

DEPARTMENT OF DEFENCE

RESOURCES AND PLANNED PERFORMANCE

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Section 1: Defence Overview and Resources

1.1 Strategic Direction

The overview and strategic direction for the Department of Defence remains as reported in the *Portfolio Budget Statements 2010-11*.

ORGANISATIONAL STRUCTURE

The following changes have taken place since the *Portfolio Budget Statements 2010-11*.

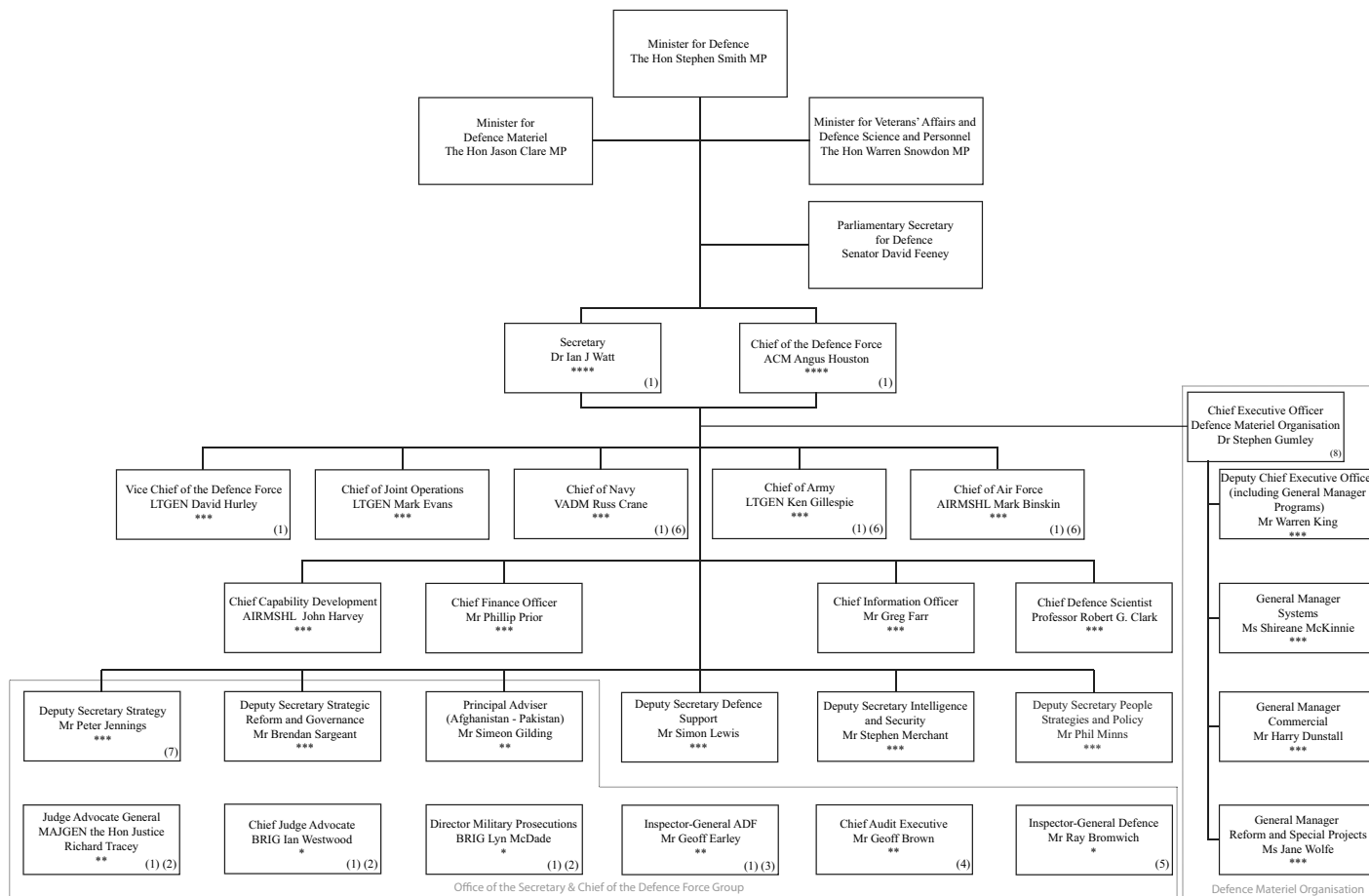
Senior Executive changes

- Office of the Secretary and Chief of the Defence Force Group anticipates a small number of Senior Executive changes before the end of the current financial year, which will have no impact on the Group's approved Senior Executive Service (SES) complement. This includes the disestablishment of the (temporary) Deputy Secretary Strategy (Operations) position.
- With effect 14 January 2011, Mr Simeon Gilding ceased acting as Deputy Secretary Strategy (Operations).
- Air Marshal John Harvey, AM was promoted and appointed to the position of Chief Capability Development Group on 1 October 2010 following the retirement of Vice Admiral Matt Tripovich.
- Ms Shireane McKinnie was promoted to the SES Band 3 position of General Manager Systems within the DMO on 27 January 2011.

Organisational structure

- With effect 17 January 2011, Mr Simeon Gilding will revert to a SES Band 2 position and will perform the role of Principal Adviser (Afghanistan-Pakistan), providing high level policy advice on Afghanistan and Pakistan issues.

Figure 3: Defence organisational chart



- (1) Statutory appointment.
- (2) Reports directly to the Minister for Defence in accordance with Section 196A of the *Defence Force Discipline Act 1982*.
- (3) The Inspector-General ADF is directly responsible to the Chief of the Defence Force (CDF).
- (4) Chief Audit Executive reports directly to the Secretary and CDF.
- (5) The Inspector-General Defence reports directly to the Secretary and CDF, and CEO DMO on investigative matters.
- (6) Section 9(3) of the *Defence Act 1903* requires the Service Chiefs to advise the Minister on matters relating to their command.
- (7) Deputy Secretary Strategy is appointed as the Group Head for Office of the Secretary and Chief of the Defence Force Group to perform all the duties and exercise all the relevant delegations of that role.
- (8) Under the agreed business model for DMO as a prescribed agency, the CEO DMO Ministerial Directive identifies that the CEO DMO is directly accountable to the Minister for DMO's performance but remains accountable to the Secretary and CDF.

Stars (*) refer to ADF Star rank or SES Band levels

1.2 Defence Resourcing

PORTFOLIO RESOURCE STATEMENT

Departmental funding is presented in Serial 13 of Table 4. The total level of departmental funding in 2010-11 has increased by \$119.4m to \$27,016.0m compared with \$26,896.6m in the 2010-11 Budget. The revised total Defence funding is comprised of:

- an appropriation for departmental outputs (\$22,175.3m)
- an equity injection (\$3,691.0m)
- net drawdown of appropriations carried forward from previous years (\$62.9m)
- return of equity to Government (-\$93.3m)
- net capital receipts (\$154.7m)
- own source revenue (\$1,025.4m)

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

- an increase of \$93.3m in departmental appropriations resulting from:
 - an increase of \$112.1m associated with departmental budget measures
 - a decrease of \$18.8m for other budget adjustments
- an increase in funding as a result of a reduction of \$5.7m in the return of equity to the Government, related to the revised property disposal program
- an increase of \$20.5m in capital receipts (refer Table 4 Serial 10)
- a decrease of \$0.05m in own source revenue.

The 2010-11 revised estimate for total Defence funding of \$119.4m is 0.4 per cent more than the estimate made in the 2010-11 Budget.

Savings and Initiatives

Savings and Initiatives information is as reported in the *Portfolio Budget Statements 2010-11*.

Table 4: Total Defence Resourcing

Serial No.	2009-10 Actual \$'000		2010-11	2010-11	Variation \$'000	Variation %	2011-12	2012-13	2013-14
			Budget Estimate \$'000	Revised Estimate \$'000			Forward Estimate \$'000	Forward Estimate \$'000	Forward Estimate \$'000
Defence resourcing									
1	21,906,968	Appropriation for departmental outcomes	22,192,662	22,173,177	-19,485	-0.1	21,656,501	22,115,634	23,443,421
2	4,011,496	Equity injection appropriation	3,578,161	3,690,961	112,800	3.2	3,188,466	2,336,170	2,897,517
3	-	Prior year appropriation ^{[1][2]}	2,100	2,100	-	-	-	-	-
4	25,918,464	Current year's appropriation (1+2+3)	25,772,923	25,866,238	93,315	0.4	24,844,967	24,451,804	26,340,938
5	-	Draw down of appropriations carried forward	65,000	65,000	-	-	6,389	-	-
6	-	Other appropriation receivable movements	-2,100	-2,100	-	-	-	-	-
7	-1,593,035	Return to OPA	-98,989	-93,269	5,720	-5.8	-85,679	-21,703	-171,175
8	-1,593,035	Funding from/to the OPA (5+6+7)	-36,089	-30,369	5,720	-15.8	-79,290	-21,703	-171,175
9	24,325,429	Funding from Government (4+8)	25,736,834	25,835,869	99,035	0.4	24,765,677	24,430,101	26,169,763
10	61,139	Capital receipts ^[3]	134,285	154,749	20,464	15.2	160,858	91,440	214,626
11	828,506	Own source revenue ^[4]	1,025,446	1,025,394	-52	-	888,791	924,639	966,219
12	889,645	Funding from Other Sources (10+11)	1,159,731	1,180,143	20,412	1.8	1,049,649	1,016,079	1,180,845
13	25,215,074	Total Defence funding (9 + 12)	26,896,565	27,016,012	119,447	0.4	25,815,326	25,446,180	27,350,608
Administered									
14	3,663,167	Administered special appropriations	3,743,719	3,776,962	33,243	0.9	3,940,954	4,133,339	4,337,597
15	1,138,925	Own source revenue	1,046,060	1,169,879	123,819	11.8	1,207,321	1,252,729	1,287,279
16	-1,213,324	Returns to the OPA	-1,247,948	-1,218,867	29,081	-2.3	-1,253,714	-1,301,769	-1,337,509
17	47,344	Dividends	48,987	48,987	-	-	46,393	49,040	50,230
18	40,480	Administered payments to CAC Act bodies	44,100	44,100	-	-	-	-	-
19	3,676,592	Total Administered Funding (14+15+16+17+18)	3,634,918	3,821,061	186,143	5.1	3,940,954	4,133,339	4,337,597
20	28,891,666	Total Defence Resourcing (13 + 19)	30,531,483	30,837,073	305,590	1.0	29,756,280	29,579,519	31,688,205
Appropriation carried forward									
21	538,610	Appropriation receivable including previous year's outputs ^[5]	280,192	26,846	-253,346	-90.4	20,457	20,457	20,457
22	52,226	Cash in bank	28,088	52,226	24,138	85.9	52,226	52,226	52,226
23	590,836	Total appropriations carried forward (21+22)	308,280	79,072	-229,208	-74.4	72,683	72,683	72,683
24	29,482,502	Total Defence Resourcing (20+23)	30,839,763	30,916,145	76,382	0.2	29,828,963	29,652,202	31,760,888

Notes

- These are accrual figures.
- 2009-10 amounts for Force Protection and Centralisation of security vetting were drawn in 2009-10 but appropriated in 2010-11.
- In the *Portfolio Budget Statements 2010-11* the 2010-11 Budget Estimate for Capital receipts was incorrectly represented as a net figure, with receipts offset by selling costs. The variation is overstated due to the 2010-11 Revised Estimate now correctly representing the gross receipts.
- All figures are net of GST.
- The 2009-10 Actual of \$538.610m comprises:
 - \$91.846m as reported in the *Defence Annual Report 2009-10*
 - \$448.864m which will be extinguished in 2010-11 relating to no-win/no-loss Operations funding and foreign exchange movements
 - and excludes \$2.100m appropriated in 2009-10.

Table 5: Defence Resource Statement

Serial No.		Estimate	Proposed	Total	
		as at Budget 2010-11 \$'000	+ Estimates 2010-11 \$'000	= Estimate at Additional Estimates 2010-11 \$'000	Total Appropriation Available 2009-10 \$'000
	ORDINARY ANNUAL SERVICES				
	Outcome 1	20,607,041	-814	20,606,227	19,905,882
	Outcome 2	1,572,469	-18,671	1,553,798	1,053,087
	Outcome 3	15,252	-	15,252	10,620
1	Total Departmental outputs	22,194,762	-19,485	22,175,277	20,969,589
2	Total ordinary annual services	22,194,762	-19,485	22,175,277	20,969,589
	OTHER SERVICES				
	Departmental non-operating				
	Equity injections	3,578,161	112,800	3,690,961	4,011,496
	Previous years' programs	-	-	-	-
3	Total Departmental non-operating	3,578,161	112,800	3,690,961	4,011,496
	Administered non-operating				
	Payments to CAC Act bodies	44,100	-	44,100	40,480
4	Total Administered non-operating	44,100	-	44,100	40,480
5	Total other services (3+4)	3,622,261	112,800	3,735,061	4,051,976
6	Total Available Annual Appropriation (2+5)	25,817,023	93,315	25,910,338	25,021,565
	SPECIAL APPROPRIATIONS				
	Special appropriations limited by criteria/entitlement				
	<i>Defence Forces Retirement Benefits Act, 1948 Part VIC, s.82ZJ</i>	76,947	-44,947	32,000	32,000
	<i>Defence Force Retirement and Death Benefits Act, 1973 Part XII, s.125</i>	1,533,053	53,947	1,587,000	1,600,000
	<i>Military Superannuation and Benefits Act, 1991 Part V, s.17</i>	2,015,000	35,223	2,050,223	1,968,652
	<i>Defence Force (Home Loan Assistance) Act, 1990 Part IV, s.38</i>	3,830	-41	3,789	4,316
	<i>Defence Home Ownership Assistance Scheme Act 2008 Part VI, s.84</i>	114,889	-10,939	103,950	57,988
7	Total Special Appropriations	3,743,719	33,243	3,776,962	3,662,956
8	Total Appropriations (6+7)	29,560,742	126,558	29,687,300	28,684,521
	Other Available Resources				
	Funding from other sources	2,205,791	144,231	2,350,022	2,028,570
	Returns to the OPA	-1,346,937	34,801	-1,312,136	-2,806,359
	Removal of prior year appropriations included in opening balance	-	-2,100	-2,100	-
	Previous year's outputs (appropriation receivable)	343,092	-251,246	91,846	538,610
	Cash available	28,088	24,138	52,226	52,226
	Dividends ^[1]	48,987	-	48,987	74,600
9	Total Other Available Resources	1,279,021	-50,176	1,228,845	-112,353
10	Total Resourcing (8+9)	30,839,763	76,382	30,916,145	28,572,168
	Special Accounts				
	Opening balance	85,925	34,380	120,305	76,342
	Appropriation receipts	-	-	-	-
	Appropriation receipts - other agencies	-	-	-	-
	Non-appropriation receipts to Special Accounts ^[2]	42,368	-19,193	23,175	131,155
11	Total Special Accounts	128,293	15,187	143,480	207,497

Notes

1. The 2009-10 Appropriation available includes the State Tax Equivalent Payment (STEP) from DHA.
2. The 2010-11 Budget Estimate was incorrectly categorised in the *Portfolio Budget Statements 2010-11* as Appropriation Receipts.

ANNUAL APPROPRIATIONS

Defence's annual appropriations will increase by \$93.315m to \$25,866.238m. This overall increase is related to a reduction of \$19.485m for Departmental outcomes and an increase of \$112.800m in equity injection. Defence will seek a determination by the Minister of Finance, under Section 10 of the *Appropriation Act (No. 1) 2010-11*, to decrease the Departmental appropriation by \$19.485m.

