deliverables for the top 30 DMO Sustainment products are contained in Table 90.

Program 1.2 Key Performance Indicators

No changes have been made to the Program Key Performance Indicators since the *Portfolio Budget Statements 2013-14*.

Top 30 Sustainment Products by 2013-14 Forecast Expenditure

Table 90: Top 30 Sustainment Products by End of Financial Year Outcome 2013-14

	Budget estimate 2013-14 \$m	Revised Budget Estimate 2013-14 \$m	Variation \$m	Product Performance Update and Explanation of Variation
General Manager Joint, Systems & Air				
Aerospace Systems				
Airborne Early Warning & Control	163	167	4	The prime In-Service Support Contract has been novated from Boeing Defence Systems to Boeing Defence Australia, providing a greater involvement of Australian industry. In addition, the development of follow-on contracting arrangements to provide sustainment support beyond January 2015 is substantively complete. The variation is due to Foreign Exchange (Forex) updates offset by funding for 2013-14 returned to Air Force and repayment of Defence Logistics Transformation Funding used in 2012-13.
F/A-18A Hornet Weapons System	158	173	15	Under the Classic Hornet Deeper Maintenance contract, commencing February 2014, all deeper maintenance will be conducted by a combined contractor and military workforce at a single contractor venue. The final aircraft in the Structural Refurbishment Program will be delivered by the end of January 2014. The variation is due to Forex updates, and additional funding received to support the Joint Air-to-Surface Stand off Missiles.
F/A-18F Block II Super Hornet Weapons System	123	131	8	The focus for the remainder of 2013-14 is to evaluate and negotiate the new major commercial support contract. Challenges for the coming year will be an increase in the number of aircrew with a corresponding increase in Super Hornet flying hours, as well as the commencement of deeper maintenance and capability upgrades. The variation is due to Forex updates.
P-3C/AP-3C Orion Weapons System	110	113	3	Four aircraft repaints have been completed with three more scheduled this year. The first 'safety-by-inspection 2' servicing was completed on time and within budget and the second aircraft is undergoing this servicing. Work continues on supportability and obsolescence treatments for ageing avionics systems, and implementation of strategic reform activities. The T-56 engine re-contracting activity is at the tender selection stage. The variation is due to Forex updates and minor transfers.

	Budget estimate 2013-14 \$m	Revised Budget Estimate 2013-14 \$m	Variation \$m	Product Performance Update and Explanation of Variation
C-130J-30 Weapons System	95	100	5	Continuing capability upgrades for the C-130J include the improvement in C-130J electronic warfare self-protection through project AIR 5416, and the Selective Availability Anti-Spoofing Module compatible embedded GPS trial installation. The variation is due to Forex updates and minor transfers.
Lead-in Fighter Hawk 127 Weapons System	78	79	1	The new Lead-in Fighter In-Service Support Contract commenced operation on 1 July 2013. The Hawk 127 fleet re-paint program continues with 13 aircraft completed by mid 2014.
KC-30A Weapon System	59	46	-13	The KC-30A fleet is continuing to transition into full operational service. The acquisition project office is progressively delivering the remaining capability requirements, and maturing the support arrangements. The variation is due to a reprioritisation of funding by Air Force to other products.
C-17 Heavy Air Lift Weapons System	58	51	-7	A new Cargo Compartment Trainer was accepted in November 2013. The remaining focus will be on integrating the trainer into the C-17 training system. The variation is due to a reprioritisation of funding by Air Force to other products.
Special Purpose Aircraft Weapon System	47	49	2	Special Purpose Aircraft fleet performance and serviceability is being maintained at a very high level, which directly contributed to the outstanding support provided during the lead up to the Federal Election in September 2013. Aircraft lease and maintenance support arrangements have been extended until mid 2017. The variation is due to the extension of the Special Purpose Aircraft Leases and Maintenance and Supply Agreement to mid 2017.
PC-9/A Weapon System	38	40	1	The platform is now well into its third decade of continuous operation and the characteristic signs of an ageing aircraft continued to be evident. DMO is conducting a more detailed ageing aircraft audit to assure Air Force of continuing capability. The variation is primarily due to additional funding to support ageing aircraft challenges.
Electronic Systems				
Wide Area Surveillance Capability	99	99	..	The Jindalee Operational Radar Network (JORN) Priority Industry Capability Support Program is successfully mitigating the threat to skills retention, providing sixteen development work packages that utilise the full range of critical JORN industry skills required for the next major development program in 2017-18.

Defence Portfolio Additional Estimates Statements 2013-14

	Budget estimate 2013-14 \$m	Revised Budget Estimate 2013-14 \$m	Variation \$m	Product Performance Update and Explanation of Variation
Command and Intelligence Systems	45	49	4	Engineering and security accreditations, licensing and upgrades of equipment to the Topographical Support System and Base Support Network capability successfully completed. A Base Standard Operating Environment for the Special Operations Command Support System capability has been delivered. Support for the Transition Remediation Plan draw down of Operational Deployable ICT capability is continuing. The variation is due to additional capability requirements required by Army for Geospatial upgrades and the engineering and security accreditations of the Topographical Support System and Base Support Network.
Air Traffic Control Capability	42	41	-1	Obsolescence remediation continued to assure ongoing performance of Air Traffic Management systems. A program of sustainment reform was implemented, and the Australian Defence Air Traffic System support contract was remediated achieving significant strategic reform savings.
Naval and Shore Communication Systems	40	39	-1	All performance targets have been met or exceeded. Replacement of Very Low Frequency Antenna Guy Wires and remediation of workshop equipment has commenced. The variation is a result of efficiencies achieved through revised procurement arrangements.
Battlespace Communication Systems	38	37	-2	Key Performance Indicators are being met. Concurrently Battlespace Communications is working with JP 2072 in delivering the next generation of equipment via a series of project phases. These project phases remain on track for delivery in accordance with the revised project timelines agreed with key sponsors and stakeholders. The variation is due to the project generating efficiencies.
Helicopter Systems				
Multi Role Helicopter - TLH MRH90	121	114	-7	There are currently 22 MRH90 aircraft in service. Contract performance has improved in line with negotiated outcomes of the Deed of Settlement agreed in May 2013. The variation reflects the improved performance of the support arrangements and Forex.

	Budget estimate 2013-14 \$m	Revised Budget Estimate 2013-14 \$m	Variation \$m	Product Performance Update and Explanation of Variation
Armed Reconnaissance Helicopter Weapons System	104	114	10	The Tiger support arrangements have improved and are expected to continue doing so throughout 2013-14. A strategic review of the Tiger through life support arrangements has commenced and is expected to reduce the future cost of ownership and improve the availability of the capability for Army. The variation is due to Forex adjustments and funding provided by Army to upgrade the Armed Reconnaissance Helicopter simulator.
S70A-9 Black Hawk Weapons System	77	79	2	The Black Hawk continues to perform well across 2013-14, meeting Army's airmobile and special operations capability requirements. Army relocated the Black Hawk training aircraft from Oakey, Queensland, to Holsworthy, New South Wales, in late 2013. The variation is due to higher than anticipated engine maintenance costs and some Ground Support Equipment had to be replaced, rather than repaired as anticipated.
S70B-2 Seahawk Weapons System	65	63	-2	The Seahawk continues to perform as expected across 2013-14. The variation is due to transfer of initial sustainment funding from the Seahawk "Classic" to the new "Romeo".
General Manager Land & Maritime				
Explosive Ordnance				
Explosive Ordnance - Navy, Army, Air Force	370	334	-36	The variation is mainly due to sustainment funding being returned to the Services as a result of reduced requirements identified by Capability Managers, offset by Forex. Munitions requirements for 2013-14 can be met with the revised funding.
Land Systems				
ADF Clothing	70	45	-26	Standing offers were established for: Service Dress caps; Army parade boots and Navy and Air Force dress shoes; combat and cold weather combat boots; new Army jacket; and new Air Force General Purpose Uniform. Procurement of Cadet boots (early 2014), Navy boots (early 2014), wet and foul weather garments (early 2014) and embroidered insignia (mid 2014) is underway. The variation is due to the decline in operational demand and the ongoing rationalisation of existing inventory stock holding levels.
General Service B Vehicle Fleet	67	71	4	Priority is directed to remediation of vehicles returning from operations and sustaining the fleet to meet ADF capability requirements. As at January 2014, approximately 600 Land Rover vehicles have been decommissioned during 2013-14, as the new Mercedes Benz G-Wagons are introduced into service. The variation of is due to an increase in requirements.

