



PORTFOLIO BUDGET STATEMENTS 2004-05

**DEFENCE PORTFOLIO
(Department of Defence and the Defence Housing Authority)**

**BUDGET INITIATIVES AND EXPLANATIONS OF APPROPRIATIONS SPECIFIED
BY OUTCOMES AND OUTPUTS
2004-05**

BUDGET RELATED PAPER Nos 1.4 A and 1.4 C

2004-05 BUDGET PAPERS

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Contains information on the economic and financial outlook, together with information on the fiscal strategy.

No. 2 Budget Measures 2004-05

Provides a comprehensive statement on the budget expense, revenue and capital measures in the 2004-05 Budget.

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Provides information on the Australian Government's financial relations with the States, Territories and local government.

No. 4 Agency Resourcing 2004-05

Contains information on resourcing for Australian Government agencies (including the Appropriation Bills Nos. 1 and 2 and the Appropriation (Parliamentary Departments) Bill No. 1).

2004-05 BUDGET RELATED PAPERS

No. 1 Portfolio Budget Statements

Detailed information on the expected financial position of each Australian Government agency for 2004-05.

CONTACT OFFICER

The production of these statements was coordinated by the Statutory Reporting and Accountability Section of Ministerial Services and Public Affairs Division, Department of Defence.

The contact officer to whom comments and inquiries about this document may be addressed is:

Director
Statutory Reporting and Accountability
R1-2-D010
Department of Defence
CANBERRA ACT 2600
Telephone: (02) 6265 6277
Facsimile: (02) 6265 6246
Email: dsra@defence.gov.au

Defence Web Site Home Page

<http://www.defence.gov.au>

Defence Portfolio Budget Statements

<http://www.defence.gov.au/budget>

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Senator the Hon Robert Hill
Leader of the Government in the Senate
Minister for Defence

7 May 2004

Senator the Hon Paul Calvert
President of the Senate
Parliament House
CANBERRA ACT 2600

The Hon Neil Andrew MP
Speaker of the House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Mr President and Mr Speaker

I hereby submit Portfolio Budget Statements in support of the 2004-05 Budget for the Department of Defence and the Defence Housing Authority.

The Portfolio Budget Statements set out:

- the outcomes and outputs developed for the portfolio;
- the portfolio's administered items;
- information on budget measures affecting portfolio outcomes; and
- the performance indicators and evaluations to be used to assess performance against portfolio outcomes.

I present these statements by virtue of my Ministerial responsibility for accountability to the Parliament and, through it, the public.

A handwritten signature in cursive script that reads 'Rob. Hill'.

ROBERT HILL

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USER GUIDE

The purpose of the Defence Portfolio Budget Statements is to provide further explanation for Senators and Members of the proposed expenditure for Defence in Appropriation Bills (Nos. 1 and 2) 2004-05.

This document contains the Portfolio Budget Statements for the Defence Housing Authority, which provides housing to meet Defence's requirements.

The document does not address the Department of Veterans' Affairs, which is part of the Defence Portfolio but for which Budget Statements are tabled separately.

The performance information contained in the Defence Portfolio Budget Statements is derived from the Government-endorsed *Defence Management and Finance Plan 2004-14*. The plan itself is classified for reasons of national security.

FORMAT OF THE STATEMENTS

The chapter structure of the *Portfolio Budget Statements 2004-05* has changed from the 2003-04 structure to provide more logical flow of information and to prepare for the Defence Materiel Organisation (DMO) becoming a prescribed agency under the *Financial Management and Accountability Act 1997* from 1 July 2005. Financial information for Defence (including the DMO) has been grouped together. A separate chapter has been established which includes a budget overview of the DMO for visibility purposes prior to separate financial accountability from Defence in 2005-06.

There have been two changes to the output structure.

- Outcome Four – Air Force Capability now has four outputs, from five in 2003-04. The new Output is Output 4.3 – Capability for Surveillance and Response Operations. This is the result of an amalgamation of the Capability for Strategic Surveillance (previously Output 4.3) and Capability for Maritime Patrol Aircraft (previously Output 4.4).
- Outcome Five - Strategic Policy has two outputs. The second output, Output 5.2, has changed from Military Strategy and Strategic Operations to Military Strategy and Capability Analysis. This is to better reflect the change in responsibilities as a result of the Defence reorganisation.

Chapter One - Overview

This chapter contains:

- an overview of the strategic environment;
- Defence White Paper implementation details;
- Defence capability development overview; and
- changes to Defence's structure.

Chapter Two - Resourcing

This chapter details Defence's financial outlook for 2004-05, including:

- a budget summary and measures;
- budgeted financial statements and notes for 2004-05 and forward estimates;
- discretionary grants; and
- purchaser-provider arrangements with the Defence Housing Authority.

Chapter Three - Capital Budget

This chapter focuses on Defence's capital budget. It includes information on:

- projects to be approved in 2004-05;
- an overview of the approved major capital equipment program (details of the program are in Chapter Seven);
- capital facilities projects;
- other capital purchases; and
- capital receipts.

Chapter Four - Planned Outcome Performance

This chapter relates to the delivery of the outcomes required by the Government. Defence has a budget structure which has seven outcomes (including an administered outcome) and twenty-nine outputs. It contains detailed explanations of the outcomes and outputs including:

- a schematic illustration of Defence's outcome structure;
- the estimated cost of each outcome and output; and
- a description of each outcome and output, including planned performance, key risks and strategies and risk mitigation initiatives.

Chapter Five - People

This chapter relates to Defence attracting and leading people and maximising their skills and knowledge in order to deliver outcomes sustainably. The information provided in this section includes:

- a personnel overview; and
- a workforce summary, including personnel numbers and employee expenses.

Chapter Six - Management Reforms and Efficiencies

This chapter relates to the implementation of internal business processes that are designed to ensure sustainable delivery of outcomes. The chapter includes information on:

- the implementation of the Defence Procurement Review;
- progress of budget and business process reform;
- the program of administrative savings;
- the Commercial Support Program;
- delivering internal services;
- the Defence information environment; and
- portfolio evaluations.

Chapter Seven – Defence Materiel Organisation

This new chapter anticipates the Defence Materiel Organisation (DMO) becoming a prescribed agency from 1 July 2005. The information in this section includes:

- the DMO's strategic priorities and initiatives;
- key elements of the DMO's overall budget – operating, purchases and inventory; and
- details of the performance and estimated expenditure of the top 30 major capital equipment projects.

The 2005-06 budget statements will contain separate financial statements and performance information for the DMO.

Defence Housing Authority

This section contains:

- an overview of the Authority, including performance forecasts for 2004-05;
- details of the Authority's outcome and output, including performance information; and
- a detailed tabular explanation of the 2004-05 budget and forward estimates.

STYLES AND CONVENTIONS USED

Figures in tables and in the text may be rounded. Discrepancies in tables between totals and sums of components are due to rounding. Negative figures are presented in two ways in this document – by bracketed figures in the financial statements, and by a minus sign elsewhere in the document.

Related References

Previous years' Defence Portfolio Budget Statements, Portfolio Additional Estimates Statements and annual reports are available at: www.defence.gov.au/budget/

The Defence White Paper is available at: www.defence.gov.au/whitepaper/

The *Defence Capability Plan 2004-14* is available at: www.defence.gov.au/dmo/id/dcp/dcp.cfm.