Table 6: Appropriation Bill (No. 3) 2010-11

	2009-10 Available \$'000	2010-11 Budget \$'000	2010-11 Revised \$'000	Additional Estimates \$'000	Reduced Estimates \$'000
Departmental outputs					
Outcome 1					
The protection and advancement of Australia's national interests through the provision of military capabilities and the promotion of security and stability	19,905,882	20,607,041	20,606,227	-	-814
Outcome 2					
through the conduct of military operations and other tasks as directed by Government	1,053,087	1,572,469	1,553,798	-	-18,671
Outcome 3					
Support for the Australian community and civilian authorities as requested by Government	10,620	15,252	15,252	-	-
Total	20,969,589	22,194,762	22,175,277	-	-19,485

Note

1. Table 14 of the *Portfolio Budget Statements 2009-10* reflected correct Operation Resolute estimates.

Table 7: Appropriation Bill (No. 4) 2010-11

	2009-10 Available \$'000	2010-11 Budget \$'000	2010-11 Revised \$'000	Additional Estimates \$'000	Reduced Estimates \$'000
Non-operating					
Equity injections	2,418,961	3,578,161	3,690,961	112,800	-
Previous year's outputs	-	-	-	-	-
Total non-operating	2,418,961	3,578,161	3,690,961	112,800	-
Total	2,418,961	3,578,161	3,690,961	112,800	-

Table 8: Third Party payments from and on behalf of other agencies

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000
Revenue received from the Defence Materiel Organisation for the provision of goods and services (Departmental)	456,505	351,222	-105,283
Revenue received from Defence Housing Australia for the provision of goods and services (Departmental)	–	25,928	25,928
Revenue received from Defence Housing Australia for interest on loans, dividends and competitive neutrality payments (Administered)	106,710	112,572	5,862
Payments made to the Defence Materiel Organisation for the provision of goods and services (Departmental)	10,536,764	9,682,276	-854,488
Payments made to Defence Housing Australia for the provision of services (Departmental)	599,976	523,983	-75,993
Payments made to Defence Housing Australia for loans and equity injections (Administered)	44,100	44,100	–
Payments made to the Department of Veterans' Affairs for the provision of services (Departmental)	3,100	–	-3,100
Payments made to the Department of Veterans' Affairs for the provision of services (Administered)	–	78,039	78,039
Payments made to Comsuper for the provision of services (Departmental)	–	30,300	30,300
Payments made to the Australian Strategic Policy Institute for the provision of services (Departmental) ^[1]	3,300	3,300	–
Payments made to the Australian Federal Police for the provision of services (Departmental)	–	43,290	43,290

Note

1. The figure in the *Portfolio Budget Statements 2010-11* excluded GST.

DRAWDOWN OF APPROPRIATIONS CARRIED FORWARD

Table 9: Revised Appropriations Receivable

	2010-11 Revised Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Previous estimate ^[1]	280,192	273,803	273,803	273,803
2009-10 Appropriation carried forward	195,518	195,518	195,518	195,518
Ex inguishment of 2009-10 no-win/no-loss underspend	-448,864	-448,864	-448,864	-448,864
Appropriation receivable revised estimate	26,846	20,457	20,457	20,457

Note

1. As published in Table 6 of the *Portfolio Budget Statements 2010-11*.

FUNDING FROM OTHER SOURCES

Own Source Revenue

Table 10: Variation in Own Source Revenue

	2010-11 Revised Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Previous estimate ^[1]	1,025,446	896,784	933,852	976,107
Variation in own source revenue	-52	-7,993	-9,213	-9,888
Own source revenue revised estimates	1,025,394	888,791	924,639	966,219

Note

1. As published in Table 7 of the *Portfolio Budget Statements 2010-11*.

Net Capital Receipts

Table 11: Variation in Estimates of Net Capital Receipts

	2010-11 Revised Estimate \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m
Portfolio Budget Statements 2010-11 estimates ^[1]	58.0	68.9	66.9	66.1
Increase capital withdrawal associated with capital disposals program	5.7	-12.6	21.2	-54.7
Proceeds from sales associated with the capital disposals program	-1.5	19.8	-17.4	33.0
Variation in net capital receipts	4.2	7.2	3.8	-21.7
Total net capital receipts	62.1	76.1	70.7	44.4

Note

1. As published in Table 8 of the *Portfolio Budget Statements 2010-11*.

PURCHASER-PROVIDER ARRANGEMENTS

Total Planned Payments to the DMO

Table 12: Total Planned Payments to the DMO

Serial No.		2010-11	2010-11	Variation
		Budget Estimate \$m	Revised Estimate \$m	
	Planned Defence Capability Plan (DCP) approvals	250.1	111.8	-138.3
	Approved Major Capital Investment Projects (AMCIP) delivered by the DMO	5,430.2	5,011.5	-418.7
1	Total Major Capital Investment Projects	5,680.2	5,123.2	-557.0
	Approved Navy minor projects	13.1	12.9	-0.2
	Approved Army minor projects	60.4	41.3	-19.1
	Approved Air Force minor projects	27.8	28.6	0.8
	Approved Joint Logistics Command minor projects	4.5	-	-4.5
	Approved Chief Information Officer minor projects	-	-	-
	Approved Intelligence minor projects	-	-	-
	Approved Office of the Secretary and CDF minor projects	0.8	0.8	-
2	Sub-total approved minor program delivered by the DMO	106.6	83.6	-23.0
	Unapproved Navy minor projects	3.6	1.1	-2.5
	Unapproved Army minor projects	8.3	10.8	2.5
	Unapproved Air Force minor projects	6.2	0.6	-5.6
	Unapproved Joint Logistics Command minor projects	31.4	4.5	-26.9
	Unapproved Chief Information Officer minor projects	0.3	-	-0.3
	Unapproved Intelligence minor projects	-	-	-
	Unapproved Office of the Secretary and CDF minor projects	1.0	-	-1.0
3	Sub-total unapproved minor program planned for transfer to the DMO	50.9	17.0	-33.9
4	Total minor program (2+3) to be delivered by the DMO	157.5	100.7	-56.9
5	Total acquisition (DMO Program 1.1) (1+4)	5,837.8	5,223.9	-613.9
	Navy sustainment	1,224.9	1,303.4	78.4
	Army sustainment	1,683.8	1,446.2	-237.6
	Air Force sustainment	1,563.8	1,492.5	-71.3
	Chief Information Officer sustainment	15.0	31.0	16.0
	Vice Chief of the Defence Force sustainment	36.3	79.5	43.2
	Intelligence sustainment	-	-	-
	Office of the Secretary and CDF sustainment	8.5	27.7	19.2
	Joint Operations Command sustainment	5.5	5.6	0.1
	Defence Support Group sustainment	-	27.0	27.0
	Future sustainment costs associated with AMCIP	161.1	45.4	-115.7
6	Total sustainment (DMO Program 1.2)	4,699.0	4,458.4	-240.6
7	Total planned payments to the DMO (5+6)	10,536.8	9,682.3	-854.5

Payments to Defence Housing Australia

Overview

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

Control arrangements

Information is as reported in the *Portfolio Budget Statements 2010-11*.

1.3 Funding from Government

Table 13: Variations to Defence Funding

	Program	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	Total FE \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	TOTAL \$m	
Budget measures														
Expenditure measures														
	Australia's engagement in Afghanistan	2.1	108.5	-	-	-	108.5	-	-	-	-	-	-	108.5
	Amenities internet access	2.1 & 2.2	3.6	5.8	5.8	2.3	17.4	-	-	-	-	-	-	17.4
1	Total expenditure measures		112.1	5.8	5.8	2.3	125.9	-	-	-	-	-	-	125.9
2	Total budget measures		112.1	5.8	5.8	2.3	125.9	-	-	-	-	-	-	125.9
Other budget adjustments														
	Cyber Security		-0.1	-0.2	-	-	-0.3	-	-	-	-	-	-	-0.3
	Property disposals		5.7	-12.6	21.2	-54.7	-40.4	-	-	-	-	-	-	-40.4
	DVD appropriation transfers		52.3	18.6	0.4	0.4	71.7	0.4	0.4	0.4	0.5	0.5	0.5	74.4
	Foreign exchange movements		-71.0	-108.5	-66.1	-59.9	-305.6	-73.9	-65.7	-76.1	-86.3	-85.7	-109.2	-802.5
3	Total other budget adjustments		-13.1	-102.7	-44.5	-114.2	-274.5	-73.5	-65.3	-75.7	-85.9	-85.2	-108.7	-768.7
4	Variation to Defence funding (2+3)		99.0	-96.9	-38.8	-111.9	-148.6	-73.5	-65.3	-75.7	-85.9	-85.2	-108.7	-642.8

BUDGET MEASURES

Australia's engagement in Afghanistan

In the *Portfolio Additional Estimates Statements 2010-11* the Government has agreed to additional funding of \$108.5m associated with the changed role of the ADF and the transition from a Dutch-led to a United States-led Combined Team Uruzgan Province, Afghanistan. This adjustment also includes strategic lift support to the Singapore Armed Forces and funding for new detainee management arrangements principally relating to transportation of, and rations for, detainees. Funding has been provided under the no-win/no-loss arrangements applying to major operations.

Amenities Internet Access – All Operations

In the *Portfolio Additional Estimates Statements 2010-11* the Government agreed to additional funding of \$17.4m in the budget year and across the forward estimates (Operation Slipper: \$14.0m, Operation Astute: \$2.4m, Operation Anode: \$0.6m and Operation Kruger: \$0.4m) to standardise the delivery of internet services for the ADF while deployed on operations. Funding has been provided under the no-win/ no-loss arrangements applying to major operations.

OTHER BUDGET ADJUSTMENTS

Cyber Security

An adjustment of -\$0.3m in 2010-11 and the forward estimates was made to transfer Defence's contribution to the Department of Prime Minister and Cabinet for the establishment of the Cyber Policy Co-ordination Group.

Property Disposals

Adjustments have been made to the Property Disposal Program since the 2010-11 Budget that have resulted in Defence retaining an additional \$5.7m for the current year and returning an additional \$40.4m over the forward estimates.

DMO Appropriation Transfers

Due to the forecast underspends in civilian and military employee expenses, the DMO will return \$52.3m in the budget year and \$71.7m across the forward estimates to the Department of Defence.

Foreign Exchange Movements

Under no-win/ no-loss arrangements Defence is required to return to the Government any surplus foreign exchange supplementation for an appreciation of the Australian dollar relative to other currencies as part of the Budget process. Conversely, where the Australian dollar depreciates relative to other currencies, the exchange rate set for Defence is supplemented under these arrangements. Defence will return \$71.0m in 2010-11, having taken into account movements in exchange rates since the 2010-11 Budget. Over the Budget year and forward estimates a total of \$305.6m will be returned.

OPERATIONS SUMMARY

The ADF is involved in a number of deployments around the world including the United Nations Peacekeeping and regional assistance missions and border protection and domestic security operations. Defence plans to spend \$1,838.5m on the net additional costs of its operational deployments in 2010-11, or \$15.2m less than the budget estimate. The total budget measures outlined in Table 13 of \$112.1m in 2010-11, and the re-programming of sustainment funds for enhanced force protection measures outlined below of \$133.2m in 2010-11, results in an overall decrease of \$15.2m in 2010-11 for the net additional cost of operations. The revised estimates for all operations are shown in Table 14.

Afghanistan – enhancement of force protection measures for Australian troops

Funding for enhanced force protection has been adjusted to reflect the early completion of acquisition for some equipment in 2009-10 which was planned for 2010-11 (\$6.9m) and the re-programming of sustainment funds (\$126.4m) from 2010-11 to 2011-12 to align funding with revised acquisition schedules.

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

	1999-00 to 2006-07	2007-08	2008-09	2009-10	2010-11 Revised Estimate	2011-12 Forward Estimate	2012-13 Forward Estimate	2013-14 Forward Estimate	Total
	Actual Result \$m	Actual Result \$m	Actual Result \$m	Actual Result \$m	\$m ^[3]	\$m	\$m	\$m	\$m
Operation Astute	3,405.5	205.6	164.7	144.9	170.5	26.8	8.5	0.3	4,126.8
Operation Bel Isi	47.7	-	-	-	-	-	-	-	47.7
Operation Slipper ⁽¹⁾⁽²⁾	805.3	394.9	701.9	1,125.3	1,243.1	303.7	184.2	45.3	4,803.8
Operation Resolute	96.9	7.0	10.0	10.3	15.3	-	-	-	139.5
Operation Catalyst	1,560.7	501.5	290.9	11.4	-	-	-	-	2,364.5
Operation Anode	148.2	23.7	25.1	27.9	42.6	1.7	0.2	0.1	269.4
Operation Sumatra Assist	44.5	-	-	-	-	-	-	-	44.5
Operation Acolyte	10.5	-	-	-	-	-	-	-	10.5
Operation Deluge	2.7	4.0	-	-	-	-	-	-	6.7
Operation Pakistan Assist	9.8	-	-	-	-	-	-	-	9.8
Operation Outreach	-	12.3	2.3	-	-	-	-	-	14.6
Operation Kruger	-	-	-	29.8	13.2	1.1	1.9	-	46.0
Enhanced Force Protection in Afghanistan ⁽⁴⁾⁽⁵⁾	-	-	-	-	353.8	482.4	190.6	-	1,026.8
Total Net Additional Costs	6,131.8	1,149.1	1,194.9	1,349.5	1,838.5	815.7	385.5	45.8	12,910.7
Sources of Funding for Operations:									
Government Supplementation	6,122.0	1,127.5	112.5	1,306.4	1,567.0	459.7	194.9	45.8	10,935.7
Department of Foreign Affairs and Trade	9.1	-	-	-	-	-	-	-	9.1
Department of Defence (Absorbed)	0.7	21.6	1,082.4	43.1	271.5	356.0	190.6	-	1,965.9
Total Cost	6,131.8	1,149.1	1,194.9	1,349.5	1,838.5	815.7	385.5	45.8	12,910.7

Notes

1. The 2010-11 Revised Estimate includes \$5.974m for Up-Armoured Commercial Vehicles funded by Defence.
2. The 2010-11 Budget Estimate includes \$0.440m for Service Fee which has been directly appropriated by the DMO.
3. The Revised Estimate and Forward Estimates include foreign exchange adjustments.
4. An amount of \$126.415m has been re-programmed from 2010-11 to 2011-12 to align sustainment funding with revised acquisition schedules.
5. An amount of \$6.855m is no longer required in 2010-11 as the acquisition was completed in 2009-10.

1.4 Capital Investment Program

The Capital Investment Program comprises the Defence Capability Plan (DCP), the Approved Major Capital Investment Program (AMCIP), the Capital Facilities Program, Other Capital Purchases, and Retained Capital Receipts.

Table 15: Total Capital Investment Program

Serial No.		2010-11	2010-11	Variation
		Budget Estimate \$m	Revised Estimate \$m	
	Defence Capability Plan			
	Planned payment to DMO for projects awaiting Government approval ⁽¹⁾	250.1	111.8	-138.3
	Other Defence groups	27.8	12.4	-15.4
1	Total Defence Capability Plan	277.9	124.2	-153.7
2	Approved Major Capital Investment Program ⁽²⁾	5,516.6	5,141.8	-374.8
3	Major Capital Investment Program (1+2)	5,794.5	5,266.0	-528.5
	Capital facilities			
	Approved Capital Facilities Projects ⁽³⁾	1,325.4	1,251.2	-74.1
	Unapproved Capital Facilities Projects	183.5	68.7	-114.8
4	Total Capital Facilities Program	1,508.9	1,319.9	-188.9
5	Other investment⁽⁴⁾	630.8	1,614.2	983.3
	<i>Capital component</i>	<i>7,487.7</i>	<i>7,649.7</i>	<i>162.0</i>
	<i>Operating component</i>	<i>446.5</i>	<i>550.4</i>	<i>103.9</i>
6	Total Capital Investment Program (3+4+5)⁽⁵⁾	7,934.2	8,200.1	265.9

Notes

1. Cross reference with Table 12.
2. Includes projects delivered by the DMO and Defence Groups.
3. Cross reference with Program 1.6 Defence Support Approved Capital Facilities Program.
4. This includes plant and equipment, Minor Capital Investment projects, infrastructure costs, non-capital facilities building projects, intangibles and purchase of repairable items.
5. The Total Capital Investment Program funding includes \$58.0m (Budget Estimate) and \$62.1m (Revised Estimate) in retained capital receipts. Cross reference with Table 16.