	Budget estimate 2013-14 \$m	Revised Budget Estimate 2013-14 \$m	Variation \$m	Product Performance Update and Explanation of Variation
Australian Defence Organisation Commercial Vehicles Fleet	51	52	..	Commercial vehicle and trailer fleet replacement is proceeding as scheduled, including vehicle replacement deferred from 2012-13. A net reduction of over 500 vehicles is being implemented during 2013-14 under the Chief of Army directed fleet rationalisation program.
Health Systems	40	42	2	For the remainder of 2013-14 the focus will be on: the implementation of a new four year prime vendor contract for the supply of medical and dental consumables to the ADF in early 2014; the completion of a fleet replacement for the ADF defibrillator capability in mid-2014; and the conduct of outgoing procurements to meet ADF health requirements for remaining operations as well as for raise, train and sustain activities. The variation is due to additional funding triggered by the introduction into service of elements from project JP 2060 Phase 2B Deployable Health Capability
Maritime Systems				
Fuels & Lubricants - Air Force, Army & Navy	507	493	-14	Support to materiel remediation of Defence Bulk Fuel Installations continues. Both Exercise Talisman Sabre and the Navy International Fleet Review were supported with all fuel requirements satisfied. The Hazardous Chemicals Remediation Program completed the critical review and rationalisation of stock items while the Risk Assessments and compliant Safety Data Sheet work continues. Fuel cards for the Defence Commercial Vehicle Fleet were transitioned to the Whole of Government Contract Arrangement. Variation is driven by reduced fuel requirements and pricing.
ANZAC Class Frigate	224	250	26	Ongoing sustainment of materiel capability is now conducted under the Group Maintenance Contract. The variation is due to an increased level of maintenance being required including additional pre-Anti Ship Missile Defence work on HMAS <i>Warramunga</i> .
Adelaide Class Frigate	89	121	32	The Combat System Support Contract is now operating and the development of the Group Maintenance Contract is ongoing. The variation is due to delivery of the FFG upgrade (SEA 1390 Phase 2.1), provision of associated supplementary funding and Forex.
Mine Hunter Coastal	81	80	..	The focus is to complete scheduled ship maintenance activities for the operational ships throughout the financial year, and continue the detailed design for the upgrade of the ships' fire fighting and combat systems.
Armidale Class Patrol Boat	40	44	5	The focus is on improving delivery of materiel support and ongoing maintenance of the vessels through in-service support arrangements. The variation is due to the requirement to procure additional Sea Boats to meet operational requirements.

	Budget estimate 2013-14 \$m	Revised Budget Estimate 2013-14 \$m	Variation \$m	Product Performance Update and Explanation of Variation
General Manager Submarines				
Collins Submarine Management Program				
Collins Class Submarines	574	580	6	Reform activities aimed at improving Collins Class Submarine availability and reliability are continuing. The variation is due to Forex updates.
Total -Top 30 Products	3,672	3,696	24	
Other approved Sustainment Product estimates	994	1,061	67	
Total Sustainment Product Funds Available	4,665	4,757	92	
Support to Operations	297	293	-4	
Total Sustainment and Operations Funding	4,962	5,050	88	

Program 1.3 Provision of Policy Advice and Management Services**Program 1.3 Objective**

No changes have been made to the Program Objective since the *Portfolio Budget Statements 2013-14*.

Program 1.3 Expenses

The nature of the costs of Program 1.3 remains as described in the *Portfolio Budget Statements 2013-14*.

The revised planned resources use for Program 1.3 is \$105.3m in 2013-14 which continues to represent around one per cent of the DMO's total expenses. The planned resource use for Program 1.3 includes:

- direct appropriation of \$57.6m for policy advice and management services
- direct appropriation of \$40.0m relating to industry programs
- resources received free of charge from Defence and the ANAO of \$5.2m
- other revenue of \$2.4m.

The estimates for Program 1.3 decreased by \$7.6m since the *Portfolio Budget Statements 2013-14* largely as a result of a reallocation of Workforce and Operating Costs (\$6.5m), and a reduction in resources received free of charge from Defence and the Australian National Audit Office (1.1m).

Table 91: Program 1.3 Provision of Policy Advice and Management Services

	2012-13 Actual \$'000	2013-14 Revised Budget \$'000	2014-15 Forward Year 1 \$'000	2015-16 Forward Year 2 \$'000	2016-17 Forward Year 3 \$'000
Special Account Expenses:					
Defence Materiel Special Account	5,396	2,449	894	917	2,596
Annual Departmental Expenses:					
Ordinary Annual Services (Appropriation Bill No. 1)	103,742	97,622	95,204	95,270	92,680
Expenses not requiring appropriation in the Budget year ⁽¹⁾	4,146	5,204	5,307	5,412	5,520
Total Program Expenses	113,284	105,275	101,405	101,599	100,796

Note

1. Expenses not requiring appropriation in the Budget year is made up of resources received free of charge.

Program 1.3 Deliverables

No changes have been made to the Program Deliverables since the *Portfolio Budget Statements 2013-14*.

Program 1.3 Key Performance Indicators

No changes have been made to the Program Key Performance Indicators since the *Portfolio Budget Statements 2013-14*.

Section 3: DMO Explanatory Tables and Budgeted Financial Statements

3.1 Explanatory Tables

3.1.1 Special Accounts

Special accounts provide a means to set aside and record amounts used for specified purposes. Table 92 shows the expected additions (receipts) and reductions (payments) for each account used by the DMO. The corresponding table in the *Portfolio Budget Statements 2013-14* is Table 93.

Table 92: Estimates of Special Account Flows and Balances

		Opening 2013-14 2012-13 Outcome	Receipts 2013-14 2012-13 \$'000	Payments 2013-14 2012-13 \$'000	Adjustments 2013-14 2012-13 \$'000	Closing Balance 2013-14 2012-13 \$'000
Defence Materiel Special Account (A & D)	1	247,136 326,647	10,396,043 9,261,980	10,392,976 9,341,491	-	250,203 247,136
Total Special Accounts 2013-14		247,136	10,396,043	10,392,976	-	250,203
<i>2012-13 actual</i>		326,647	9,261,980	9,341,491	-	247,136

Notes

- (A) = Administered
- (D) = Departmental

3.1.2 Australian Government Indigenous Expenditure

No changes have been made to this section since the *Portfolio Budget Statements 2013-14*.

