

CHAPTER TWO RESOURCING

The DMO has a single outcome and three outputs. As an enabling organisation to Defence, the DMO will continue to contribute to a number of Defence outcomes and outputs.

Table 2.1: DMO outcome and outputs

Outcome	Description	Outputs
Outcome One - Defence capabilities are supported through efficient and effective acquisition and through-life support of materiel	This Outcome encapsulates the entire business of the DMO: the activities it undertakes for Defence in acquisition and sustainment of materiel; the advice it provides on contracting policy and industry policy; as well as the work it performs to meet the Government's reporting and governance requirements.	Output 1.1 Management of Capability Acquisition
		Output 1.2 Capability Sustainment
		Output 1.3 Policy Advice and Management Services

Appropriations and other resources

Outputs 1.1 and 1.2 will be funded by payments from Defence for services provided, as set out in the Materiel Acquisition Agreements and Materiel Sustainment Agreements for Outputs 1.1 and 1.2 respectively. These agreements will be between Defence and the DMO. Accordingly, Defence's appropriation includes the cost of the DMO's Outputs 1.1 and 1.2. Funding for these Outputs represents over 99 per cent of the DMO's funding requirements.

Output 1.3 will be funded through a direct appropriation. As Output 1.3 functions were previously funded by Defence, the funding of the direct appropriation is budget-neutral in the Defence Portfolio context.

Table 2.2 shows the total resources from all origins for 2005-06, including appropriations.

The total appropriation for the DMO in the 2005-06 Budget is \$44.2m.

Table 2.2: Appropriations and other revenue⁽¹⁾

Outcome	Appropriations				Revenue from other sources ⁽⁴⁾		Total Resources	
	Bill No. 1 \$'000	Bill No. 2 ⁽²⁾ \$'000	Special approp \$'000	Total approp ⁽³⁾ \$'000	%	\$'000	% ⁽⁵⁾	\$'000
Outcome One: Defence capabilities are supported through efficient and effective acquisition and through-life support of materiel								
Administered	-	-	-	-	-	-	-	-
Departmental	44,211	-	-	44,211	0.6	7,081,198	99.4	7,125,409
Total Outcome One	44,211	-	-	44,211	0.6	7,081,198	99.4	7,125,409
Total agency	-	-	-	-	-	-	-	-
Administered	-	-	-	-	-	-	-	-
Total agency	-	-	-	-	-	-	-	-
Departmental	44,211	-	-	44,211	0.6	7,081,198	99.4	7,125,409
Total agency	44,211	-	-	44,211	0.6	7,081,198	99.4	7,125,409
Departmental capital (equity injections)	-	-	-	-	-	-	-	-
Previous year's outputs	-	-	-	-	-	-	-	-
Administered assets and liabilities	-	-	-	-	-	-	-	-
Total resources	44,211	-	-	44,211	0.6	7,081,198	99.4	7,125,409

Notes

1. This table has been designed to correspond with Budget Paper No. 4 'Agency Resourcing'.
2. Under the appropriation structure, Bill No. 2 includes Specific Purpose Payments, new agency outcomes, administered capital and departmental capital via departmental injections and loans.
3. Total appropriations = Bill No.1 + Bill No. 2 + Special appropriations.
4. Revenue from other sources includes *Financial Management and Accountability Act 1997* s.31 revenues, special accounts (non-appropriation revenues) and resources received free of charge, as disclosed in Table 6.1 - Budgeted Statement of Financial Performance. See Table 3.1 for the application of agency revenue.
5. Percentage figures indicate the percentage contribution of Revenue from the Government (Department Appropriations) to the total price of outputs, by outcome, and the percentage contribution of Revenue from other sources (Departmental) to the total price of outputs, by outcome.

2005-06 Budget measures

There are no DMO-specific budget measures, although some of Defence's budget measures will impact on the DMO.

Other receipts available to be used

The principal source of other cash receipts is payment by Defence for the DMO's acquisition and sustainment services. A small proportion of other receipts come from the sale of fuel to foreign forces and the sale of commercial vehicles no longer required by Defence.

Table 2.3: Other cash receipts available to be used¹

	Budget Estimate 2005-06
	\$'000
Outcome One: Defence capabilities are supported through efficient and effective acquisition and through-life support of materiel	
Departmental other receipts	
DMO special account	7,254,081
Total departmental other receipts available to be used	7,254,081

Note

- Resources received free of charge from the Australian National Audit Office (\$1.5m) and GST (\$549.8m) are not included in this table. Departmental other receipts of \$7,254.1m are disclosed in Table 6.3 - Budgeted Statement of Cash Flows.

Special account

All of the DMO's cash receipts will be held in a special account.

Table 2.4: Estimates of special accounts flows and balances⁽¹⁾

		Opening Balance 2005-06	Receipts 2005-06	Payments 2005-06	Adjustments 2005-06	Closing Balance 2005-06
	Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
DMO Special Account	Outcome One	50,270	7,848,124	7,848,124	-	50,270
Total special accounts 2005-06 Budget estimate		50,270	7,848,124	7,848,124	-	50,270

Note

- GST (\$549.8m) and the direct appropriation are included in both the receipts and payments in this table.

Purchaser-provider arrangements

Overview

Two principal purchaser-provider arrangements are being established to support the new relationship with Defence following the prescription of the DMO: Materiel Acquisition Agreements and Materiel Sustainment Agreements.

Responsibility and Control Arrangements

Materiel Acquisition Agreements will cover the DMO's acquisition services to Defence for both major and minor capital equipment. Agreements will be between the Chief of the Capability Development Group, on behalf of Defence, and the CEO DMO for major capital equipment; and between the relevant Capability Managers¹, on behalf of Defence, and the CEO DMO for minor capital projects.

Materiel Sustainment Agreements will be between the Capability Managers and the CEO DMO. These agreements will cover the sustainment of current capability, including services such as repairs, maintenance, fuel and explosive ordnance.

The DMO will report to the Defence Committee on its performance in relation to these agreements on a regular basis.

Other purchaser-provider arrangements between the DMO and Defence are Free of Charge Agreements and Defence Services Agreements. Free of Charge Agreements will cover a broad range of services provided by Defence to the DMO and vice versa. Services covered by Free of Charge Agreements include payroll, accommodation and banking services provided by Defence, and contracting policy and advice provided by the DMO. Defence Services Agreements will be generated for ongoing significant purchasing arrangements only.

All of these agreements are currently under development, with the intention that they will be in place by 1 July 2005 when the DMO becomes a prescribed agency.

Resourcing

The 2005-06 estimate of revenue from Defence is \$6,887.7m. This covers the procurement of capital equipment (\$3,849.3m) and the sustainment of existing capability (\$3,038.3m). As part of its direct appropriation from the Parliament (\$44.2m), the DMO will deliver procurement and industry policy and advice to other elements of the Defence Portfolio and the Government.

Performance Against Outcomes of Purchased Outputs

Products and services provided by Defence contribute directly to DMO's Outcome.

Cost Recovery Arrangements

The DMO recovers costs for the sale of fuel to foreign forces.

¹ 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.