MAJOR CAPITAL INVESTMENT PROGRAM

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

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

The AMCIP consists of projects, usually costing more than \$20m, which are funded from the DCP and which, following approval, are generally transferred to the DMO for the acquisition phase.

As an enabling organisation to Defence, the DMO contributes to Defence's outputs. The DMO budget is detailed separately in this document under Defence Materiel Organisation Planned Outcome Performance, including an overview of the Top 30 Projects.

CAPITAL FACILITIES PROGRAM

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

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

OTHER INVESTMENT

Other Investment consists of Plant and Equipment, including Information and Communication Technology equipment, Minor Capital Investment projects, infrastructure costs, non-capital facilities building projects, intangibles and purchase of repairable items. Minor capital projects cover new equipment, modifications to existing equipment or enhancements to new equipment. After approval, funding for minor projects is generally transferred to the DMO for the acquisition phase. Defence plans to spend \$1,614.2m on Other Investment in 2010-11 as part of the \$8,200.1m in spending in the Budget year.

RETAINED CAPITAL RECEIPTS

Retained Capital Receipts comprises net proceeds from property sales which are returned to the Government. It also includes proceeds from sale of specialist military equipment, commercial vehicles and other plant and equipment which, under Regulation 15 of the *Financial Management and Accountability Regulations 1997*, Defence is entitled to retain. Details are shown in Table 16.

Table 16: Retained Capital Receipts

Serial No.		2010-11 Budget Estimate \$m	2010-11 Revised Estimate \$m	Variation \$m
	Property Sales			
	Proceeds from the sale of land and buildings	100.3	105.8	5.5
	Revenue from the sale of housing	20.0	20.0	-
	Less capital return to Government	-98.3	-92.6	5.7
1	Proceeds retained by Defence	22.0	33.2	11.2
2	Proceeds from the sale of specialist military equipment	-	-	-
3	Proceeds from the sale of infrastructure, plant and equipment	35.9	28.9	-7.0
4	Retained Capital Receipts (1+2+3)⁽¹⁾	58.0	62.1	4.2

Note

1. Cross reference to Table 15.

1.5 People

WORKFORCE OVERVIEW

Defence's workforce priorities remain as published in the *Portfolio Budget Statements 2010-11*.

WORKFORCE SUMMARY

The revised strength of the total Defence workforce (excluding the DMO civilian workforce which is shown separately in this document under Defence Materiel Organisation Resources and Planned Performance) is shown in Table 17 below. The revised strength of the total workforce in 2010-11 is forecast to be 1,099 more than the 2010-11 Budget Estimate of 96,084, including ADF Permanent Forces (+1,850), APS staff (-776), and Contractors (+43).

Table 17: Planned workforce allocation for the 2010-11 Budget and forward estimates

	2010-11 Budget Estimate	2010-11 Revised Estimate	Variation	2011-12 Forward Estimate	2012-13 Forward Estimate	2013-14 Forward Estimate
ADF Permanent Force^[1]						
Navy	14,238	14,233	-5	14,234	14,307	14,357
Army	28,811	30,264	1,453	30,442	30,650	30,805
Air Force	14,227	14,629	402	14,363	14,111	13,946
1 Total Permanent Force	57,276	59,126	1,850	59,039	59,068	59,108
Active Reserve Force						
Navy	2,300	2,300	-	2,300	2,300	2,300
Army	16,018	16,000	-18	16,250	16,500	16,750
Air Force	2,200	2,200	-	2,300	2,400	2,500
2 Sub-total Active Reserve Force	20,518	20,500	-18	20,850	21,200	21,550
High Readiness Reserve						
Navy	-	-	-	-	-	-
Army	900	900	-	1,000	1,150	1,240
Air Force	600	600	-	600	600	600
3 Sub-total High Readiness Reserve Force	1,500	1,500	-	1,600	1,750	1,840
4 Total Reserves (2 + 3)	22,018	22,000	-18	22,450	22,950	23,390
5 Total ADF Employees (1 + 4)	79,294	81,126	1,832	81,489	82,018	82,498
6 APS	16,043	15,267	-776	16,101	16,638	16,647
7 Contractors ^[2]	747	790 ^[3]	43	593	488	450
8 Total Civilian Employees^[4] (6 + 7)	16,790	16,057	-733	16,694	17,126	17,097
Total Workforce Strength (5 + 8)	96,084	97,183	1,099	98,183	99,144	99,595

Notes

- Numbers for ADF Permanent Force include ADF members in the DMO and Reservists on full-time service.
- Contractors are individuals under contract performing agency roles. Contractors are not APS employees.
- The increase in the number of contractors is due to delays in the conversion of contractors to APS as part of the SRP.
- Total civilian employees exclude APS and contractors in the DMO.

Over the forward estimates, the total workforce is funded to grow by 2,412 from the revised estimate of 97,183 in 2010-11 to 99,595 in 2013-14.

Table 18: Breakdown of personnel numbers by Service and rank

	2010-11 Budget Estimate	2010-11 Revised Estimate
Navy^[1]		
One Star and above	50	51
Senior Officers ^[2]	528	528
Officers	2,813	2,777
Other Ranks	10,682	10,712
Gap Year Participants ^[3]	165	165
Sub-total: Permanent Navy	14,238	14,233
Reserve Forces ^[4]	2,300	2,300
Total Navy	16,538	16,533
Army^[1]		
One Star and above	74	77
Senior Officers ^[2]	740	756
Officers	5,235	5,411
Other Ranks	22,468	23,728
Gap Year Participants ^[3]	294	292
Sub-total: Permanent Army	28,811	30,264
Reserve Forces ^[4]	16,918	16,900
Total Army	45,729	47,164
Air Force^[1]		
One Star and above	50	49
Senior Officers ^[2]	573	570
Officers	3,940	3,930
Other Ranks	9,614	10,027
Gap Year Participants ^[3]	50	53
Sub-total: Permanent Air Force	14,227	14,629
Reserve Forces ^[4]	2,800	2,800
Total Air Force	17,027	17,429
APS^[1]		
Senior Executives ^[5]	128	126
Senior Officers ^[2]	4,520	4,512
Other APS Staff	11,395	10,629
Total APS	16,043	15,267
Contractors ^[6]	747	790
Total Workforce	96,084	97,183

Notes

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

EMPLOYEE EXPENSES

The revised estimate for employee expenses in 2010-11 is \$9,505.4m representing an increase of \$19.3m from the 2010-11 Budget Estimate of \$9,486.1m. Details are shown in Table 19.

Table 19: Workforce expenses

	2010-11 Budget Estimate \$m	2010-11 Revised Estimate \$m	Variation \$m	2011-12 Forward Estimate \$m	2012-13 Forward Estimate \$m	2013-14 Forward Estimate \$m
Military employees						
Salary, allowances, superannuation and leave ⁽¹⁾	6,590.0	6,709.3	119.3	6,373.0	6,624.8	6,994.9
Housing	687.0	699.4	12.3	695.1	711.8	748.7
Health services	318.7	251.9	-66.8	338.7	405.1	444.1
Fringe Benefits Tax	354.6	347.7	-6.9	345.8	350.2	359.8
Total military employee expense	7,950.4	8,008.3	57.9	7,752.6	8,091.9	8,547.6
Civilian employees						
Salary, allowances, superannuation and leave	1,525.6	1,483.6	-42.0	1,579.2	1,661.5	1,716.8
Other expenses including Fringe Benefits Tax	10.1	13.4	3.3	12.7	12.9	13.1
Total civilian employee expenses	1,535.7	1,497.1	-38.7	1,591.9	1,674.4	1,730.0
Total employee expenses	9,486.1	9,505.4	19.3	9,344.5	9,766.3	10,277.6

Note

1. This figure includes estimates for Reservists.

Section 2: Outcomes and Planned Performance

Defence's outcomes structure remains as reported in the *Portfolio Budget Statements 2010-11*.

2.1 Outcomes and Performance Information

OUTCOME 1

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

There has been no change to the Strategy of Outcome 1 since the *Portfolio Budget Statements 2010-11*.

OUTCOME 1 RESOURCES

Table 20: Total Budgeted Resources Available for Outcome 1

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Program 1.1 Office of the Secretary and CDF						
Revenues from other sources	1,470	1,471	1	1,467	1,394	1,411
Departmental outputs	203,357	203,996	639	208,939	169,239	172,935
Program 1.2 Navy Capabilities						
Revenues from other sources	178,901	158,885	-20,016	172,458	178,518	185,177
Departmental outputs	3,699,293	3,913,414	214,121	3,908,324	4,100,356	4,182,193
Program 1.3 Army Capabilities						
Revenues from other sources	167,744	151,129	-16,615	174,401	182,288	196,749
Departmental outputs	4,724,623	4,990,845	266,222	4,830,902	4,946,538	5,187,792
Program 1.4 Air Force Capabilities						
Revenues from other sources	253,051	239,959	-13,092	265,582	277,675	289,564
Departmental outputs	3,751,170	3,883,414	132,244	3,923,708	4,027,702	4,138,995
Program 1.5 Intelligence Capabilities						
Revenues from other sources	16,500	11,755	-4,745	14,256	13,274	13,542
Departmental outputs	581,772	515,238	-66,534	538,344	525,923	556,500
Program 1.6 Defence Support						
Revenues from other sources	263,767	286,179	22,412	283,202	292,455	311,401
Departmental outputs	3,791,755	3,477,404	-314,351	3,555,737	3,567,304	3,687,735
Program 1.7 Defence Science and Technology						
Revenues from other sources	33,394	46,095	12,701	32,909	33,784	34,632
Departmental outputs	435,623	444,427	8,804	439,626	449,128	437,601
Program 1.8 Chief Information Officer						
Revenues from other sources	9,537	8,672	-865	7,474	7,065	7,182
Departmental outputs	832,435	852,180	19,745	795,613	769,632	705,933
Program 1.9 Vice Chief of the Defence Force						
Revenues from other sources	458,416	452,128	-6,288	445,082	439,806	448,831
Departmental outputs	849,162	1,073,074	223,912	1,013,455	1,037,870	1,014,905
Program 1.10 Joint Operations Command						
Revenues from other sources	403	404	1	405	412	418
Departmental outputs	29,048	53,022	23,974	46,455	47,583	46,218
Program 1.11 Capability Development						
Revenues from other sources	58,662	79,340	20,678	102,247	122,723	145,335
Departmental outputs	941,974	684,496	-257,478	947,952	1,318,955	2,054,446
Program 1.12 Chief Finance Officer						
Revenues from other sources	249,659	186,662	-62,997	19,457	19,717	19,373
Departmental outputs	409,813	205,458	-204,355	643,746	639,276	849,038
Program 1.13 People Strategies and Policy						
Revenues from other sources	-	-	-	-	-	-
Departmental outputs	357,016	309,259	-47,757	316,995	321,261	363,323

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Program 1.14 Defence Force Superannuation Benefits and 1.15 Defence Force Superannuation Nominal Interest						
<i>Defence Force Retirement Benefits Act, 1948 Part VIC, s.82ZJ (1)[1]</i>	76,947	32,000	-44,947	30,000	29,000	27,000
<i>Defence Force Retirements and Death Benefits Act, 1973 Part XII, s.125 (3) [1]</i>	1,533,053	1,587,000	53,947	1,580,000	1,563,000	1,548,000
<i>Military Superannuation and Benefits Act, 1991 Part V, s.17[1]</i>	2,015,000	2,050,223	35,223	2,198,443	2,388,223	2,590,103
Total Administered expenses	3,625,000	3,669,223	44,223	3,808,443	3,980,223	4,165,103
<i>Administered revenues from other sources</i>	975,579	1,080,578	104,999	1,136,131	1,175,898	1,209,046
Program 1.14 & 1.15	2,649,421	2,588,645	-60,776	2,672,312	2,804,325	2,956,057
Program 1.16 Housing Assistance						
<i>Defence Force (Home Loan Assistance) Act, 1990 Part IV, s 38[1]</i>	3,830	3,789	-41	2,974	2,333	1,831
<i>Defence Home Ownership Assistance Scheme Act 2008 Part VI, s.84</i>	114,889	103,950	-10,939	129,537	150,783	170,663
Total Administered expenses	118,719	107,739	-10,980	132,511	153,116	172,494
<i>Administered revenues from other sources</i>	9,739	9,226	-513	11,708	13,874	15,933
Program 1.16	108,980	98,513	-10,467	120,803	139,242	156,561
Program 1.17 Kings Highway Upgrade						
Total Administered expenses	-	-	-	-	-	-
Program 1.18 Other Administered						
<i>Administered revenues from other sources</i>	78,454	94,044	15,590	84,386	84,919	85,877
Program 1.18	-78,454	-94,044	-15,590	-84,386	-84,919	-85,877
Total resourcing						
Total Departmental outputs	20,607,041	20,606,227	-814	21,169,796	21,920,767	23,397,614
Total Administered	2,679,947	2,593,114	-86,833	2,708,729	2,858,648	3,026,741
Total Departmental revenue from other sources	1,691,504	1,622,679	-68,825	1,518,940	1,569,111	1,653,615
Total Administered revenue from other sources	1,063,772	1,183,848	120,076	1,232,225	1,274,691	1,310,856
Equity injection	3,576,161	3,685,491	109,330	3,188,466	2,336,170	2,897,517
Total resources for Outcome 1	29,618,425	29,691,359	72,934	29,818,156	29,959,387	32,286,343

CONTRIBUTIONS TO OUTCOME 1

Program 1.1: Office of the Secretary and CDF

Performance information is as reported in the *Portfolio Budget Statements 2010-11*.

Table 21: Cost Summary for Program 1.1 Office of the Secretary and CDF

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses						
Employees ^[1]	82,534	61,452	-21,082	61,942	60,851	62,644
Suppliers	121,131	139,200	18,069	143,563	104,890	106,924
Grants	340	3,602	3,262	3,617	3,686	3,766
Depreciation and amortisation	822	1,213	391	1,284	1,206	1,012
Finance Cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	204,827	205,467	640	210,406	170,633	174,346
Income						
Revenues						
Goods and services	1,470	1,471	1	1,467	1,394	1,411
Other revenue	-	-	-	-	-	-
Total Revenue	1,470	1,471	1	1,467	1,394	1,411
Gains						
Reversals of previous asset write-downs	-	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	-	-	-	-	-	-
Total income	1,470	1,471	1	1,467	1,394	1,411
Program 1.1 Office of the Secretary and CDF	203,357	203,996	639	208,939	169,239	172,935

Note

1. The variation in employees is primarily due to the budget for military employees previously shown against all Programs which has now been transferred to the Navy, the Army and the Air Force.

Program 1.2: Navy Capabilities

Performance information is as reported in the *Portfolio Budget Statements 2010-11*, except for the following revisions.

Table 22: Navy Deliverables (Unit Ready Days)^[1]

Deliverables		2010-11 Budget Estimate	2010-11 Revised Budget
18	Major combatants	4,171	3,715 ^[2]
11	Amphibious and Afloat Support	3,682	3,076 ^[3]
9	Hydrographic Force	2,923	2,883 ^[4]

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 decrease in the URD target is due to a combination of changes in scheduled major maintenance periods for Anzac class frigates and submarines, and placing HMA Ships *Anzac* and *Arunta* into extended readiness, which is a change in operational status with the ability to bring them back into service should the need arise.
- Amphibious and Afloat Support comprises the oil tanker, replenishment ship, amphibious landing ships, heavy landing ship, and heavy landing craft. The decrease in the URD target is due to a combination of changes in the scheduled major maintenance periods for the heavy landing ship, HMAS *Tobruk*, and the replenishment ship, HMAS *Success*; the Government announcement to decommission HMAS *Manoora* in 2011; and an extended major maintenance period for HMAS *Kanimbla* to address seaworthiness issues.
- Hydrographic Force comprises the hydrographic ships, survey motor launches, chart production office, and meteorological and oceanographic centres. The decrease in the URD target is due to scheduled major maintenance periods for the survey motor launches being extended to complete emergent works.