3.1.3 Grants

Table 93 shows Approved Grants for 2013-14. Detailed information on Grant Programs and recipients can be found at:

<www.defence.gov.au/dmo/id/sadi/index.cfm>

<www.defence.gov.au/dmo/id/picip/>

<www.defence.gov.au/dmo/id/industry_skilling/>

<www.defence.gov.au/dmo/jsf/NACC_ISP.cfm>

Table 93: Approved Grants for 2013-14

	2012-13 Actual Expenses \$'000	2013-14 Revised Estimated Expenses \$'000
Skilling Australia's Defence Industry (SADI)	9,773	12,189
Priority Industry Capability Innovation Program (PIC IP)	5,192	3,831
Industry Skilling Program Enhancement (ISPE)	1,602	2,106
New Air Combat Capability Industry Support Program (NACC ISP)	2,695	1,550
Total	19,262	19,676

3.2 DMO Budgeted Financial Statements

3.2.1 Budgeted Financial Statements Tables

Table 94: Comprehensive Income Statement (Showing Net Cost of Services) for the period ended 30 June

	2012-13 Actual Result \$'000	2013-14 Revised Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
EXPENSES					
Employee benefits	591,070	551,707	565,620	589,571	618,734
Supplier expenses	8,494,163	8,900,143	11,544,767	12,649,791	12,816,481
Grants	19,262	19,676	11,076	8,599	9,870
Depreciation and amortisation	1,707	2,590	2,654	2,721	2,789
Write-down of assets and impairment of assets	13,239	-	-	-	-
Foreign Exchange Losses	15,299	-	-	-	-
Other	54	-	-	-	-
Total expenses	9,134,794	9,474,116	12,124,117	13,250,682	13,447,874
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sales of goods and rendering of services	8,217,929	8,568,822	11,178,431	12,270,364	12,422,255
Interest	5,452	-	-	-	-
Other revenue	31,848	31,816	32,611	33,426	34,262
Total own-source revenue	8,255,229	8,600,638	11,211,042	12,303,790	12,456,517
Gains					
Foreign exchange	-	-	-	-	-
Other gains	1,100	1,100	1,100	1,100	1,100
Total gains	1,100	1,100	1,100	1,100	1,100
Total own-source income	8,256,329	8,601,738	11,212,142	12,304,890	12,457,617
Net cost of (contribution by) services	878,465	872,378	911,975	945,792	990,257
Revenue from Government	911,104	872,378	911,975	945,792	990,257
Surplus (Deficit) attributable to the Australian Government	32,639	-	-	-	-
OTHER COMPREHENSIVE INCOME					
Changes in asset revaluation reserves	13	-	-	-	-
Total other comprehensive income	13	-	-	-	-
Total comprehensive income (loss) attributable to the Australian Government	32,652	-	-	-	-

Table 95: Budgeted Departmental Balance Sheet (as at 30 June)

	2012-13 Actual Result \$'000	2013-14 Revised Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	135,805	130,000	130,000	130,000	130,000
Trade and other receivables	1,165,560	731,375	735,030	721,895	730,587
Total financial assets	1,301,365	861,375	865,030	851,895	860,587
Non-financial assets					
Property, plant and equipment	5,560	5,896	6,241	6,594	6,956
Intangibles	28	113	201	291	383
Other	1,204,647	1,434,647	1,434,647	1,434,647	1,434,647
Total non-financial assets	1,210,235	1,440,656	1,441,089	1,441,532	1,441,986
Total assets	2,511,600	2,302,031	2,306,119	2,293,427	2,302,573
LIABILITIES					
Payables					
Suppliers	1,405,576	1,192,519	1,192,519	1,192,519	1,192,519
Grants	5,111	5,111	5,111	5,111	5,111
Other	517,377	519,821	522,289	503,281	505,905
Total payables	1,928,064	1,717,451	1,719,919	1,700,911	1,703,535
Provisions					
Employee provisions	174,981	176,025	177,645	183,961	190,483
Other	5,881	5,881	5,881	5,881	5,881
Total provisions	180,862	181,906	183,526	189,842	196,364
Total liabilities	2,108,926	1,899,357	1,903,445	1,890,753	1,899,899
NET ASSETS	402,674	402,674	402,674	402,674	402,674
EQUITY					
Contributed equity	155,368	155,368	155,368	155,368	155,368
Reserves	252	252	252	252	252
Retained surplus (accumulated deficit)	247,054	247,054	247,054	247,054	247,054
Total parent entity interest	402,674	402,674	402,674	402,674	402,674
Total equity	402,674	402,674	402,674	402,674	402,674

Table 96: Departmental Statement of Changes in Equity - Summary of Movement (Budget year 2013-14)

	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000	Contributed Equity/ Capital \$'000	Total Equity \$'000
Opening balance as at 1 July 2013					
Balance carried forward from previous period	247,054	252	-	155,368	402,674
Adjustment for changes in accounting policies	-	-	-	-	-
Adjusted opening balance	247,054	252	-	155,368	402,674
Surplus (Deficit) for the period	-	-	-	-	-
Total comprehensive income recognised directly in equity	-	-	-	-	-
Transactions with owners					
<i>Contributions by owners</i>					
Appropriation (equity injection)	-	-	-	-	-
Departmental Capital Budget (DCBs)	-	-	-	-	-
Sub-total transaction with owners	-	-	-	-	-
Estimated closing balance as at 30 June 2014	247,054	252	-	155,368	402,674

Table 97: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)

	2012-13 Actual Result \$'000	2013-14 Revised Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	8,350,682	9,457,041	11,177,537	12,269,447	12,486,962
Appropriations	1,014,441	869,311	908,320	958,927	981,565
Net GST received	618,088	657,165	810,723	887,953	899,763
Other	53,224	60,569	60,525	62,099	65,368
Total cash received	10,036,435	11,044,086	12,957,105	14,178,426	14,433,658
Cash used					
Employees	616,037	548,219	561,532	602,263	609,588
Suppliers	8,407,885	9,368,404	11,570,687	12,676,447	12,843,891
Grants	19,312	19,676	11,076	8,599	9,870
Net GST paid	597,732	657,165	810,723	887,953	899,763
Other	283,926	453,416	-	-	67,303
Total cash used	9,924,892	11,046,880	12,954,018	14,175,262	14,430,415
Net cash from (used by) operating activities	111,543	-2,794	3,087	3,164	3,243
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	460	3,011	3,087	3,164	3,243
Total cash used	460	3,011	3,087	3,164	3,243
Net cash from (used by) investing activities	-460	-3,011	-3,087	-3,164	-3,243
Net increase (decrease) in cash held	111,083	-5,805	-	-	-
Cash and cash equivalents at the beginning of the reporting period	24,722	135,805	130,000	130,000	130,000
Cash and cash equivalents at the end of the reporting period	135,805	130,000	130,000	130,000	130,000

Table 98: Departmental Capital Budget Statement

	2012-13 Actual Result \$'000	2013-14 Revised Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally from departmental resources ^[1]	460	3,011	3,087	3,164	3,243
Total	460	3,011	3,087	3,164	3,243
Reconciliation of cash used to acquire assets to asset movement table					
Total purchases	460	3,011	3,087	3,164	3,243
Total cash used to acquire assets	460	3,011	3,087	3,164	3,243

Note

1. Includes the following sources of funding:

- annual and prior year appropriations
- donations and contributions
- gifts
- internally developed assets
- s31 relevant agency receipts (for FMA agencies only)
- proceeds from the sale of assets.

Table 99: Statement of Asset Movements (2013-14)

	Asset Category		
	Other Property, Plant and Equipment \$'000	Intangibles \$'000	Total \$'000
As at 1 July 2013			
Gross book value	7,325	292	7,617
Accumulated depreciation/amortisation and impairment	-1,765	-264	-2,029
Opening net book balance	5,560	28	5,588
CAPITAL ASSET ADDITIONS			
Estimated expenditure on new or replacement assets			
By purchase - internal sources	2,429	582	3,011
Total Additions	2,429	582	3,011
Other Movements			
Depreciation and amortisation	-2,093	-497	-2,590
As at 30 June 2014			
Gross book value	9,754	874	10,628
Accumulated depreciation/amortisation and impairment	-3,858	-761	-4,619
Closing net book value	5,896	113	6,009

3.2.2 Analysis of budgeted financial statements

Revisions to the budgeted financial statements for the DMO since *Portfolio Budget Statements 2013-14* are presented in this section.