Table 23: Navy Deliverables (flying hours)

Deliverables		2010-11 Budget Estimate	2010-11 Revised Budget
1	Laser airborne depth sounder aircraft	1,050	980 ^[1]

Note

- The decrease in flying hours for the laser airborne depth sounder aircraft is a result of revised aircraft endurance (of the replacement aircraft), which has slightly reduced the duration for surveying tasks.

Table 24: Cost Summary for Program 1.2 Navy Capabilities

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses						
Employees ^[1]	1,516,264	1,639,909	123,645	1,677,467	1,778,545	1,876,577
Suppliers	1,220,011	1,271,417	51,406	1,272,358	1,401,741	1,404,831
Grants	-	-	-	-	-	-
Depreciation and amortisation	899,742	962,595	62,853	920,068	878,142	861,620
Finance Cost	14,534	12,942	-1,592	13,590	14,624	12,827
Write-down of assets and impairment of assets	227,643	185,436	-42,207	197,299	205,822	211,515
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	3,878,194	4,072,299	194,105	4,080,782	4,278,874	4,367,370
Income						
Revenues						
Goods and services	47,149	41,604	-5,545	50,561	52,770	56,459
Other revenue	72	72	-	88	77	92
Total Revenue	47,221	41,676	-5,545	50,649	52,847	56,551
Gains						
Reversals of previous asset write-downs	131,680	117,209	-14,471	121,809	125,671	128,626
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	131,680	117,209	-14,471	121,809	125,671	128,626
Total income	178,901	158,885	-20,016	172,458	178,518	185,177
Program 1.2 Navy Capabilities	3,699,293	3,913,414	214,121	3,908,324	4,100,356	4,182,193

Note

- The variation in employees is primarily due to the budget for military employees previously shown against all Programs which has now been transferred to the Navy, the Army and the Air Force.

Program 1.3: Army Capabilities

Performance information is as reported in the *Portfolio Budget Statements 2010-11*, except for the following revisions.

Table 25: Army Deliverables (Rate of Effort (ROE) – flying hours)

Deliverables		2010-11 Budget Estimate	2010-11 Revised Budget
34	S-70A9 Blackhawk ^[1]	7,500	8,600 ^[2]
41	B-206 Kiowa ^[3]	9,360	7,360 ^[4]
22	Armed Reconnaissance Helicopter (ARH) Tiger	6,000	4,150 ^[5]
46	Multi-Role Helicopter (MRH-90)	3,420 ^[6]	1,500 ^[7]

Notes

1. Black Hawk Sustainment extended one year.
2. Black Hawk overachievement due increased individual and collective training commitment.
3. 173 Sqn (B206 Kiowa) ROE authorised until 2013.
4. Underachievement of ROE (-2000h) is due to a reduction of aircraft availability.
5. ROE may vary over the years depending on aircraft availability.
6. Budget estimate was based on 23 aircraft delivered to Defence.
7. 13 aircraft delivered to date. Six MRH-90 are allocated for Navy use.

Table 26: Cost Summary for Program 1.3 Army Capabilities

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses						
Employees ^[1]	3,091,223	3,272,770	181,547	3,243,413	3,339,994	3,529,166
Suppliers	1,186,804	1,163,068	-23,736	1,174,036	1,194,546	1,252,013
Grants	159	159	-	80	82	284
Depreciation and amortisation	466,470	571,156	104,686	435,812	430,912	425,975
Finance Cost	6,319	361	-5,958	577	1,046	517
Write-down of assets and impairment of assets	141,392	134,460	-6,932	151,385	165,327	176,586
Net losses from sale of assets	-	-	-	-	-3,081	-
Other expenses	-	-	-	-	-	-
Total expenses	4,892,367	5,141,974	249,607	5,005,303	5,128,826	5,384,541
Income						
Revenues						
Goods and services	65,925	59,013	-6,912	67,930	71,235	75,378
Other revenue	15,391	15,391	-	15,637	15,982	16,384
Total Revenue	81,316	74,404	-6,912	83,567	87,217	91,762
Gains						
Reversals of previous asset write-downs	84,608	81,905	-2,703	88,485	95,071	101,080
Net gains from sale of assets	1,820	-5,180	-7,000	2,349	-	3,907
Other gains	-	-	-	-	-	-
Total gains	86,428	76,725	-9,703	90,834	95,071	104,987
Total income	167,744	151,129	-16,615	174,401	182,288	196,749
Program 1.3 Army Capabilities	4,724,623	4,990,845	266,222	4,830,902	4,946,538	5,187,792

Note

1. The variation in employees is primarily due to the budget for military employees previously shown against all Programs which has now been transferred to the Navy, the Army and the Air Force.

Program 1.4: Air Force Capabilities

Performance information is as reported in the *Portfolio Budget Statements 2010-11*, except for the following revisions.

Table 27: Air Force Deliverables (flying hours)

Deliverables		2010-11 Budget Estimate	2010-11 Revised Budget	2011-12 Forward Year 1	2012-13 Forward Year 2	2013-14 Forward Year 3
5	KC-30A ^[1]	1,350	500	2,000	2,500	3,100
71	F/A-18A/B Hornet ^[2]	13,000	13,000	13,000	13,000	12,000

Notes

- Changes to KC-30 are driven by delays to the project schedule.
- ROE for F/A-18A/B increased in 2013-14 due to delayed delivery schedule of JSF.

Table 28: Cost Summary for Program 1.4 Air Force Capabilities

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	2011-12 Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses						
Employees ^[1]	1,506,757	1,699,840	193,083	1,678,695	1,761,329	1,846,676
Suppliers	1,516,556	1,323,767	-192,789	1,526,849	1,554,802	1,614,960
Grants	-	-	-	-	-	-
Depreciation and amortisation	741,780	876,089	134,309	745,456	738,147	709,633
Finance Cost	2,073	1,443	-630	2,308	4,186	2,066
Write-down of assets and impairment of assets	237,055	222,234	-14,821	235,982	246,913	255,224
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	4,004,221	4,123,373	119,152	4,189,290	4,305,377	4,428,559
Income						
Revenues						
Goods and services	115,357	100,982	-14,375	121,226	127,965	135,259
Other revenue	-	-	-	-	-	-
Total Revenue	115,357	100,982	-14,375	121,226	127,965	135,259
Gains						
Reversals of previous asset write-downs	137,694	138,977	1,283	144,356	149,710	154,305
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	137,694	138,977	1,283	144,356	149,710	154,305
Total income	253,051	239,959	-13,092	265,582	277,675	289,564
Program 1.4 Air Force Capabilities	3,751,170	3,883,414	132,244	3,923,708	4,027,702	4,138,995

Note

- The variation in employees is primarily due to the budget for military employees previously shown against all Programs which has now been transferred to the Navy, the Army and the Air Force.

Program 1.5: Intelligence Capabilities

Performance information is as reported in the *Portfolio Budget Statements 2010-11*, except for the following revisions.

PROGRAM 1.5 KEY PERFORMANCE INDICATORS

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

Table 29: Cost Summary for Program 1.5 Intelligence Capabilities

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses						
Employees ^[1]	283,108	246,317	-36,791	256,015	269,607	283,035
Suppliers	270,458	236,623	-33,835	256,285	240,132	261,140
Grants	-	-	-	-	-	-
Depreciation and amortisation	36,108	38,917	2,809	34,790	23,477	19,384
Finance Cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	8,598	5,136	-3,462	5,510	5,981	6,483
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	598,272	526,993	-71,279	552,600	539,197	570,042
Income						
Revenues						
Goods and services	8,557	8,376	-181	11,490	10,784	11,243
Other revenue	153	-	-153	-	-	-
Total Revenue	8,710	8,376	-334	11,490	10,784	11,243
Gains						
Reversals of previous asset write-downs	7,790	3,379	-4,411	2,766	2,490	2,299
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	7,790	3,379	-4,411	2,766	2,490	2,299
Total income	16,500	11,755	-4,745	14,256	13,274	13,542
Program 1.5 Intelligence Capabilities	581,772	515,238	-66,534	538,344	525,923	556,500

Note

1. The variation in employees is primarily due to the budget for military employees previously shown against all Programs which has now been transferred to the Navy, the Army and the Air Force.

Program 1.6: Defence Support

Performance information is as reported in the *Portfolio Budget Statements 2010-11*, except for the following revision.

PROGRAM 1.6 DELIVERABLES

Development and delivery of the 2010-11 Major Capital Facilities Program and 2010-11 Estate Maintenance Program within scope and budget.

Table 30: Cost Summary for Program 1.6 Defence Support

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses						
Employees ^[1]	1,136,004	1,002,814	-133,190	1,006,606	1,036,968	1,086,305
Suppliers	1,918,527	1,819,094	-99,433	1,855,672	1,782,174	1,854,941
Grants	1,417	1,417	-	1,440	1,473	1,509
Depreciation and amortisation	826,258	797,679	-28,579	828,303	866,028	910,060
Finance Cost	51,954	64,195	12,241	66,635	68,499	58,384
Write-down of assets and impairment of assets	120,467	67,384	-53,083	73,374	80,070	86,980
Net losses from sale of assets	-	-	-	-	23,612	-
Other expenses	895	11,000	10,105	6,909	935	957
Total expenses	4,055,522	3,763,583	-291,939	3,838,939	3,859,759	3,999,136
Income						
Revenues						
Goods and services	251,924	265,036	13,112	266,702	283,026	299,498
Other revenue	6,258	7,170	912	6,373	6,535	6,715
Total Revenue	258,182	272,206	14,024	273,075	289,561	306,213
Gains						
Reversals of previous asset write-downs	4,573	2,961	-1,612	2,794	2,894	2,886
Net gains from sale of assets	1,012	11,012	10,000	7,333	-	2,302
Other gains	-	-	-	-	-	-
Total gains	5,585	13,973	8,388	10,127	2,894	5,188
Total income	263,767	286,179	22,412	283,202	292,455	311,401
Program 1.6 Defence Support	3,791,755	3,477,404	-314,351	3,555,737	3,567,304	3,687,735

Note

- The variation in employees is primarily due to the budget for military employees previously shown against all Programs which has now been transferred to the Navy, the Army and the Air Force.

CAPITAL FACILITIES PROGRAM

The Capital Facilities Program has decreased by \$189.0m from the *Portfolio Budget Statements 2010-11* due to variations as detailed below and other re-programming.

Approved Major Capital Facilities Projects

Table 31 and the following descriptions provide details on progress and expenditure during 2010-11 on Major Capital Facilities projects.

Table 31: Approved Major Capital Facilities projects by state and federal electorate

	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2010 \$m	2010-11 Budget Estimate \$m	2010-11 Additional Estimate \$m	Variation \$m
NEW SOUTH WALES					
Gilmore					
HMAS Albatross					
Multi Role Helicopter Facilities ^{[1][2]}	-	16.7	5.7	11.5	5.8
Aircraft Pavements and Airfield Lighting ^{[2][3][4]}	-	-	-	4.8	4.8
Hughes					
Holsworthy					
Special Operations Working Accommodation and Base Redevelopment Stage 1	207.7	199.9	3.0	4.7	1.7
Enhanced Land Force Stage 1 Works ^{[2][5]}	-	11.9	9.6	11.6	2.0
Hunter					
Singleton					
Enhanced Land Force Stage 1 Works ^{[2][5]}	-	15.8	32.4	40.0	7.6
Enhanced Land Force Stage 2 Works ^{[2][6]}	-	1.4	26.6	24.0	-2.6
MacKellar					
Pittwater Annexe					
HMAS Penguin and Pittwater Annexe Redevelopment ^{[2][3][7]}	-	-	-	0.1	0.1
Riverina					
Kapooka					
Enhanced Land Force Stage 1 Works ^{[2][5]}	-	35.7	57.0	51.0	-6.0
Sydney					
Garden Island					
Enhanced Land Force Stage 2 Works ^{[2][6]}	-	0.1	3.7	3.2	-0.5
Warringah					
HMAS Penguin					
Enhanced Land Force Stage 2 Works ^{[2][6]}	-	0.1	0.3	0.3	-
HMAS Penguin and Pittwater Annexe Redevelopment ^{[2][3][7]}	-	-	-	0.4	0.4
Total New South Wales	207.7	281.6	138.3	151.6	13.3
VICTORIA					
Corangamite					
Defence Facilities at HMAS Harman and Other Locations ^{[2][8]}					
	-	15.3	10.0	14.3	4.3
Indi					
Bandiana					
Joint Logistics Unit Victoria Warehousing	36.4	29.1	4.1	2.4	-1.7
Jagajaga					
Watsonia					
Defence Force School of Signals	101.3	88.1	7.6	7.4	-0.2
Enhanced Land Force Stage 2 Works ^{[2][6]}	-	0.9	18.7	5.0	-13.7
McEwen					
Puckapunyal					
Puckapunyal Redevelopment	41.7	22.7	6.4	7.7	1.3
Enhanced Land Force Stage 1 Works ^{[2][5]}	-	17.7	36.9	19.3	-17.6
Enhanced Land Force Stage 2 Works ^{[2][6]}	-	-	-	0.5	0.5
Total Victoria	179.4	173.8	83.7	56.6	-27.1

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	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2010 \$m	2010-11 Budget Estimate \$m	2010-11 Additional Estimate \$m	Variation \$m
QUEENSLAND					
Blair					
Amberley					
RAAF Base Amberley Redevelopment Stage 3	331.5	254.7	38.7	53.3	14.6
Australian Super Hornet Facilities ^{[2][9]}	110.1	82.1	17.5	19.2	1.7
Enhanced Land Force Stage 1 Works ^{[2][5]}	-	23.7	33.5	32.9	-0.6
Enhanced Land Force Stage 2 Works ^{[2][6]}	-	-	-	2.5	2.5
Brisbane					
Enoggera					
Base Redevelopment Stage 1	80.2	73.9	2.0	0.9	-1.1
Enhanced Land Force Stage 2 Works ^{[2][6]}	-	14.1	194.6	152.0	-42.6
Forde					
Canungra					
Enhanced Land Force Stage 2 Works ^{[2][6]}	-	0.2	2.6	2.6	-
Groom					
Oakey					
Multi Role Helicopter Facilities ^{[1][2]}	-	31.4	4.1	5.3	1.2
Aircraft Pavements and Airfield Lighting ^{[2][3][4]}	-	-	-	5.6	5.6
Herbert					
Townsville					
Lavarack Barracks Redevelopment Stage 4	207.2	186.1	27.8	17.5	-10.3
Multi Role Helicopter Facilities ^{[1][2]}	-	17.4	8.9	11.7	2.8
Enhanced Land Force Stage 1 Works ^{[2][5]}	-	79.2	84.5	77.6	-6.9
Enhanced Land Force Stage 2 Works ^{[2][6]}	-	-	50.5	33.2	-17.3
Kennedy					
Townsville Field Training Area (High Range)					
Enhanced Land Force Stage 1 Works ^{[2][5]}	-	14.9	3.4	3.9	0.5
Enhanced Land Force Stage 2 Works ^{[2][6]}	-	0.2	3.0	3.1	0.1
Rankin					
Greenbank Training Area					
Enhanced Land Force Stage 2 Works ^{[2][6]}	-	-	21.0	10.4	-10.6
Wide Bay					
Wide Bay Training Area					
Enhanced Land Force Stage 2 Works ^{[2][6]}	-	0.8	7.9	10.5	2.6
Total Queensland	729.0	778.7	500.0	442.2	-57.8
SOUTH AUSTRALIA					
Barker					
Murray Bridge Training Area					
Hardened and Networked Army Facilities ^{[2][10][11]}	-	6.8	6.5	9.0	2.5
Wakefield					
Edinburgh Defence Precinct					
Hardened and Networked Army Facilities ^{[2][10][11]}	-	362.0	152.5	155.0	2.5

	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2010 \$m	2010-11 Budget Estimate \$m	2010-11 Additional Estimate \$m	Variation \$m
RAAF Base Edinburgh					
Redevelopment Stage 2	99.6	1.2	50.0	40.0	-10.0
Enhanced Land Force Stage 1 Works ^{[2][5]}	-	0.5	15.0	15.6	0.6
Enhanced Land Force Stage 2 Works ^{[2][6]}	-	-	5.0	5.8	0.8
Total South Australia	99.6	370.5	229.0	225.4	-3.6
WESTERN AUSTRALIA					
Curtin					
Campbell Barracks					
Enhanced Land Force Stage 1 Works ^{[2][5]}	-	0.2	0.4	0.3	-0.1
Hasluck					
RAAF Base Gin Gin					
Aircraft Pavements and Airfield Lighting ^{[2][3][4]}	-	-	-	5.5	5.5
Pearce					
RAAF Base Pearce – Redevelopment Stage 1	142.2	97.8	32.0	40.0	8.0
Heavy Airlift Capability – Permanent Facilities ^{[2][12]}	-	0.1	5.5	5.9	0.4
Aircraft Pavements and Airfield Lighting ^{[2][3][4]}	-	-	-	9.2	9.2
Total Western Australia	142.2	98.1	37.9	60.9	23.0
NORTHERN TERRITORY					
Lingiari					
RAAF Base Tindal					
Redevelopment Stage 5	58.7	22.7	36.0	29.8	-6.2
Airborne Early Warning and Control Aircraft Facilities	64.2	11.7	40.9	41.0	0.1
Solomon					
Darwin					
Robertson Barracks Redevelopment	72.1	10.2	42.8	34.0	-8.8
RAAF Base Darwin Redevelopment Stage 2	49.8	2.2	25.0	19.5	-5.5
Total Northern Territory	244.8	46.8	144.7	124.3	-20.4
AUSTRALIAN CAPITAL TERRITORY					
Canberra					
Defence Facilities at HMAS Harman and Other Locations ^{[2][8]}					
	-	2.6	58.5	26.3	-32.2
Australian Defence Force Academy:					
Living-In Accommodation Refurbishment	34.7	0.1	11.6	6.5	-5.1
Fraser					
HMAS Creswell					
Redevelopment	83.6	41.5	35.0	41.0	6.0
Majura Field Training Area					
Enhanced Land Force Stage 2 Works ^{[2][6]}	-	0.5	18.2	11.5	-6.7
Royal Military College					
Enhanced Land Force Stage 2 Works ^{[2][6]}	-	0.2	9.6	8.0	-1.6
Total Australian Capital Territory	118.3	44.9	132.9	93.3	-39.6

	Total Estimated Expenditure \$m	Cumulative Expenditure to 30 June 2010 \$m	2010-11 Budget Estimate \$m	2010-11 Additional Estimate \$m	Variation \$m
VARIOUS LOCATIONS^[2]					
Multi Role Helicopter Facilities ^[1]	137.2	-	-	-	-
Heavy Airlift Capability - Permanent Facilities ^[2]	268.2	-	-	-	-
Enhanced Land Force - Facilities Stage 1 ^[5]	793.1	-	-	-	-
Hardened and Networked Army Facilities ^{[2][10]}	597.4	-	-	-	-
HMAS Penguin and Pittwater Annexe Redevelopment ^{[3][7]}	63.3	-	-	-	-
Defence Facilities at HMAS Harman and Other Locations ^[8]	134.7	-	-	-	-
Enhanced Land Force - Facilities Stage 2 ^[6]	1,457.8	-	-	-	-
Aircraft Pavements and Airfield Lighting ^{[2][3][4]}	32.2	-	-	-	-
Total Various	3,483.9	-	-	-	-
TOTAL	5,204.9	1,794.4	1,266.5	1,154.3	-112.2

Notes

1. Multi Role Helicopter Facilities has an approved budget of \$168.7m covering four locations: HMAS Albatross, Nowra; RAAF Base Townsville; the Army Aviation Centre, Oakey; and Gallipoli Barracks, Enoggera (construction completed). The budget includes \$31.5m for simulation facilities being delivered and reported by the DMO.
2. These projects cross state boundaries. Expenditure estimates for 2010-11 are provided in Table 31 per location.
3. Project approved after publication of the *Defence Annual Report 2009-10*.
4. Aircraft Pavements and Airfield Lighting has an approved budget of \$32.2m covering four locations: HMAS Albatross; Army Aviation Centre, Oakey; RAAF Base Pearce; and RAAF Base Gin Gin.
5. Enhanced Land Force Stage 1 has an approved budget of \$793.1m covering the following locations: RAAF Base Richmond (construction completed), Holsworthy, Singleton, Kapooka, Puckapunyal, RAAF Base Amberley, Lavarack Barracks, Townsville High Range Training Area, RAAF Base Edinburgh and Campbell Barracks.
6. Enhanced Land Force Stage 2 has an approved budget of \$1,457.8m covering the following locations: Singleton, Garden Island, HMAS Penguin, Watsonia, Puckapunyal, RAAF Base Amberley, Enoggera, Canungra, Lavarack Barracks, Townsville Field Training Area, Greenbank Training Area, Wide Bay Training Area, Cultana Training Area, RAAF Base Edinburgh, Majura Field Training Area and Royal Military College Duntroon.
7. HMAS Penguin and Pittwater Annexe Redevelopment has an approved budget of \$63.3m covering two locations: HMAS Penguin and the Pittwater Annexe.
8. Defence Facilities at HMAS Harman and Other Locations has an approved budget increase to \$134.7m. This project covers two locations: Army facilities in Victoria and Defence facilities at HMAS Harman, Australian Capital Territory.
9. The \$117.1m budget for Australian Super Hornet Facilities includes both the development and delivery phase budgets leaving a delivery budget of \$110.1m.
10. The \$623.7m budget for Hardened and Networked Army Facilities includes the development and delivery phase budgets leaving a delivery phase budget of \$597.4m.
11. Hardened and Networked Army Facilities project covers three locations: Edinburgh Defence Precinct, Murray Bridge Training Area and Cultana Training Area. The project does not include similarly named works at Robertson Barracks.
12. Heavy Airlift Capability – Permanent Facilities has an approved budget of \$268.2m covering five locations: RAAF Base Amberley, RAAF Base Edinburgh, RAAF Base Darwin, RAAF Base Townsville and RAAF Base Pearce. Construction works at RAAF Bases Amberley, Townsville, Edinburgh and Darwin are complete.

New South Wales

Holsworthy – Special Operations Working Accommodation and Base Redevelopment Stage 1

This project will provide facilities to support Special Operations Command elements including the Tactical Assault Group (East) and the Incident Response Regiment. It also includes an upgrade of base infrastructure. Major contracts for construction have been awarded and the works have been delivered progressively from mid-2007. The remaining works have a revised completion date for mid 2011.

Victoria

Watsonia – Defence Force School of Signals

The Living-In Accommodation component is now complete. Completion of the refurbishment elements is scheduled for completion in early 2012. Slippage is caused by delay in accreditation of facilities.

Queensland

Amberley – RAAF Base Amberley Redevelopment Stage 3

Some key facilities were completed in 2009 and works will continue to be completed progressively from 2010 through to late 2011. The increase from the budget estimate is a result of contract variations since publication of the *Portfolio Budget Statements 2010-11*.

Amberley – Australian Super Hornet Facilities

This project will provide new, expanded and modified facilities and infrastructure at RAAF Base Amberley to support the introduction of the Super Hornet aircraft. Key facilities have been progressively completed from late 2009. Revised completion date for the construction is early 2011.

Enoggera – Base Redevelopment Stage 1

Construction was completed in late 2010.

South Australia

Edinburgh Defence Precinct – Redevelopment Stage 2

Delay in obtaining environmental clearance has resulted in a delay to the commencement of construction. Construction commenced in late 2010, with a revised completion date of mid 2012.

Western Australia

Western Australia RAAF Base Pearce – Redevelopment Stage 1

Competitive tendering conditions have allowed for the inclusion of deferred works and as a result, expenditure this financial year will be higher than originally forecast. Construction commenced in 2008, with completion scheduled in 2011.

Northern Territory

RAAF Base Tindal – Redevelopment Stage 5

Competitive tendering has allowed the project to achieve savings. Consequently, expenditure will not be as high as originally forecast in the *Portfolio Budget Statements 2010-11*. Construction commenced in 2009, with completion scheduled in 2011.

RAAF Base Tindal – Airborne Early Warning and Control Aircraft Facilities

Construction commenced in 2009, with a revised completion date of mid 2011. Completion of this project is behind schedule due to the delayed arrival of essential equipment from overseas.

Darwin – Robertson Barracks Redevelopment

Construction commencement of some works has been delayed due to design issues and as a result, expenditure this financial year will not be as high as originally forecast. The LAND 907 component is complete.

Darwin – RAAF Base Darwin Redevelopment Stage 2

Protracted negotiations with the specialist construction contractor have caused delays and as a result expenditure this financial year will not be as high as originally forecast. Construction commenced in late 2010, with completion scheduled in mid 2012.

Australian Capital Territory

Canberra – Defence Facilities at HMAS Harman and Other Locations

This project will provide an extension to the existing Defence Network Operation Centre that controls and monitors communication activities within Defence, as well as providing new data storage facilities for other capability projects and additional support facilities for the Army. The expenditure forecast for the facilities at HMAS Harman has been revised to reflect an extension to the design phase of the project and the consequent revision to the current construction schedule. Completion is now scheduled for late 2012.

Australian Defence Force Academy: Living-In Accommodation Refurbishment

This project will refurbish existing living-in accommodation for the Australian Defence Force Academy Cadets. The expenditure forecast has been revised due to a delay in forming contract. Construction commenced in late 2010, with completion scheduled in late 2013.

Various locations

Multi Role Helicopter Facilities

Expenditure this financial year will be higher than originally forecast due to latent conditions at Nowra and Townsville. The remaining works are scheduled to be progressively completed by mid 2011.

HMAS Penguin and Pittwater Annexe Redevelopment

This project will provide a comprehensive upgrade of base-wide engineering services infrastructure, security works and working accommodation for training and support functions. The project received Parliamentary clearance in November 2010. Construction is expected to commence in mid 2011 with completion in late 2013.

Enhanced Land Force – Facilities Stage 2

Works at Garden Island and Balmoral were completed in 2010. Construction at some sites has been delayed due to environmental clearances, tender releases and wet weather. Construction commenced in mid 2010 and is scheduled to be completed by late 2014.

Aircraft Pavements and Airfield Lighting

This project will involve the resurfacing of asphalt pavement and replacement of airfield lighting at RAAF Base Pearce, RAAF Base Gin Gin, HMAS Albatross and the Army Aviation Training Centre, Oakey, Queensland. Parliamentary Standing Committee on Public Works (PWC) exemption was granted in November 2010. Construction is expected to commence in March 2011, with completion expected in late 2011.

STATUS OF MAJOR PROJECTS FORESHADOWED FOR GOVERNMENT AND PARLIAMENTARY STANDING COMMITTEE ON PUBLIC WORKS CONSIDERATION IN 2010-11

During 2010-11, Defence expects to present a number of facilities proposals to the Government and the PWC. Table 32 provides details of the proposed major capital projects expected to be referred to the PWC in 2010-11. In some cases, the projects may require the Government's approval before referral to the committee.

Table 32: Program of Major Works by state, federal electorate and locality

	Actual/Indicative Referral Date	Actual/Indicative Hearing Date ^[1]	Current Status
NEW SOUTH WALES			
Warringah			
HMAS Penguin and Pittwater Annexe Redevelopment Stage 1	28 October 2010	8 November 2010	Expediency Motion 24 November 2010
Gilmore			
HMAS Albatross Redevelopment Stage 3	Mid 2011	Late 2011	In development
TASMANIA			
Bass			
Scottsdale: Specific Nutritional Capability	Mid 2011	Mid 2011	In development
NORTHERN TERRITORY			
Solomon			
Robertson Barracks Electrical Reticulation and Supply upgrade	Early 2011	Early 2011	In development
AUSTRALIAN CAPITAL TERRITORY			
Fraser			
Australian Defence Force Academy – Redevelopment	Early 2011	Mid 2011	In development
VARIOUS LOCATIONS			
Facilities for Project LAND 121	24 November 2010	31 January 2011	In development
Aircraft Pavements and Airfield Lighting at HMAS Albatross, RAAF Base Pearce, RAAF Gin Gin and the Army Aviation Training Centre (Oakey) ^[2]	-	-	PWC exemption granted on 30 November 2010
Facilities for Force Protection Research and Training (JP 154)	February 2011	February 2011	In development

Notes

1. Hearing dates will be subject to the committee's consideration and agreement.
2. Defence proposes to seek exemption from the PWC scrutiny of his project on the grounds that he work is declared repetitive in accordance with Section 18(8A) of the *Public Works Act 1969*.

New South Wales

HMAS Albatross Redevelopment Stage 3

This project will provide a comprehensive upgrade of base-wide engineering services infrastructure, security works, airfield refuelling and working accommodation for training and support functions. Subject to Cabinet approval, prior to PWC referral and hearing, construction is expected to commence in mid 2012, with completion expected in mid 2015. The completion date has slipped due to additional maintenance work required on the electrical infrastructure on the Base.

Tasmania

Scottsdale: Specific Nutritional Capability

This project provides a reinvestment in the existing Defence Science and Technology Organisation nutritional capability at Scottsdale through the construction of replacement food technology laboratories and working facilities. Subject to approval of the increase to the project budget, Government approval and Parliamentary clearance, construction is expected to commence in late 2011, with completion expected in late 2013.

Northern Territory

Robertson Barracks Electrical Reticulation and Supply upgrade

This project will provide an upgraded high voltage electrical supply and distribution system. Subject to Government approval and Parliamentary clearance, construction is expected to commence in late 2011, with completion expected in early 2013.

Australian Capital Territory

Australian Defence Force Academy - Redevelopment

Subject to Government approval and Parliamentary clearance, construction is expected to commence in mid 2012, with completion scheduled in 2014.

Various Locations

Facilities for Project LAND 121

Subject to the necessary approvals and Parliamentary clearance, construction is expected to commence in 2011, with completion scheduled in 2012.

Facilities for Force Protection Research and Training (JP 154)

This project will provide facilities to support Joint Counter Improvised Explosive Device capability and provide facilities for test and evaluation, storage and training on Force Protection Electronic Counter Measure equipment. Subject to Government approval and Parliamentary clearance, construction is expected to commence in May 2011, with completion expected in late 2012.