Income Statement

Analysis of the comprehensive income statement (Table 94) show a difference of \$339.3m between the revised estimate for 2013-14 of \$9,474.1m, and the 2012-13 actual expenses of \$9,134.8m. This difference is a result of supplementation of foreign exchange movements and increased sustainment activity, partially offset by reduced activity relating to capital investment.

There has been a decrease in DMO's total estimated income for 2013-14 of \$184.9m since the *Portfolio Budget Statement 2013-14* largely as a result of the following:

- reduction in payments required from Defence for approved major projects of \$444.1m in large part reflecting the accelerated outcome achieved in 2012-13
- a reduction by Defence of the estimated value of projects to be approved and transferred to the DMO for delivery during the remainder of 2013-14 of \$168.6m
- a net decrease in sustainment funding of \$132.3m reflecting customer demand and requirements
- a reduction to estimates for directly appropriated workforce and operating expenses of \$35.4m due to minor functional transfers to Defence.

These decreases were offset by:

- an increase in estimates due to foreign exchange rate movements of \$350.7m
- other net increases to approved major projects of \$255.5m largely representing reprogramming from future years into 2013-14 and new projects.

Balance Sheet

The balance sheet has been updated to reflect the 2012-13 audited financial statements and adjustments to the income statement as described above.

Statement of Cash Flows

The estimated cash flow has been updated to reflect changes in the income statement and balance sheet as noted above.

3.2.3 Administered Budgeted Financial Statements Tables

Table 100: Schedule of Budgeted Income and Expenses Administered on Behalf of Government (for the period ended 30 June)

	2012-13 Actual Result \$'000	2013-14 Revised Budget \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Interest	85	250	250	250	250
Foreign exchange gains	189	-	-	-	-
Total Non-taxation	274	250	250	250	250
Total Revenues administered on behalf of Government	274	250	250	250	250

Table 101: Schedule of Budgeted Assets and Liabilities Administered on Behalf of Government (as at 30 June)

	2012-13 Actual Result \$'000	2013-14 Revised Budget \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Receivables	2,059	2,059	2,059	2,059	2,059
Total Financial assets	2,059	2,059	2,059	2,059	2,059
Total Assets administered on behalf of Government	2,059	2,059	2,059	2,059	2,059

Table 102: Schedule of Budgeted Administered Cash Flows (for the period ended 30 June)

	2012-13 Actual Result \$'000	2013-14 Revised Budget \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	1,799	250	250	250	250
Total Cash received	1,799	250	250	250	250
Net cash from or (used by) operating activities	1,799	250	250	250	250
Net increase (decrease) in cash held and cash equivalents held	1,799	250	250	250	250
Cash and cash equivalents at the beginning of reporting period	-	-	-	-	-
Cash to the Official Public Account for:					
- Transfers to other entities (Finance - Whole of Government)	1,799	250	250	250	250
Cash and cash equivalents at end of reporting period	-	-	-	-	-

3.2.4 Notes to the Financial Statements

The notes on the budgeted financial statements (income, balance sheet, cash flows and capital budget statement) remain as reported in the *Portfolio Budget Statements 2013-14*.

DEFENCE HOUSING AUSTRALIA

AGENCY RESOURCES AND PLANNED PERFORMANCE

Section 1: DHA Overview and Resources

Section 2: DHA Outcomes and Planned Performance

Section 3: DHA Explanatory Tables and Budgeted Financial Statements

Defence Housing Australia

Section 1: DHA Overview and Resources

1.1 Strategic Direction Statement

DHA Organisational Structure

The DHA Board and Advisory Committee compositions have changed and are detailed below.

The DHA Board members are:

Chairman	Mr Derek Volker AO
Managing Director	Mr Peter Howman
Commercial Director	Ms Margaret Walker
Commercial Director	Ms Carol Holley
Commercial Director	The Hon J.A.L. (Sandy) Macdonald
Commercial Director	The Hon Arch Bevis
Nominee Secretary of Defence	Vacant
Nominee Chief of Defence Force	Commodore Vicki McConachie CSC RANR
Nominee Secretary of Finance and Deregulation	Ms Janice Williams

DHA has an Advisory Committee which has the following members:

Chairperson	Vacant
Appointee of Defence Housing Australia	Mr Peter Howman
Appointee of Chief of Navy	RADM Michael Van Balen, RAN (Deputy Chief of Navy)
Appointee of Chief of Army	MAJGEN Peter Warwick (Gus) Gilmore, AO, DSC (Deputy Chief of Army)
Appointee of Chief of Air Force	Air Vice Marshal Gavin (Leo) Davies CSC
National Convenor of Defence Families Australia	Vacant

DHA's wholly owned subsidiary entity DHA Investment Management Limited has a Board comprising a Chairperson and two directors.

The DHA Investment Management Limited Board members are:

Chairperson	Ms Carol Holley
Director (and DHA Managing Director)	Mr Peter Howman
Director (and DHA Chief Financial Officer)	Mr Jon Brocklehurst

1.2 DHA Resource Statement

Table 103: DHA Resource Statement Budget Estimates for 2013-14 as at Budget May 2013^[1]

	Estimate as at budget 2013-14 \$'000	+	Proposed Additional Estimates 2013-14 \$'000	=	Total Estimate at additional estimates 2013-14 \$'000	Total Available Appropriation 2012-13 \$'000
Opening balance/Reserves at bank	230,890		98,538		329,428	254,780
REVENUE FROM GOVERNMENT						
Other services						
Bill 2-Non-Operating-Equity	-		-		-	-
Bill 2-Non-Operating-Loan	-		-		-	-
Total Other services	-		-		-	-
Total Annual Appropriations	-		-		-	-
Payments from related entities^[2]						
Department of Defence	576,030		2,921		578,951	501,460
Total	576,030		2,921		578,951	501,460
Total funds from Government	576,030		2,921		578,951	501,460
FUNDS FROM INDUSTRY SOURCES						
FUNDS FROM OTHER SOURCES						
Interest	4,689		6,059		10,748	6,032
Sale of goods and services	493,184		18,697		511,881	459,767
Total	497,873		24,756		522,629	465,799
Total Net Resourcing for DHA	1,073,903		27,677		1,101,580	967,259

Notes

1. DHA is not directly appropriated as it is a CAC Act Body. Appropriations are made to Department of Defence which are then paid to DHA and are considered 'departmental' for all purposes.

2. Revenue for sale of goods and services provided by Department of Defence that is not specified within the annual appropriation bills as a payment to the CAC Act body.

Reader Note: All Figures are GST exclusive.

1.3 Budget Measures

There are no measures relating to DHA for the 2013-14 Additional Estimates.

1.4 Additional Estimates and Variations

DHA is not directly appropriated, as it is a CAC Act Body. Appropriations are made to Department of Defence which are then paid to DHA and are considered “departmental” for all purposes.

1.5 Breakdown of Additional Estimates by Appropriation Bill

DHA is not directly appropriated, as it is a CAC Act Body. Appropriations are made to Department of Defence which are then paid to DHA and are considered “departmental” for all purposes.