APPROVED MEDIUM CAPITAL FACILITIES PROJECTS

Table 33: Spending in 2010-11 for Medium Facilities Projects

	Total Estimated Expenditure \$'000	Cumulative Expenditure to 30 June 2010 \$'000	2010-11 Budget Estimate \$'000	2010-11 Additional Estimate \$'000	Variation \$'000
NEW SOUTH WALES					
Eden Monaro					
Joint Logistics Command Depot					
Non-Explosive Storage Facility	1,800	1,486	100	130	30
Greenway					
RAAF Base Richmond					
Aviation Fire Vehicles Facility Upgrade ^{[1][2]}	-	-	-	367	367
Hughes					
Holsworthy					
Countermine Capability Facilities (Land 144) ^{[2][3]}	-	-	-	125	125
Hunter					
Defence Establishment Myambat					
Security Fencing Upgrade ^[4]	-	72	-	1,000	1,000
Lindsay					
Defence Establishment Orchard Hills					
Australian Super Hornet Weapons Storage Facilities ^[5]	-	225	-	7	7
Security Fencing Upgrade ^[4]	-	199	-	2,500	2,500
Newcastle					
RAAF Base Williamtown					
Aviation Fire Vehicles Facility Upgrade ^{[1][2]}	-	-	-	399	399
Australian Super Hornet Weapons Storage Facilities ^[5]	-	101	-	288	288
Additional Working Accommodation Tactical Fighter Systems Program Office ^[2]	1,044	-	-	1,000	1,000
Riverina					
RAAF Base Wagga					
Headquarters Ground Training Wing ^[2]	1,000	-	-	1,000	1,000
Wentworth					
Victoria Barracks					
Military Law Centre / Asia Pacific Centre for Military Law	7,825	50	7,133	2,000	-5,133
Total New South Wales	11,669	2,133	7,233	8,816	1,583
VICTORIA					
East Sale					
RAAF Base East Sale					
School of Air Traffic Control – Tower Visual simulator Facility	3,335 ^[6]	2,220	300	887	587
Indi					
Defence Establishment Mangalore					
Security Fencing Upgrade ^[4]	-	119	-	1,500	1,500

	Total Estimated Expenditure \$'000	Cumulative Expenditure to 30 June 2010 \$'000	2010-11 Budget Estimate \$'000	2010-11 Additional Estimate \$'000	Variation \$'000
Melbourne Ports					
Defence Science and Technology Organisation					
Environmental Test Chamber	4,100	2,782	350	777	427
Victoria Barracks					
Defence Computing Data Centres – Infrastructure Upgrades ^[7]	-	118	2,257	3,800	1,543
Total Victoria	7,435	5,239	2,907	6,964	4,057
QUEENSLAND					
Blair					
RAAF Base Amberley					
Australian Super Hornet Weapons Storage Facilities ^[5]	-	1,623	-	50	50
Aviation Fire Vehicles Facility Upgrade ^{[1][2]}	-	-	-	456	456
Capricornia					
Shoalwater Bay Training Area					
Camp Growl Stage 2	7,977 ^[6]	-	7,057	7,539	482
Samuel Hill Water Treatment Plant Upgrade ^[2]	1,600	-	-	1,540	1,540
Groom					
Oakey					
Fuel Farm Upgrade	9,257	523	9,097	6,132	-2,965
Herbert					
Lavarack Barracks					
Hydrotherapy Pool	1,840	11	1,840	1,811	-29
Countermine Capability Facilities (Land 144) ^{[2][3]}	-	-	-	237	237
Rankin					
Greenbank Training Area					
Countermine Capability Facilities (Land 144) ^{[3][2]}	-	-	-	96	96
Ryan					
Enoggera					
Countermine Capability Facilities (Land 144) ^{[2][3]}	-	-	-	32	32
Total Queensland	20,674	2,157	17,994	17,893	-101
WESTERN AUSTRALIA					
Curtin					
Campbell Barracks					
Helicopter Underwater Escape Training Facility	9,723	348	6,248	8,400	2,152
Pearce					
RAAF Base Pearce					
Potable Water Supply Upgrade	3,144	10	-	3,100	3,100
Bindoon Training Range					
Access Control Facility	4,481	3,868	795	480	-315
Total Western Australia	17,348	4,226	7,043	11,980	4,937
NORTHERN TERRITORY					
Lingiari					

	Total Estimated Expenditure \$'000	Cumulative Expenditure to 30 June 2010 \$'000	2010-11 Budget Estimate \$'000	2010-11 Additional Estimate \$'000	Variation \$'000
Shoal Bay					
Receiving Station Facilities Upgrade	12,842 ^[6]	-	9,500	12,800	3,300
RAAF Base Tindal					
Aviation Fire Vehicles Facility Upgrade ^{[1][2]}	-	-	-	478	478
Solomon					
Darwin					
Naval Fuel Installation Rectification	10,690	411	7,421	10,000	2,579
Robertson Barracks					
Countermine Capability Facilities (Land 144) ^{[2][3]}	-	-	-	60	60
Total Northern Territory	23,532	411	16,921	23,338	6,417
AUSTRALIAN CAPITAL TERRITORY					
Canberra					
Defence Computing Data Centres – Infrastructure Upgrades Deakin and Tuggeranong ^[7]	-	216	6,773	8,500	1,727
Total Australian Capital Territory	-	216	6,773	8,500	1,727
VARIOUS^[8]					
Aviation Fire Vehicles Facilities Upgrade	1,950	-	-	-	-
Countermine Capability Facilities (Land 144)	1,420	-	-	-	-
Security Fencing Upgrade	6,956	-	-	-	-
Australian Super Hornets Weapons Storage Facilities	2,830	-	-	-	-
Defence Computing Data Centres – Infrastructure Upgrades	13,315	-	-	-	-
Total Various	26,471	-	-	-	-
TOTAL	107,129	14,382	58,871	77,491	18,620

Notes

- Aviation Fire Vehicles Facilities Upgrade has a budget of \$1.950m covering four locations: RAAF Base Richmond, RAAF Base Williamtown, RAAF Base Amberley and RAAF Base Tindal.
- Project approved after publication of the *Defence Annual Report 2009-10*.
- Countermine Capabilities Upgrade has a budget of \$21.420m covering five locations: Holsworthy Barracks, Lavarack Barracks, Greenbank Training Area, Gallipoli Barracks, Enoggera and Robertson Barracks.
- Security Fencing Upgrade has a budget of \$6.956m covering three locations: Defence Establishment Myambat, Orchard Hills and Mangalore.
- Australian Super Hornets – Weapons Storage Facilities has a budget of \$2.830m covering three locations: Defence Establishment Orchard Hills, RAAF Base Williamtown and RAAF Base Amberley.
- Budget increase approved after publication of the *Defence Annual Report 2009-10*.
- Defence Computing Data Centres – Infrastructure Upgrades has a budget of \$13.315m covering three locations: Victoria Barracks in Melbourne; Deakin and Tuggeranong, Australian Capital Territory.
- These projects cross state and electoral boundaries. Expenditure estimates for 2010-11 are provided in Table 33 by location.

PROPOSED MEDIUM CAPITAL PROJECTS FOR CONSIDERATION IN 2010-11

Table 34 lists new medium capital facilities projects foreshadowed for consideration in 2010-11.

Table 34: Proposed medium capital projects for consideration in 2010-11

State	Federal Electorate	Locality	Status
New South Wales			
	Newcastle	RAAF Base Williamtown: Additional Accommodation Tactical Fighter System Program Office	Approved
	Riverina	RAAF Base Wagga: Headquarters Ground Training Wing	Approved
Queensland			
	Ryan	Enoggera: Training Facilities (Land 200)	In development
Western Australia			
	Pearce	RAAF Base Pearce: Upgrade of Potable Water Infrastructure	Approved
Northern Territory			
	Lingiari	RAAF Base Tindal: Corrosion Control Facility Remediation	In development
Various			
		Countermining Capability Facilities (Land 144)	Approved
		Aviation Fire Vehicles Facilities Upgrade	Approved

Program 1.7: Defence Science and Technology
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Performance information is as reported in the *Portfolio Budget Statements 2010-11*.

Table 35: Cost Summary for Program 1.7 Defence Science and Technology

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses						
Employees ¹⁾	316,936	310,562	-6,374	323,911	329,704	329,214
Suppliers	129,478	158,330	28,852	126,358	130,463	119,865
Grants	-	-	-	-	-	-
Depreciation and amortisation	19,457	18,883	-574	19,181	19,296	19,368
Finance Cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	3,146	2,747	-399	3,085	3,449	3,786
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	469,017	490,522	21,505	472,535	482,912	472,233
Income						
Revenues						
Goods and services	22,332	44,288	21,956	31,360	32,348	33,289
Other revenue	8,211	-	-8,211	-	-	-
Total Revenue	30,543	44,288	13,745	31,360	32,348	33,289
Gains						
Reversals of previous asset write-downs	2,851	1,807	-1,044	1,549	1,436	1,343
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	2,851	1,807	-1,044	1,549	1,436	1,343
Total income	33,394	46,095	12,701	32,909	33,784	34,632
Program 1.7 Defence Science and Technology	435,623	444,427	8,804	439,626	449,128	437,601

Note

- The variation in employees is primarily due to the budget for military employees previously shown against all Programs which has now been transferred to the Navy, the Army and the Air Force.

Program 1.8: Chief Information Officer

Performance information is as reported in the *Portfolio Budget Statements 2010-11*.

Table 36: Cost Summary for Program 1.8 Chief Information Officer

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses						
Employees ¹⁾	140,801	121,009	-19,792	114,505	121,296	126,393
Suppliers	563,193	585,379	22,186	541,546	513,969	506,134
Grants	-	-	-	-	-	-
Depreciation and amortisation	124,682	139,713	15,031	134,127	130,068	69,272
Finance Cost	5,951	5,951	-	3,907	1,725	-
Write-down of assets and impairment of assets	7,345	8,800	1,455	9,002	9,639	11,316
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	841,972	860,852	18,880	803,087	776,697	713,115
Income						
Revenues						
Goods and services	2,883	2,883	-	2,955	3,053	3,169
Other revenue	-	-	-	-	-	-
Total Revenue	2,883	2,883	-	2,955	3,053	3,169
Gains						
Reversals of previous asset write-downs	6,654	5,789	-865	4,519	4,012	4,013
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	6,654	5,789	-865	4,519	4,012	4,013
Total income	9,537	8,672	-865	7,474	7,065	7,182
Program 1.8 Chief Information Officer	832,435	852,180	19,745	795,613	769,632	705,933

Note

- The variation in employees is primarily due to the budget for military employees previously shown against all Programs which has now been transferred to the Navy, the Army and the Air Force.

Program 1.9: Vice Chief of the Defence Force

Performance information is as reported in the *Portfolio Budget Statements 2010-11*.

Table 37: Cost Summary for Program 1.9 Vice Chief of the Defence Force

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses						
Employees ¹⁾	529,622	377,189	-152,433	465,741	540,121	580,456
Suppliers	603,516	845,493	241,977	726,760	688,004	645,344
Grants	-	-	-	-	-	-
Depreciation and amortisation	5,986	17,212	11,226	17,095	24,526	30,055
Finance Cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	168,454	285,308	116,854	248,941	225,023	207,880
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	2	1
Total expenses	1,307,578	1,525,202	217,624	1,458,537	1,477,676	1,463,736
Income						
Revenues						
Goods and services	291,284	290,627	-657	292,095	290,859	301,452
Other revenue	49,634	49,634	-	50,432	51,546	52,837
Total Revenue	340,918	340,261	-657	342,527	342,405	354,289
Gains						
Reversals of previous asset write-downs	117,498	111,867	-5,631	102,555	97,401	94,542
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	117,498	111,867	-5,631	102,555	97,401	94,542
Total income	458,416	452,128	-6,288	445,082	439,806	448,831
Program 1.9 Vice Chief of the Defence Force	849,162	1,073,074	223,912	1,013,455	1,037,870	1,014,905

Note

- The variation in employees is primarily due to the budget for military employees previously shown against all Programs which has now been transferred to the Navy, the Army and the Air Force.

Program 1.10: Joint Operations Command

Performance information is as reported in the *Portfolio Budget Statements 2010-11*.

Table 38: Cost Summary for Program 1.10 Joint Operations Command

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses						
Employees ¹⁾	6,877	7,477	600	7,300	7,747	8,072
Suppliers	21,047	44,352	23,305	37,927	38,629	37,381
Grants	-	-	-	-	-	-
Depreciation and amortisation	1,527	1,597	70	1,633	1,619	1,183
Finance Cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	29,451	53,426	23,975	46,860	47,995	46,636
Income						
Revenues						
Goods and services	403	404	1	405	412	418
Other revenue	-	-	-	-	-	-
Total Revenue	403	404	1	405	412	418
Gains						
Reversals of previous asset write-downs	-	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	-	-	-	-	-	-
Total income	403	404	1	405	412	418
Program 1.10 Joint Operations Command	29,048	53,022	23,974	46,455	47,583	46,218

Note

- The variation in employees is primarily due to the budget for military employees previously shown against all Programs which has now been transferred to the Navy, the Army and the Air Force.

Program 1.11: Capability Development

Performance information is as reported in the *Portfolio Budget Statements 2010-11*, except for the following revisions.

Defence Capability Plan

Since the creation of the Defence Capability Plan (DCP) in 2000, more than 290 major projects, phases of projects and supporting studies have been approved with an all-up cost of approximately \$55b. This includes 41 major projects, phases of projects and supporting studies since the release of the latest Defence White Paper in May 2009. Further projects will be considered for approval in 2010-11.

The following are major projects which have been approved since publication of the *Portfolio Budget Statements 2010-11* that significantly contribute to the variance in the DCP for the period.

Table 39: Significant Defence Capability Plan projects with Second-Pass approval^[1]

Project Number	Project Title	Second Pass Approval
Land Forces Capability Goal		
LAND 17 Phase 1B	Artillery Replacement – Digital Fire Control Systems	Approved
LAND 112 Phase 4	ASLAV Enhancement	Approved
JP 154 Phase 1	Joint Counter Improvised Explosive Device	Approved
JP 154 Phase 1 ^[3]	Force Protection Electronic Countermeasures	Approved
Air Combat Capability Goal		
AIR 5416 Ph 4B.2 ^[2]	C-130J Large Aircraft Infrared Countermeasures (Accelerated Acquisition of Long-Lead Items)	Approved
AIR 5376 HUG ^{[2][3]}	Hornet Structural Assurance Consolidation Program	Approved
JP 129 Phase 2 ^[3]	Airborne Surveillance for Land Operations	Approved

Notes

1. Project development activities and some sensitive projects are not included in the list.
2. Additional projects not listed for Second-Pass approval in the *Portfolio Budget Statements 2010-11*.
3. Additional approval.

Table 40: Significant Defence Capability Plan projects with First-Pass approval^[1]

Project Number	Project Title	First Pass Approval
Air Combat Capability Goal		
AIR 5431 Phase 1	Deployable Air Traffic Management and Control Systems	Approved
Networked Information Capability Goal		
SEA 1442 Phase 4	Maritime Communication Modernisation	Approved

Note

1. Project development activities and some sensitive projects are not included in the list.

Table 41: Cost Summary for Program 1.11 Capability Development

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses						
Employees ⁽¹⁾	33,007	16,559	-16,448	15,869	16,495	17,045
Suppliers	543,717	497,248	-46,469	519,569	693,965	1,235,809
Grants	-	-	-	-	-	-
Depreciation and amortisation	321,215	128,874	-192,341	358,720	544,045	725,403
Finance Cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	102,697	121,155	18,458	156,041	187,173	221,524
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	1,000,636	763,836	-236,800	1,050,199	1,441,678	2,199,781
Income						
Revenues						
Goods and services	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-
Gains						
Reversals of previous asset write-downs	58,662	79,340	20,678	102,247	122,723	145,335
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	58,662	79,340	20,678	102,247	122,723	145,335
Total income	58,662	79,340	20,678	102,247	122,723	145,335
Program 1.11 Capability Development	941,974	684,496	-257,478	947,952	1,318,955	2,054,446

Note

1. The variation in employees is primarily due to the budget for military employees previously shown against all Programs which has now been transferred to the Navy, the Army and the Air Force.

Program 1.12: Chief Finance Officer

Performance information is as reported in the *Portfolio Budget Statements 2010-11*.