Section 2: DHA Outcomes and Planned Performance

2.1 Outcome and Performance Information

Outcome 1: To contribute to Defence outcomes by providing total housing services that meet Defence Operational and client needs through a strong customer and business focus

Outcome Expense Statement

Table 104: Budgeted Expenses for Outcome 1

Outcome 1: To contribute to Defence outcomes by providing total housing services that meet Defence operational and client needs through a strong customer and business focus	2012-13	2013-14	2013-14
	Actual	Budget	Revised
	\$'000	Estimate	Estimate
Program 1.1 Other Departmental - DHA			
Revenue from Government			
Payment from related entities	545,230	576,030	578,951
Revenues from other independent sources	392,176	453,864	462,053
Total for Program 1.1	937,406	1,029,894	1,041,004
Total Expenses for Outcome 1	937,406	1,029,894	1,041,004

Contributions to Outcome 1

Program 1.1: The provision of Defence housing and housing related services

Performance information is as reported in the *Portfolio Budget Statements 2013-14*.

Section 3: DHA Explanatory Tables and Budgeted Financial Statements

DHA advises no significant changes to targets published in the *Portfolio Budget Statements 2013-14*.

3.1 Explanatory Tables

Not applicable to DHA.

3.2 Budgeted Financial Statements

3.2.1 Budgeted Financial Statements

Table 105: Comprehensive Income Statement (showing net cost of services) for the period ended 30 June^[1]

	2012-13	2013-14	2013-14	2014-15	2015-16	2016-17
	Actual	Budget	Revised	Revised	Revised	Revised
	\$'000	Estimate	Estimate	Estimate	Estimate	Estimate
		\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES						
Employee benefits	59,555	62,202	67,594	73,650	77,643	81,838
Supplier expenses	821,328	911,041	918,966	978,340	1,063,757	1,234,787
Depreciation and amortisation	20,674	20,802	17,136	16,863	16,837	16,598
Finance costs	31,849	31,849	29,807	34,791	37,161	37,682
Write-down of assets and impairment of assets	4,000	4,000	7,500	7,500	7,500	7,500
Income Tax Expenses	27,674	31,478	29,314	28,341	34,344	35,854
Total expenses	965,080	1,061,372	1,070,317	1,139,485	1,237,242	1,414,259
LESS:						
OWN-SOURCE INCOME						
Revenue						
Sales of goods and rendering of services	483,725	522,314	513,858	571,194	637,009	773,199
Share of net profit from associates	400	76			-	-
Interest	5,639	4,525	9,084	4,114	4,786	4,287
Total revenue	489,764	526,915	522,942	575,308	641,795	777,486
Gains						
Sale of asseets	83	77	105	78	82	69
Total gains	83	77	105	78	82	69
Total own-source income	489,847	526,992	523,047	575,386	641,877	777,555
Net cost of (contribution by) services	475,233	534,380	547,270	564,099	595,365	636,704
Revenue from Government	501,460	576,030	578,951	601,832	646,606	691,269
Surplus (Deficit) attributable to the Australian Government	26,227	41,650	31,681	37,733	51,241	54,565
OTHER COMPREHENSIVE INCOME						
Changes in asset revaluation reserves	18,263	18,793	48,120	59,021	57,837	57,153
Total other comprehensive income	18,263	18,793	48,120	59,021	57,837	57,153
Total comprehensive income	44,490	60,443	79,801	96,754	109,078	111,718
Total comprehensive income (loss) attributable to the Australian Government	44,490	60,443	79,801	96,754	109,078	111,718

Note

1. Prepared on Australian Accounting Standards basis.

Table 106: Budgeted Departmental Balance Sheet (as at 30 June)^[1]

	2012-13 Actual \$'000	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	2014-15 Revised Estimate \$'000	2015-16 Revised Estimate \$'000	2016-17 Revised Estimate \$'000
ASSETS						
Financial assets						
Cash and cash equivalents	230,906	199,421	127,016	82,814	124,408	74,785
Trade and other receivables	49,559	101,639	98,242	151,983	193,497	237,729
Investments accounted for under the equity method	2,718	1,714	3,129	3,129	3,129	3,129
Accrued Revenue	6,261	6,613	11,470	14,633	15,862	19,822
Other Financial Assets	25,562	27,526	29,313	29,315	30,686	32,375
Total financial assets	315,006	336,913	269,170	281,874	367,582	367,840
Non-financial assets						
Land and buildings	1,561,362	1,573,643	1,469,123	1,437,504	1,425,978	1,406,428
Property, plant and equipment	8,095	11,086	11,944	15,027	17,893	20,660
Inventories	919,449	897,999	1,044,925	1,195,010	1,195,144	1,318,775
Tax Assets	20,163	20,863	16,144	16,144	16,144	16,144
Total non-financial assets	2,509,069	2,503,591	2,542,136	2,663,685	2,655,159	2,762,007
Assets held for sale	36,453	36,453	74,580	74,580	74,580	74,580
Total assets	2,860,528	2,876,957	2,885,886	3,020,139	3,097,321	3,204,427
LIABILITIES						
Payables						
Suppliers	7,198	4,465	775	124	254	446
Current tax liabilities	3,660	3,122	7,829	3,327	4,429	2,455
Dividends	46,873	50,777	50,525	47,795	57,539	56,861
Other payables and accrued expenses	91,178	93,012	58,017	57,763	59,399	61,769
Total payables	148,909	151,376	117,146	109,009	121,621	121,531
Interest bearing liabilities						
Loans	509,580	509,580	509,580	594,580	594,580	634,580
Total interest bearing liabilities	509,580	509,580	509,580	594,580	594,580	634,580
Provisions						
Employee provisions	19,913	22,631	20,299	21,767	24,924	28,410
Provisions for restoration	90,157	91,954	99,638	106,262	114,379	123,575
Other	3,789	2,509	2,069	2,408	4,165	4,723
Total provisions	113,859	117,094	122,006	130,437	143,468	156,708
Total liabilities	772,348	778,050	748,732	834,026	859,669	912,819
NET ASSETS	2,088,180	2,098,907	2,137,154	2,186,113	2,237,652	2,291,608
EQUITY^[2]						
Contributed equity	396,148	396,148	396,148	396,148	396,148	396,148
Reserves	1,676,076	1,694,869	1,735,794	1,794,815	1,852,652	1,908,905
Retained surplus	15,956	7,890	5,212	-4,850	-11,148	-13,445
Total parent entity interest	2,088,180	2,098,907	2,137,154	2,186,113	2,237,652	2,291,608

Notes

1. Prepared on Australian Accounting Standards basis.

2. Equity is the residual interest in assets after deduction of liabilities.

Table 107: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)^[1]

	2012-13 Actual \$'000	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	2014-15 Revised Estimate \$'000	2015-16 Revised Estimate \$'000	2016-17 Revised Estimate \$'000
OPERATING ACTIVITIES						
Cash received						
Goods and services	961,227	1,069,050	1,090,832	1,148,940	1,189,239	1,211,463
Interest	6,032	4,689	10,748	4,299	4,602	4,519
Total cash received	967,259	1,073,739	1,101,580	1,153,239	1,193,841	1,215,982
Cash used						
Employees	58,337	59,678	56,536	73,721	74,752	67,079
Suppliers	842,961	900,359	1,134,001	1,245,873	1,119,609	1,434,555
Borrowing costs	31,849	31,849	29,807	34,791	37,161	37,682
Taxes Paid	28,603	32,016	40,562	32,843	33,241	37,682
Total cash used	961,750	1,023,902	1,260,906	1,387,228	1,264,763	1,576,998
Net cash from (used by) operating activities	5,509	49,837	-159,326	-233,989	-70,922	-361,016
INVESTING ACTIVITIES						
Cash received						
Proceeds of property, plant and equipment	134,255	124,047	128,681	157,618	186,688	335,351
Total cash received	134,255	124,047	128,681	157,618	186,688	335,351
Cash used						
Purchase of property, plant and equipment	155,454	159,556	120,694	2,306	26,377	6,419
Total cash used	155,454	159,556	120,694	2,306	26,377	6,419
Net cash from (used by) investing activities	-21,199	-35,509	7,987	155,312	160,311	328,932
FINANCING ACTIVITIES						
Cash received						
Contributed equity	-	-	-	-	-	-
Cash received from Borrowings	-	-	-	85,000	-	40,000
Total cash received	-	-	-	85,000	-	40,000
Cash used						
Dividends paid	48,594	45,813	51,073	50,525	47,795	57,539
Total cash used	48,594	45,813	51,073	50,525	47,795	57,539
Net cash from (used by) financing activities	-48,594	-45,813	-51,073	34,475	-47,795	-17,539
Net increase (decrease) in cash held	-64,284	-31,485	-202,412	-44,202	41,594	-49,623
Cash and cash equivalents at the beginning of the reporting period	295,190	230,906	329,428	127,016	82,814	124,408
Cash and cash equivalents at the end of the reporting period	230,906	199,421	127,016	82,814	124,408	74,785

Table 108: Departmental Statement of Changes in Equity – Summary of Movement (Budget Year 2013-14)

	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000	Contributed Equity/ Capital \$'000	Total Equity \$'000
Opening balance as at 1 July 2013	26,187	1,691,038		396,148	2,113,373
Balance carried forward from previous period	-	-	-	-	-
Opening balance	26,187	1,691,038	-	396,148	2,113,373
Comprehensive income					
Comprehensive income recognised directly in equity:		-	-	-	-
Other Comprehensive Income	31,681				31,681
Gain/loss on revaluation of property	-	44,756	-	-	44,756
Sub-total comprehensive income	31,681	44,756	-	-	76,437
Total comprehensive income recognised directly in equity	57,868	1,735,794	-	396,148	2,189,810
Transactions with owners					
<i>Distributions to owners</i>					
Returns on capital		-	-	-	-
Dividends	-52,656	-	-	-	-52,656
Sub-total transaction with owners	-52,656	-	-	-	-52,656
Estimated closing balance as at 30 June 2014	5,212	1,735,794	-	396,148	2,137,154

Table 109: Departmental Capital Budget Statement^[1]

	2012-13 Actual \$'000	2013-14 Budget Estimate \$'000	2013-14 Revised Estimate \$'000	2014-15 Forward Estimate \$'000	2015-16 Forward Estimate \$'000	2016-17 Forward Estimate \$'000
PURCHASE OF NON-FINANCIAL ASSETS						
Funded internally from departmental resources ^[2]	80,225	94,815	120,694	2,306	26,377	6,419
Total	80,225	94,815	120,694	94,446	82,906	22,778
Reconciliation of cash used to acquire assets to asset movement table						
Total purchases	80,255	94,815	120,694	2,306	26,377	6,419
plus recalsification	-	-	-		-	
plus other	75,199	64,741				
Total cash used to acquire assets	155,454	159,556	120,694	144,511	113,161	22,778

Notes

1. Prepared on Australian Accounting Standards basis.
2. Funded internally through proceeds from sale of assets.

Table 110: Statement of Asset Movements (2013-14)

	Land \$'000	Buildings \$'000	Other Property, Plant and Equipment \$'000	L&B IP&E held for sale \$'000	Total \$'000
As at 1 July 2013					
Gross book value	838,731	608,619	35,636	33,315	1,516,301
Accumulated depreciation/amortisation and impairment	-	-34	-26,985	-	-27,019
Opening net book balance	838,731	608,585	8,651	33,315	1,489,282
CAPITAL ASSET ADDITIONS					
Estimated expenditure on new or replacement assets					
By purchase - Government funding	-	-	-	-	-
By purchase - other	60,347	60,347	5,000	-	125,694
Total Additions	60,347	60,347	5,000	-	125,694
Other Movements					
Revaluations	26,422	21,698			48,120
Disposals	-	-	-	-105,583	-105,583
Transfer to assets held for sale	-73,502	-73,505	-	146,848	-159
Depreciation and amortisation	-	-	-1,707	-	-1,707
Total Other movements	-73,502	-73,505	-1,707	41,265	-59,329
As at 30 June 2014					
Gross book value	851,998	617,159	40,636	74,580	1,584,373
Accumulated depreciation/amortisation and impairment	-	-34	-28,692	-	-28,726
Closing net book value	851,998	617,125	11,944	74,580	1,555,647

Glossary

Accumulated depreciation	The aggregate depreciation recorded for a particular depreciating asset.
Additional estimates	Where amounts appropriated at Budget time are required to change, Parliament may make adjustments to portfolios through the Additional Estimates Acts.
Administered appropriation	Revenue, expenses, assets and liabilities administered by an agency for the Commonwealth (such as taxes, benefits payments and public debt) that are not concerned with running the agency or its commercial activities.
Administered items	Expenses, revenues, assets or liabilities managed by agencies on behalf of the Commonwealth. Agencies do not control administered items. Administered expenses include grants, subsidies and benefits. In many cases, administered expenses fund the delivery of third party outputs.
Agency	Assets, liabilities, revenues and expenses that are controlled by Defence or a subsidiary. Includes officials allocated to the organisation.
Amortisation	A term used interchangeably with depreciation, except that it applies to a non-current physical asset under finance lease, or a non-current intangible asset, over its limited useful life.
Appropriation	An authorisation by Parliament to spend money from the Consolidated Revenue Fund (the principal working fund of the Commonwealth) for a particular purpose.
Annual appropriation	Two Appropriation Bills are introduced into Parliament in May and comprise the Budget for the financial year beginning 1 July. Further Bills are introduced later in the financial year as part of the Additional Estimates.
Assets	Future economic benefits controlled by Defence as a result of past transactions or other past events. Assets are initially recognised at the cost of acquisition. Non-financial assets are subject to ongoing revaluation assessment.
Assets under construction	Assets under construction by Defence for Defence, or for the use of another entity according to a construction contract where Defence controls the asset until completion, or assets under construction or otherwise being made ready by another entity for use by Defence.
Australian Accounting Standards	Specify techniques of accounting practice and the method of presenting financial information about a reporting entity.
Average funded strength	A budgetary measure used to count the average number of ADF members paid on a full-time equivalent basis during a financial year.
Capability	The combination of military equipment, personnel, logistics support, training, resources, etc. that provides Defence with the ability to achieve its operational aims.
Capability Manager	A Capability Manager is responsible for raising, training and sustaining in-service capabilities through the coordination of fundamental inputs to capability. Capability Managers include the Service Chiefs, the Chief of Joint Operations and the Chief Information Officer.
Capital budget	All proposed capital expenditure funded by appropriation for outcomes, by equity injections or loans and/or appropriations for administered capital, or by other sources.
Capital expenditure	Expenditure by an agency on capital projects, for example purchasing a building.