Table 42: Cost Summary for Program 1.12 Chief Finance Officer

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses						
Employees ⁽¹⁾	407,544	369,309	-38,235	408,564	409,273	410,772
Suppliers	101,176	3,812	-97,364	224,811	203,816	407,896
Grants	-	-	-	-	-	-
Depreciation and amortisation	18,235	9,230	-9,005	17,110	31,386	35,185
Finance Cost	18,175	-	-18,175	-	-	-
Write-down of assets and impairment of assets	114,342	9,769	-104,573	12,718	14,518	14,558
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	659,472	392,120	-267,352	663,203	658,993	868,411
Income						
Revenues						
Goods and services	67,953	67,953	-	-	-	-
Other revenue	113,733	112,293	-1,440	12,534	12,824	13,145
Total Revenue	181,686	180,246	-1,440	12,534	12,824	13,145
Gains						
Reversals of previous asset write-downs	67,973	6,416	-61,557	6,923	6,893	6,228
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	67,973	6,416	-61,557	6,923	6,893	6,228
Total income	249,659	186,662	-62,997	19,457	19,717	19,373
Program 1.12 Chief Finance Officer	409,813	205,458	-204,355	643,746	639,276	849,038

Note

- The variation in employees is primarily due to the budget for military employees previously shown against all Programs which has now been transferred to the Navy, the Army and the Air Force.

Program 1.13: People Strategies and Policy

Performance information is as reported in the *Portfolio Budget Statements 2010-11*.

Table 43: Cost Summary for Program 1.13 People Strategies and Policy

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses						
Employees ¹⁾	100,246	44,728	-55,518	84,471	94,405	121,214
Suppliers	256,550	264,372	7,822	232,415	226,706	241,899
Grants	-	-	-	-	-	-
Depreciation and amortisation	220	159	-61	109	150	210
Finance Cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	357,016	309,259	-47,757	316,995	321,261	363,323
Income						
Revenues						
Goods and services	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-
Gains						
Reversals of previous asset write-downs	-	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	-	-	-	-	-	-
Total income	-	-	-	-	-	-
Program 1.13 People Strategies and Policy	357,016	309,259	-47,757	316,995	321,261	363,323

Note

1. The variation in employees is primarily due to the budget for military employees previously shown against all Programs which has now been transferred to the Navy, the Army and the Air Force.

Administered Program 1.14: Defence Force Superannuation Benefits
Administered Program 1.15: Defence Force Superannuation Nominal Interest

Performance information is as reported in the *Portfolio Budget Statements 2010-11*, with the exception of the budget and forward estimates for Military Superannuation contributions. These changes are reflected in the table below.

Linked to: Program 1.6 (Defence Support).

Table 44: Cost Summary for Program 1.14: Defence Force Superannuation Benefits and 1.15 Defence Force Superannuation Nominal Interest

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses						
Net foreign exchange losses	-	-	-	-	-	-
Retention benefits	41,000	39,223	-1,777	52,443	64,223	77,103
Military superannuation benefits	3,584,000	3,630,000	46,000	3,756,000	3,916,000	4,088,000
Total expenses	3,625,000	3,669,223	44,223	3,808,443	3,980,223	4,165,103
Income						
Revenues						
Interest ⁽¹⁾	-	-	-	-	-	-
Net foreign exchange gain	-	-	-	-	-	-
Military superannuation contributions	975,579	1,080,578	104,999	1,136,131	1,175,898	1,209,046
Total income	975,579	1,080,578	104,999	1,136,131	1,175,898	1,209,046
Program 1.14 Defence Force Superannuation Benefits and 1.15 Defence Force Superannuation Nominal Interest	2,649,421	2,588,645	-60,776	2,672,312	2,804,325	2,956,057

Note

1. Program 1.18 includes items previously reported under Programs 1.14 to 1.16.

Administered Program 1.16: Housing Assistance

Performance information is as reported in the *Portfolio Budget Statements 2010-11*.

Table 45: Cost Summary for Program 1.16 Housing Assistance

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses						
Net foreign exchange losses	-	-	-	-	-	-
Housing subsidies	118,719	107,739	-10,980	132,511	153,116	172,494
Total expenses	118,719	107,739	-10,980	132,511	153,116	172,494
Income						
Revenues						
Interest	-	-	-	-	-	-
Net foreign exchange gain	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
License fees	9,739	9,226	-513	11,708	13,874	15,933
Other ⁽¹⁾	-	-	-	-	-	-
Total income	9,739	9,226	-513	11,708	13,874	15,933
Program 1.16 Housing Assistance	108,980	98,513	-10,467	120,803	139,242	156,561

Note

1. Program 1.18 includes items previously reported under Programs 1.14 to 1.16.

Administered Program 1.17: Kings Highway Upgrade

Performance information is as reported in the *Portfolio Budget Statements 2010-11*.

Administered Program 1.18: Other Administered

Performance information is as reported in the *Portfolio Budget Statements 2010-11*, except for the following revisions.

PROGRAM 1.18 OBJECTIVE

Other Administered comprises four elements:

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

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

Table 46: Cost Summary for Program 1.18 Other Administered

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses	-	-	-	-	-	-
Total expenses⁽¹⁾	-	-	-	-	-	-
Income						
Revenues						
Interest ⁽²⁾	5,961	5,460	-501	5,815	5,822	5,829
Dividends	46,393	46,393	-	49,040	50,230	52,055
Other ⁽²⁾	26,100	42,191	16,091	29,531	28,867	27,993
Total income	78,454	94,044	15,590	84,386	84,919	85,877
Program 1.18 Other Administered	-78,454	-94,044	-15,590	-84,386	-84,919	-85,877

Notes

1. There are no expenses for the funds are transferred to the Official Public Account (OPA).
2. Program 1.18 includes items previously reported under Programs 1.14 to 1.16.

OUTCOME 2

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

There has been no change to the Outcome 2 Strategy since the *Portfolio Budget Statements 2010-11*.

Table 47: Total budgeted resources available for Outcome 2

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Program 2.1 Operations contributing to the security of the immediate neighbourhood						
Revenue from other sources	1,180	1,180	-	-	-	-
Departmental outputs	212,485	213,101	616	28,440	8,751	411
Program 2.2 Operations supporting wider interests						
Revenue from other sources	-	-	-	-	-	-
Departmental outputs	1,359,984	1,340,697	-19,287	458,265	186,116	45,396
Total resourcing						
Total Departmental outputs	1,572,469	1,553,798	-18,671	486,705	194,867	45,807
Total Departmental revenue from other sources	1,180	1,180	-	-	-	-
Equity injection ⁽¹⁾	2,000	5,470	3,470	-	-	-
Total resources for Outcome 2	1,575,649	1,560,448	-15,201	486,705	194,867	45,807

Note:

- \$2.0m was incorrectly omitted in the *Portfolio Budget Statements 2010-11* against Outcome 2.

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 2010-11*.

Table 48: Cost Summary for Program 2.1 Operations contributing to the security of the immediate neighbourhood expenses

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses						
Employees	53,486	53,536	50	-	-	-
Suppliers	160,179	160,745	566	28,440	8,751	411
Grants	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Finance cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	-	-	-	-	-	-
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	213,665	214,281	616	28,440	8,751	411
Income						
Revenues						
Goods and services	1,180	1,180	-	-	-	-
Other revenue	-	-	-	-	-	-
Total revenue	1,180	1,180	-	-	-	-
Gains						
Reversals of previous asset write-downs	-	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	-	-	-	-	-	-
Total income	1,180	1,180	-	-	-	-
Program 2.1 Operations contributing to the security of the immediate neighbourhood	212,485	213,101	616	28,440	8,751	411

Program 2.2: Operations supporting wider interests

Performance information is as reported in the *Portfolio Budget Statements 2010-11*.

Table 49: Cost Summary for Program 2.2 Operations supporting wider interests

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses						
Employees	281,467	281,667	200	-	-	-
Suppliers	872,492	996,218	123,726	262,837	142,614	1,894
Grants	43,502	43,502	-	43,502	43,502	43,502
Depreciation	-	-	-	-	-	-
Finance cost	-	-	-	-	-	-
Write-down of assets and impairment of assets	162,523	19,310	-143,213	151,926	-	-
Net losses from sale of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	1,359,984	1,340,697	-19,287	458,265	186,116	45,396
Income						
Revenues						
Goods and services	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total revenue	-	-	-	-	-	-
Gains						
Reversals of previous asset write-downs	-	-	-	-	-	-
Net gains from sale of assets	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total gains	-	-	-	-	-	-
Total income	-	-	-	-	-	-
Program 2.2 Operations supporting wider interests	1,359,984	1,340,697	-19,287	458,265	186,116	45,396

OUTCOME 3

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

OUTCOME 3 STRATEGY

There has been no change to the Outcome 3 Strategy since the *Portfolio Budget Statements 2010-11*.

Table 50: Total budgeted resources available for Outcome 3

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Program 3.1 Defence contribution to national support tasks in Australia						
Revenues from other sources	-	-	-	-	-	-
Departmental outputs	15,252	15,252	-	-	-	-
Total resourcing						
Total Departmental outputs	15,252	15,252	-	-	-	-
Total Departmental revenue from other sources	-	-	-	-	-	-
Total resources for Outcome 3	15,252	15,252	-	-	-	-

CONTRIBUTIONS TO OUTCOME 3

Program 3.1: Defence contributions to national support tasks in Australia

Performance information is as reported in the *Portfolio Budget Statements 2010-11*.

Table 51: Cost Summary for Program 3.1 Defence contributions to national support tasks in Australia

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

Section 3: Explanatory Tables and Budgeted Financial Statements

3.1 Explanatory Tables

Table 52: Summary of Estimated Special Account Balances^{[1][2][3][4][5]}

		Opening 2010-11 <i>2009-10</i>	Receipts 2010-11 <i>2009-10</i>	Payments 2010-11 <i>2009-10</i>	Adjustments 2010-11 <i>2009-10</i>	Closing Balance 2010-11 <i>2009-10</i>
	Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
Services for Other Entities and Trust Moneys - Defence Special Account– <i>Financial Management and Accountability Act 1997</i>	1	118,830 <i>74,919</i>	22,482 <i>131,056</i>	82,649 <i>87,145</i>	- <i>-</i>	58,663 <i>118,830</i>
Defence Endowments Special Account – <i>Financial Management and Accountability Act 1997^{[4][5]}</i>	1	322 <i>313</i>	29 <i>27</i>	51 <i>18</i>	- <i>-</i>	300 <i>322</i>
Fedorczenko Legacy Special Account – <i>Financial Management and Accountability Act 1997^{[4][5]}</i>	1	156 <i>167</i>	6 <i>6</i>	11 <i>17</i>	- <i>-</i>	151 <i>156</i>
Young Endeavour Youth Program Special Account – <i>Financial Management and Accountability Act 1997^{[4][5]}</i>	1	997 <i>943</i>	658 <i>66</i>	3 <i>12</i>	- <i>-</i>	1,652 <i>997</i>
Total Special Accounts		120,305	23,175	82,714	-	60,766
<i>2009-10 actual</i>		<i>76,342</i>	<i>131,155</i>	<i>87,192</i>	<i>-</i>	<i>120,305</i>

Notes

1. 2010-11 estimates in bold.
2. 2009-10 actuals in italics.
3. These are all Special Public Monies.
4. The 2010-11 figures include \$48,969 for interest earned on the OPA.
5. The 2009-10 figures include \$76,842 for interest earned on the OPA.

AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

No new Indigenous initiatives have been approved since the *Portfolio Budget Statements 2010-11*.

Table 53: Australian Government Indigenous Expenditure

	Program	Bill No. 1 \$'000
Outcome 1		
Defence Indigenous Employment Strategy	1.13	
Departmental 2010-11 Revised Estimate		2,639
<i>Departmental 2010-11 Budget Estimate</i>		2,639
Defence Indigenous Development Program	1.13	
Departmental 2010-11 Revised Estimate		5,849
<i>Departmental 2010-11 Budget Estimate</i>		5,849
Army Community Assistance Project⁽¹⁾	1.3	
Departmental 2010-11 Revised Estimate		2,223
<i>Departmental 2010-11 Budget Estimate</i>		3,100
Indigenous Liaison Officers	1.6	
Departmental 2010-11 Revised Estimate		1,235
<i>Departmental 2010-11 Budget Estimate</i>		1,235
Total 2010-11 Revised Estimate		11,946
<i>Total 2010-11 Budget Estimate</i>		<i>12,823</i>

Note

1. The majority of costs are subsequently recovered from the Department of Families, Housing, Community Services and Indigenous Affairs.

GRANTS

New grants for 2010-11 since the publishing of the *Portfolio Budget Statements 2010-11* total \$5.262m, with eight grants and two programs approved.

Table 54: Grants approved since the 2010-11 budget

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000
Anglesea Barracks Bicentenary Book	-	64	64
Army Military History Research Grants Scheme	-	79	79
Australian Strategic Policy Institute (ASPI)	-	3,300	3,300
Defence Family Support Funding Program	-	1,165	1,165
Griffith University (QLD)	-	110	110
International Institute for Strategic Studies (IISS) – for 2011 Shangri-La Dialogue	-	83	83
Kokoda Foundation	-	116	116
Royal United Services Institute (RUSI) of Australia	-	91	91
Sir Arthur Tange Defence PhD Scholarships	-	64	64
Strategic and Defence Studies Centre Post Doctoral Fellowship	-	190	190
Total additional grants	-	5,262	5,262

Anglesea Barracks Bicentenary Book

A grant of \$64,350 was paid to the John Wadsley Planning and Heritage Consultancy for the production of a book about the 200 year history of Anglesea Barracks in Hobart, Tasmania.

Army Military History Research Grants Scheme

The Army Military History Research Grants Scheme was approved for \$79,000 which supports and encourages research into the role and involvement of the Army in the development of the nation. The scheme has been in operation since 1992.

Australian Strategic Policy Institute (ASPI)

A grant of \$3,300,000 was paid for funding of the Australian Strategic Policy Institute (ASPI). ASPI's purpose is to provide fresh, independent and non-partisan ideas, and to promote discussion within government, academia and the wider public on Australia's defence and strategic policy issues. (Multi-year grant).

Defence Family Support Funding Program

The Defence Family Support Funding Program was approved for \$1,165,000 which provides funds to support projects and services initiated by Defence families. The program is also available to existing groups in the community composed of, or benefiting, Defence families.

Griffith University (QLD)

A grant of \$110,000 was paid for partner funding in respect of the project entitled 'Responsibility to Protect and the Protection of Civilians in Armed Conflicts'. This proposal was approved under the Australian Responsibility to Protect Fund, a joint initiative of AusAID and the Asia Pacific Civil-Military Centre of Excellence for the Responsibility to Protect, University of Queensland, which administers the fund.

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

A grant of \$82,699 was paid to IISS for the 2011 Shangri-La Dialogue, which is a major annual Ministerial level meeting of defence and security officials from the Asia-Pacific and wider region, providing an opportunity for regional states' defence establishments to exchange views on security in the region. IISS, a registered charity based in London, is a leading authority on political-military conflict and an independent source of objective information on international strategic issues.

Kokoda Foundation

A grant of \$115,500 was paid to the Kokoda Foundation to support the Australia - United States Trilogy Dialogue held on 18-21 November 2010. The Kokoda Foundation is a not-for-profit organisation 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 grant of \$91,400 was paid to the RUSI of Australia to provide critical assistance in supporting Defence by promoting discussion of national security and defence matters and improving public awareness and understanding of such issues. The RUSI of Australia achieves its aims by conducting seminars and lectures in all major capital cities and/or major Defence bases, as well as through maintaining libraries of strategic and defence issues, and circulating transcripts and news bulletins.

Sir Arthur Tange Defence PhD Scholarships

A grant of \$63,800 was awarded to the Sir Arthur Tange Defence PhD Scholarships, of the Australian National University, to encourage research into defence and security issues of particular relevance to Australia and support the next generation of strategic thinkers (multi-year grant).