Coalition	Countries including Australia who provide troops, logistical support or assistance in Military Operations, peacekeeping or reconstruction efforts.
Combined exercise	An exercise or activity involving one or more Services of the ADF with the forces of other countries.
Consolidated Revenue Fund	Section 81 of the Constitution stipulates that all revenue raised or money received by the Commonwealth forms the one consolidated revenue fund. The fund is not a bank account. The Official Public Account reflects most of the operations of the fund.
Corporate governance	The process by which agencies are directed and controlled. It is generally understood to encompass authority, accountability, stewardship, leadership, direction and control.
Defence Capability Plan	The Defence Capability Plan 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.
Defence information environment	Encompasses all of Defence's computing and communication capabilities at all classification levels. It supports all Defence warfighting functions, including overseas deployed elements and connection to Coalition networks, as well as the day-to-day management functions.
Defence Management and Finance Plan	The Defence Management and Finance Plan provide Ministers and central agencies with a clear oversight of Defence planning and financing strategies. It describes the strategies agreed through the 2000 Defence White Paper and subsequent Strategic Review papers. As a compendium of information attached to Defence's annual Portfolio Budget Submission, it is intended to help Ministers make informed strategic and budgetary decisions on Defence, by bringing into one document the expected financial position of the portfolio taking into account existing commitments and proposed new investments. The Plan also provides the Government with the information necessary to ensure that its investment in Defence is both affordable and sustainable.
Defence Procurement Review	An independent review initiated by the Government in December 2002 to examine the procurement process for major acquisitions in Defence. The review was led by Mr Malcolm Kinnaird and is also known as the Kinnaird Review.
Departmental items	Assets, liabilities, revenues and expenses that are controlled by the agency in providing its outputs. Departmental items would generally include computers, plant and equipment assets used by agencies in providing goods and services and most employee expenses, supplier costs and other administrative expenses incurred.
Depreciation	Apportionment of an asset's capital value as an expense over its estimated useful life to take account of normal usage, obsolescence, or the passage of time.
Discretionary grants	Payments where the portfolio Minister and paying agency have discretion in determining whether or not a particular applicant should receive funding and may or may not impose conditions in return for the grant. There is a central discretionary grants register.
Employee	Any Australian Public Service officer of Defence or serving Defence Force member who receives a salary or wage, along with other benefits, for the provision of services whether on a full-time, part-time, permanent, casual or temporary basis.
Employee expenses	Include, but are not limited to, benefits provided to employees in the form of salaries and wages, performance pay, senior officers' allowances, leave, and superannuation, but does not include amounts paid or owed to employees as reimbursement of out-of-pocket expenses.
Equity injection	An additional contribution, over and above the cost of outputs. Equity injections form part of the Commonwealth's investment in Defence.

Expense	Total value of all of the resources consumed in producing goods and services or the loss of future economic benefits in the form of reductions in assets or increases in liabilities of an entity.
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The fair value can be affected by the conditions of the sale, market conditions and the intentions of the asset holder.
<i>Financial Management and Accountability Act 1997</i>	The Act establishes the regulatory framework for financial management within Defence and other public sector agencies.
Force element	A component of a unit, a unit or an association of units having common prime objectives and activities.
Force element group	A grouping of force elements with an appropriate command and control structure for a specified role or roles (eg the Navy Submarine Group).
Forward estimates	The level of proposed expenditure for future years, based on relevant demographic, economic and other future forecasting assumptions. The Government required forward estimates for the following three financial years to be published in each annual Federal Budget paper.
Garrison Support Services	Includes a range of base support services such as ground maintenance, hospitality, training area management, base security, transport, air support and fire fighting and rescue services.
Group	A high-level organisational grouping of functions and activities used by the Defence Executive as its primary management grouping (e.g. the Capability Development Group).
Hardened and Networked Army	The Army's key initiative to modernise and meet future operations demands and requirements of the Government. It will increase the size and firepower of the land force, improve the protection provided to troops, and allow them to communicate better on the future battlefield.
Infrastructure	Items owned, leased or otherwise under the control of Defence in support of activities on land and within buildings. Infrastructure includes items such as runways, roads, car parks, parade grounds, ovals, lighting, water, sewerage and other general service related items. It does not include land upon which, or within which, it is constructed or those fixed items integral to, and under, buildings.
Interoperability	The ability of systems, units or forces to provide the services to, and accept services from, other systems, units or forces and to use the services so exchanged to enable them to operate effectively together.
Inventory	Inventory is comprised of consumable stores and supplies, fuel and explosive ordnance used in the delivery of Defence services. These are items which are consumed in normal use, lose their identity during periods of use by incorporation into, or attachment upon, another assembly, as a result of wear and tear, cannot be reconditioned because their design does not make it possible or their specific values do not justify it.
Joint exercise	An exercise involving two or more Services of the ADF.
Liabilities	Sacrifices of future economic benefits that Defence is presently obliged to make to other entities as a result of past transactions or other past events.
Materiel Acquisition Agreements	Materiel Acquisition Agreements cover the Defence Materiel Organisation's acquisition services to Defence for both major and minor capital equipment.

Materiel Sustainment Agreements	Materiel Sustainment Agreements are between the Capability Managers and the Chief Executive Officer of the Defence Materiel Organisation. These agreements cover the sustainment of current capability, including good and services such as repairs, maintenance, fuel and explosive ordnance.
Military response options	A set of generic tasks that describe the range of military options the Government could consider as a basis for a response to a particular situation or contingency.
Net assets	See Equity.
Network Centric Warfare	The aim of Network Centric Warfare is to improve the ability of the ADF to collaborate internally with supporting agencies and with coalition partners across organisation and geographic boundaries. Network Centric Warfare would allow Defence to harness recent development in computing and communications technologies to enhance decision making and warfighting capability.
Operating result	Equals revenue less expense.
Operational tempo	The rate at which the ADF is able to deliver its operations effects, for example, the rate at which forces are dispatched and the time in which they are turned around for their next task. At the local level, this might translate to the crew of an aircraft spending a very small amount of time on the ground before it is re-tasked for its next mission. At the organisational level, this translates to available fighting forces spending very little time at home before they are deployed again for their next operation.
Outcomes	The results that the Government seeks from Defence, and are achieved by the successful delivery of its outputs, to the standards set in the Portfolio Budget Statements. For more information, see Defence's Section 2 - Planned Outcome Performance.
Permanent forces	The permanent Navy, the regular Army and the permanent Air Force.
Platforms	Refers to air, land, surface or sub-surface assets that are discrete and taskable elements within the ADF.
Portfolio Additional Estimates Statements	Similar to the portfolio budget statement and prepared at Additional Estimates time to support and update on the Government's original annual budget for Defence.
Portfolio Budget Statements	The document presented by the Minister for Defence to Parliament to inform Senators and Members of the basis for the Defence budget appropriations in support of the provisions in Appropriations Bills 1 and 2. The statements summarise the Defence budget and provides detail of outcome performance forecasts and resources in order to justify expenditure for Defence.
Prescribed agency	An agency established by regulation under the <i>Financial Management and Accountability Act 1997</i> . The Act provides financial management authority to, and requires accountability by the Chief Executive of an agency.
Price	One of the three key efficiency indicators. The amount the government or the community pays for the delivery of agreed outputs.
Professional Service Providers	Individuals with specialist skills contracted to fill a line position.
Purchaser-provider arrangements	Arrangements under which the outputs of one agency are purchased by another agency to contribute to outcomes. Purchaser-provider arrangements can occur between Commonwealth agencies and state/territory government or private sector bodies.

Quality	One of the three key efficiency indicators. Relates to the characteristics by which customers or stakeholders judge an organisation, product or service. Assessment of quality involves use of information gathered from interested parties to identify differences between user's expectations and experiences.
Quantity	One of the three key efficiency indicators. Examples include: the size of an output; count or volume measures; how many or how much.
Readiness	The readiness of forces to be committed to operations within a specified time, dependent on the availability and proficiency of personnel, equipment, facilities and consumables.
Reserves	The Naval Reserve, the Army Reserve and the Air Force Reserve.
Revenues	Inflows or other enhancements, or savings in outflows, of future economic benefits in the form of increases in assets or reductions in liabilities of Defence, other than those relating to contributions by the Commonwealth, that result in an increase in equity during the reporting period.
Risk management	At the highest level, involves the identification and mitigation of those risks that have the potential to adversely affect the achievement of agreed output performance at the agreed output price.
Special account	Balances existing within the Consolidated Revenue Fund, that are supported by standing appropriations (<i>Financial Management and Accountability Act 1997</i> , ss.20 and 21). Special accounts allow money in the Consolidated Revenue Fund to be acknowledged as set-aside (hypothecated) for a particular purpose. Amounts credited to a Special Account may only be spent for the purposes of the Special Account. Special Accounts can only be established by a written determination of the Finance Minister (s.20 of the <i>Financial Management and Accountability Act 1997</i>) or through an Act of Parliament (referred to in s.21 of the <i>Financial Management and Accountability Act 1997</i>).
Special Appropriations (including Standing Appropriations)	An amount of money appropriated by a particular Act of Parliament for a specific purpose and number of years. For special appropriations the authority to withdraw funds from the Consolidated Revenue Fund does not generally cease at the end of the financial year. Standing appropriations are a sub-category consisting of ongoing special appropriations — the amount appropriated will depend on circumstances specified in the legislation.
Specialist military equipment	Items of a specific military nature and that are not available through the normal external market in their current form to other than government military purchasers. It includes the prime military equipment plus the direct support items associated with the equipment.
Standard Defence Supply System (SDSS)	A key information system for the financial management of inventory, general stores, repairable items and other assets associated with Defence's logistic capability.
System Program Office	The office of the Program Manager. It serves as the single point of contact with industry, government agencies, and other activities participating in the acquisition process of a given system.
Theatre	The area in which military operations and activities take place.
Two-pass approval process	The process by which major capital investment proposals are developed for consideration and approval by the Government.

Unit ready days	The number of days that a force element is available for tasking, by the Maritime commander, either outside of major maintenance and within planned readiness requirements, or in accordance with contracted availability. Planned unit ready days are determined for each Force Element Group by aggregating total days for the unit in commission, less all days when the unit is programmed to be in major maintenance and conducting associated pre-workup (preparations for initial operational training) or based on the total number of days the force element is contracted to be available to Defence. Contracted availability applies to the Armidale-class patrol boats and may apply to other classes in the future.
Weighted average cost	An inventory valuation method which considers the fluctuating prices and quantities of acquired goods in computing of the cost of inventory. The weighted average method takes the prices of units at the beginning inventory and the varying prices of purchases made and are weighted by the number of units to determine the weighted average cost per unit. It may be computed as the weighted average cost of all available goods present in a given period, or as a weighted moving average cost adjusted when new goods are delivered.
Write-downs	The reduction in the value of assets.

Acronyms

A

AADC	Armidale Class Patrol Boats
AAF	Army Amenities Fund
AAFCANS	Army and Air Force Canteen Service
ADF	Australian Defence Force
ADFA	Australian Defence Force Academy
ADFHQ	Australian Defence Force Headquarters
ADO	Australian Defence Organisation
AFATDS	Advanced Field Artillery Tactical Data System
AFS	Average Funded Strength
AGIMO	Australian Government Information Management Office
AIS	Aeronautical Information System
AMCIP	Approved Major Capital Investment Program
AMSO	Australian Military Sales Office
ANAO	Australian National Audit Office
APS	Australian Public Service
APRCC	Australian Protected Route Clearance Capability
ASMD	Anti-Ship Missile Defence
AUSAID	Australian Agency for International Development
AWD	Air Warfare Destroyer

B

BAU	Business as Usual
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C

C-RAM	Counter Rocket, Artillery & Mortar
CCSM	Collins class Submarine
CDF	Chief of the Defence Force
CDG	Capability Development Group
CDIP	Capability Development Improvement Program
CEO	Chief Executive Officer
CFOG	Chief Finance Officer Group
CIR	Capability Investment and Resources
CIOG	Chief Information Officer Group

CJOPS	Chief of Joint Operations
COO	Chief Operating Officer
CPTs	Crew Procedural Trainers

D

DACC	Defence Assistance to the Civil Community
DCBs	Departmental Capital Budget
DCEO	Deputy Chief Executive Officer
DCP	Defence Capability Plan
DFACA	Defence Force Aid to the Civil Authority
DFAT	Department of Foreign Affairs and Trade
DFRB	Defence Force Retirement Benefits
DFRDB	Defence Force Retirement and Death Benefits Scheme
DHA	Defence Housing Australia
DHF	Defence Housing Forecast
DHFCS	Defence High Frequency Communications System
DMO	Defence Materiel Organisation
DPG	Defence People Group
DSRG	Defence Support and Reform Group
DSTO	Defence Science & Technology

E

ELF	Enhanced Land Force
ES	Electronic Support
ESSM	Evolved Sea Sparrow Missiles

F

FFG	Guided Missile Frigate
FMA	Financial Management and Accountability
FOC	Full Operational Capability

G

GMCOM	General Manager Commercial
GM LM	General Manager Land and Maritime
GM JSA	General Manager Joint, Systems and Air

H

HF	High Frequency
HMAS	Her Majesty's Australian Ship
HQ	Headquarters
HQJOC	Headquarters Joint Operations Command

I

ICT	Information and Communications Technology
IFR	International Fleet Review
IISS	International Institute for Strategic Studies
ILMF	Intermediate Level Maintenance Facility
IOC	Initial Operational Capability
IPA	Independent Project Analysis
ISPE	Industry Skilling Program Enhancement
ISSC	In-Service Support Contract

J

JLC	Joint Logistics Command
JOC	Joint Operations Command
JP	Joint Project
JPD	Joint Project Directive
JSF	Joint Strike Fighter

L

LAIRCM	Large Aircraft Infrared Counter Measure
LEAP	Living Environment and Accommodation Precinct
LHD	Landing Helicopter Dock
LOGIS	Logistics Information Systems

M

MAA	Materiel Acquisition Agreement
MECC	Ministerial and Executive Coordination and Communication
MFO	Multi-National Force Observers
MHC	Coastal Mine Hunter
MHFCS	Modernised High Frequency (HF) Communications System
MIMT	Moorebank Intermodal Freight Terminal
MRH	Multi-Role Helicopter
MRTT	Multi-Role Tanker Transport

MSA	Materiel Sustainment Agreement
MSBS	Military Superannuation and Benefits Scheme

N

NPOC	Net Personnel & Operating Costs
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O

OP	Operation
OPA	Official Public Account
OSCDF	Office of the Secretary & CDF

P

PAES	Portfolio Additional Estimates Statements
PBS	Portfolio Budget Statements
PIC	Priority Industry Capability
PICIP	Priority Industry Capability Innovation Program
PWC	Committee on Public Works
PWEA	Point Wilson Explosive Area

R

RAAF	Royal Australian Air Force
RADM	Rear Admiral
RANCCF	Royal Australian Navy Central Canteens Fund

S

SADI	Skilling Australia's Defence Industry
SAR	Search and Rescue
SATCOM	Satellite Communications
S&T	Science & Technology
SIE	Single Information Environment
SOETM	Services for Other Entities and Trust Moneys
SME	Specialist Military Equipment
SPO	System Program Office

T

TACAN	Tactical Air Control and Navigation
URD	Unit Ready Days
USAF	United States Air Force
USN	United States Navy

V

VCDF	Vice Chief of the Defence Force
VRs	Voluntary Redundancies

W

WGS	Wideband Global SATCOM System
WTSS	Weapons Training Simulation System