Strategic and Defence Studies Centre Post Doctoral Fellowship

A grant of \$189,628 was awarded to the Strategic and Defence Studies Centre, of the Australian National University, to enable the development of future academics in the field of Australia's long-term strategic and defence challenges (multi-year grant).

3.2 Budgeted Financial Statements

3.2.1 ANALYSIS OF DEPARTMENTAL BUDGETED FINANCIAL STATEMENTS

Revised Income Statement

Since the 2010-11 Budget, net cost of services has decreased by \$19.5m. Details are shown in Table 55 and an explanation of the financial variations follow.

Table 55: Variation in Budgeted Departmental Comprehensive Income Statement (Showing Net Cost of Services)

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	Variation %
EXPENSES				
Employee benefits	9,486,107	9,505,369	19,262	0.2
Supplier expenses	9,499,856	9,524,139	24,283	0.3
Grants	45,418	48,680	3,262	7.2
Depreciation and amortisation	3,462,502	3,563,317	100,815	2.9
Finance costs	99,006	84,892	-14,114	-14.3
Write-down of assets and impairment of assets	1,293,662	1,061,739	-231,923	-17.9
Losses from sale of assets	-	-	-	-
Foreign exchange	-	-	-	-
Other	895	11,000	10,105	1,129.1
Total expenses	23,887,446	23,799,136	-88,310	-0.4
LESS:				
OWN-SOURCE INCOME				
Revenue				
Sales of goods and services	876,417	883,817	7,400	0.8
Fees and fines	-	-	-	-
Interest	-	-	-	-
Dividends	-	-	-	-
Rental income	6,258	7,170	912	14.6
Royalties	-	-	-	-
Other revenue	187,194	177,390	-9,804	-5.2
Total revenue	1,069,869	1,068,377	-1,492	-0.1
Gains				
Reversals of previous asset write-downs	619,983	549,650	-70,333	-11.3
Sale of assets	2,832	5,832	3,000	105.9
Other gains	-	-	-	-
Total gains	622,815	555,482	-67,333	-10.8
Total own-source income	1,692,684	1,623,859	-68,825	-4.1
Net cost of (contribution by) services	22,194,762	22,175,277	-19,485	-0.1
Revenue from Government	22,194,762	22,175,277	-19,485	-0.1
Surplus (Deficit) attributable to the Australian Government	-	-	-	-
OTHER COMPREHENSIVE INCOME				
Charges in asset revaluation reserves	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive income attributable to the Australian Government	-	-	-	-

Expenses

Expenses in 2010-11 are estimated to decrease by \$88.3m, or 0.4 per cent, due to:

- an increase in employee expenses of \$19.3m including:
 - funding required for impact of increased military personnel (\$62.9m)
 - revised accrual calculations for employee provisions (\$22.4m)
 - movements in foreign exchange parameters (-\$1.2m)
 - activities budgeted for in 2010-11 actually spent in 2009-10 (-\$10.9m)
 - reduced funding for impact of decreased civilian personnel (-\$53.9m)
- an increase in supplier expenses of \$24.3m including:
 - operations supplementation under the no-win/no-loss arrangement (\$112.1m)
 - an increase in the expected rate of inventory consumption (\$60.1m)
 - re-allocation across categories to better reflect estimated expenditure (\$15.1m)
 - movements in foreign exchange parameters (-\$2.0m)
 - re-allocation of grants to better reflect expenditure (-\$3.3m)
 - revised accrual calculations for supplier payables and reversal of the planned drawdown of the DMO pre-payment (-\$157.8m)
- an increase in grants of \$3.3m due to a re-classification from suppliers to grants
- an increase in the estimated depreciation and amortisation of \$100.8m due to revised estimates of Defence's asset purchases, asset values and useful lives
- a decrease in finance costs of \$14.1m due to:
 - activities budgeted for in 2010-11 actually spent in 2009-10 (-\$3.1m)
 - adjustments to the restoration and de-contamination provision (-\$11.0m)
- a decrease in the estimate of write-downs and impairment of assets of \$231.9m following a review of Defence's assets and historical write-downs
- an increase in other expenses of \$10.1m due to the re-classification from sale of assets for property disposals costs.

Income

Total income in 2010-11 is estimated to decrease by \$88.3m, or 0.4 per cent, due to:

- a decrease in appropriation revenue of \$19.5m resulting from:
 - operations supplementation under the no-win/no-loss arrangement (\$112.1m)
 - return of appropriations from the DMO due to underspends in military and civilian employee expenses (\$52.3m)
 - transfer to Prime Minister and Cabinet for Cyber Security (-\$0.09m)
 - movements in foreign exchange parameters (-\$3.3m)
 - re-allocation between outcome appropriation and equity injections to reflect category transfers from operating to capital (-\$180.5m)
- an increase in sales of goods and services of \$7.4m due to:
 - re-classification from other cash received to better reflect estimated receipts (\$7.5m)
 - additional revenue for ADF housing and from other Government agencies for research and development activities (\$27.4m)
 - reduced revenue from the DMO due to a decrease in ADF members provided to the DMO (-\$27.4m)
- a decrease in other revenue of \$9.8m due to re-allocation to sales of goods and services and revised estimate of resources received free of charge

- a decrease in the reversal of previous asset write-downs of \$70.3m following a review of Defence's assets and historical achievement
- an increase in the sale of assets of \$3.0m due to revised property and commercial vehicle disposal programs.

Table 56: Variation in Budgeted Departmental Balance Sheet (as at 30 June)

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	Variation %
ASSETS				
Financial assets				
Cash and cash equivalents	28,088	52,228	24,140	85.9
Trade and other receivables	174,589	151,145	-23,444	-13.4
Tax assets	104,244	45,574	-58,670	-56.3
Appropriation receivable	280,192	26,846	-253,346	-90.4
Other receivables	63,328	179,764	116,436	183.9
Total financial assets	650,441	455,557	-194,884	-30.0
Non-financial assets				
Land and buildings	15,504,694	15,737,333	232,639	1.5
Infrastructure, plant and equipment	5,879,990	6,208,927	328,937	5.6
Specialist military equipment	38,610,542	39,498,220	887,678	2.3
Intangibles	392,617	547,192	154,575	39.4
Heritage and cultural	869,393	900,601	31,208	3.6
Inventories	5,450,947	5,328,669	-122,278	-2.2
Prepayments	371,707	164,021	-207,686	-55.9
Total non-financial assets	67,079,890	68,384,963	1,305,073	1.9
Assets held for sale	23,768	28,465	4,697	19.8
Total assets	67,754,099	68,868,985	1,114,886	1.6
LIABILITIES				
Interest bearing liabilities				
Leases	918,654	803,123	-115,531	-12.6
Total interest bearing liabilities	918,654	803,123	-115,531	-12.6
Provisions				
Employees	2,194,298	2,290,316	96,018	4.4
Restoration, decontamination and decommissioning	674,647	777,095	102,448	15.2
Other	28,340	14,834	-13,506	-47.7
Total provisions	2,897,285	3,082,245	184,960	6.4
Payables				
Suppliers	854,934	831,742	-23,192	-2.7
Other	335,591	320,619	-14,972	-4.5
Total payables	1,190,525	1,152,361	-38,164	-3.2
Total liabilities	5,006,464	5,037,729	31,265	0.6
NET ASSETS	62,747,635	63,831,256	1,083,621	1.7
EQUITY				
Contributed equity	15,177,141	15,402,693	225,552	1.5
Reserves	13,636,846	14,042,887	406,041	3.0
Retained surpluses or accumulated deficits	33,933,648	34,385,676	452,028	1.3
Total equity	62,747,635	63,831,256	1,083,621	1.7

Assets

Total assets in 2010-11 are estimated to increase by \$1,114.9m, or 1.6 per cent, due to:

- total financial assets being \$194.9m lower than projected in the *Portfolio Budget Statements 2010-11* resulting from:
 - an increase in cash and cash equivalents of \$24.1m from the flow-on effect of the actual opening balance being higher than the projected 2009-10 result, on which the previous budget estimate was based
 - a decrease in trade and other receivables of \$23.4m from the flow-on effect of the actual opening balance being lower than projected 2009-10 result, on which the previous budget estimate was based
 - a decrease in the budgeted value of tax assets of \$58.7m due to:
 - > the flow-on effect of the actual opening balance being higher than projected 2009-10 result, on which the previous budget estimate was based (\$17.7m)
 - > the expected final 2009-10 GST refund which was actually received in 2010-11 (-\$76.4m)
 - a decrease in appropriation receivable of \$253.3m resulting from:
 - > the flow-on effect of the actual opening balance being higher than projected 2009-10 result, on which the previous budget estimate was based (\$195.5m)
 - > predicted hand-back for no-win/no-loss and foreign exchange of (-\$448.8m)
 - an increase in other receivables of \$116.4m from the flow-on effect of the actual opening balance being higher than projected 2009-10 result, on which the previous budget estimate was based
- total non-financial assets being \$1,305.1m higher than projected in the *Portfolio Budget Statements 2010-11* resulting from:
 - an increase in the budgeted value of land and buildings of \$232.6m due to:
 - > the flow-on effect of the actual opening balance being higher than the projected 2009-10 result, on which the previous budget estimate was based (\$298.8m)
 - > revised asset values following a review of historical write-downs, impairment and useful life (\$97.3m)
 - > reduced purchases due to the re-allocation to suppliers and specialist military equipment purchases to better reflect estimated expenditure (-\$163.5m)
 - an increase in the budgeted value of infrastructure, plant and equipment of \$328.9m including:
 - > the flow-on effect of the actual opening balance being higher than the projected 2009-10 result, on which the previous budget estimate was based (\$492.4m)
 - > reduced purchases due to the re-allocation to suppliers and specialist military equipment purchases to better reflect estimated expenditure (-\$58.2m)
 - > revised asset values following a review of historical write-downs, impairment and useful life (-\$105.3m)
 - an increase in the budgeted value of specialist military equipment of \$887.7m due to:
 - > the flow-on effect of the actual opening balance being higher than the projected 2009-10 result, on which the previous budget estimate was based (\$383.2m)
 - > increased purchases due to the re-allocation from suppliers and other asset classes to better reflect estimated expenditure (\$382.3m)
 - > revised asset values following a review of historical write-downs, impairment and useful life (\$122.2m)

- an increase in the budgeted value of intangible assets of \$154.6m due to:
 - > the flow-on effect of the actual opening balance being higher than the projected 2009-10 result, on which the previous budget estimate was based (\$170.6m)
 - > increased purchases due to re-allocation from specialist military equipment purchases to better reflect estimated expenditure (\$1.3m)
 - > revised asset values following a review of historical write-downs, impairment and useful life (-\$17.3m)
- the budgeted value of heritage and cultural assets will increase by \$31.2m due to the flow-on effect of the actual opening balance being higher than the projected 2009-10 result, on which the previous budget estimate was based
- a decrease in the budgeted value of inventory of \$122.3m due to:
 - > increased purchases due to re-allocation from suppliers to better reflect estimated expenditure (\$82.3m)
 - > an increase in the expected rate of inventory consumption (-\$60.1m)
 - > the flow-on effect of the actual opening balance being higher than the projected 2009-10 result, on which the previous budget estimate was based (\$2.0m)
 - > revised asset values following a review of historical write-downs and impairment (-\$146.5m)
- the budgeted value of pre-payments decreasing by \$207.7m due to the flow-on effect of the actual opening balance being lower than the projected 2009-10 result, on which the previous budget estimate was based
- the budgeted value of assets held for sale increasing by \$4.7m due to the flow-on effect of the actual opening balance being higher than the projected 2009-10 result, on which the previous budget estimate was based.

Liabilities

Total liabilities in 2010-11 are estimated to increase by \$31.3m, or 0.6 per cent.

- Total interest bearing liabilities are \$115.5m lower than projected in the *Portfolio Budget Statements 2010-11* resulting from:
 - the flow-on effect of the actual opening balance being lower than the projected 2009-10 result, on which the previous budget estimate was based (-\$15.5m)
 - assets provided under the Fleet Marine Services Contract being received slower than anticipated (-\$100m).
- Total provisions are \$184.9m higher than projected in the *Portfolio Budget Statements 2010-11* due to the flow-on effect of the actual opening balance being higher than the projected 2009-10 result, on which the previous budget estimate was based.
- Total payables are \$38.1m lower than projected in the *Portfolio Budget Statements 2010-11* due to a decrease in supplier and other payables following a review of historical achievement.

Equity

Total equity in 2010-11 is estimated to increase by \$1,083.6m, or 1.7 per cent, resulting from:

- the flow-on effect of the actual opening balance being higher than the projected 2009-10 result, on which the previous budget estimate was based (\$970.8m)
- foreign exchange adjustments (-\$67.7m)
- re-allocation between outcome appropriation and equity injection to reflect transfers between operating and capital (\$180.5m).

Table 57: Variation in Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	Variation %
OPERATING ACTIVITIES				
Cash received				
Goods and services	838,194	845,594	7,400	0.9
Net GST received	549,514	609,559	60,045	10.9
Appropriations	22,192,662	22,173,177	-19,485	-0.1
Interest	-	-	-	-
Dividends	-	-	-	-
Other cash received	187,252	179,800	-7,452	-4.0
Cash transfer from the Official Public Account (receivables)	65,000	65,000	-	-
Total cash received	23,832,622	23,873,130	40,508	0.2
Cash used				
Employees	9,349,486	9,346,428	-3,058	-
Suppliers	8,677,188	8,598,355	-78,833	-0.9
Net GST payments	549,514	533,163	-16,351	-3.0
Grants	45,418	48,680	3,262	7.2
Other cash used	895	11,000	10,105	1,129.1
Cash transfer to the Official Public Account (receivables)	98,989	93,269	-5,720	-5.8
Total cash used	18,721,490	18,630,895	-90,595	-0.5
Net cash from or (used by) operating activities	5,111,132	5,242,235	131,103	2.6
INVESTING ACTIVITIES				
Cash received				
Proceeds from sales of land and buildings	120,343	125,802	5,459	4.5
Proceeds from sales of infrastructure, plant and equipment	35,947	28,947	-7,000	-19.5
Proceeds from sales of specialist military equipment	-	-	-	-
Other cash received	-	-	-	-
Total cash received	156,290	154,749	-1,541	-1.0
Cash used				
Purchase of land and buildings	1,566,191	1,402,716	-163,475	-10.4
Purchase of infrastructure, plant and equipment	368,877	310,727	-58,150	-15.8
Purchase of specialist military equipment	5,527,338	5,909,660	382,322	6.9
Purchase of intangibles	25,296	26,595	1,299	5.1
Purchase of inventory	1,186,322	1,268,663	82,341	6.9
Purchase of heritage and cultural assets	-	-	-	-
Selling costs on sale of assets	22,005	23,184	1,179	5.4
Finance costs	80,831	77,677	-3,154	-3.9
Other cash used	-	-	-	-
Total cash used	8,776,860	9,019,222	242,362	2.8
Net cash from or (used by) investing activities	-8,620,570	-8,864,473	-243,903	2.8
FINANCING ACTIVITIES				
Cash received				
Appropriations - contributed equity	3,578,161	3,690,961	112,800	3.2
Total cash received	3,578,161	3,690,961	112,800	3.2
Cash used				
Repayment of debt	68,723	68,723	-	-
Cash to the Official Public Account	-	-	-	-
Total cash used	68,723	68,723	-	-
Net cash from or (used by) financing activities	3,509,438	3,622,238	112,800	3.2

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	Variation %
Net increase or (decrease) in cash and cash equivalents held	-	-	-	-
Cash and cash equivalents at beginning of the reporting period	28,088	52,226	24,138	85.9
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-
Cash and cash equivalents at the end of the reporting period	28,088	52,226	24,138	85.9

Operating Activities

Net cash from Operating Activities will increase by \$131.1m, or 2.6 per cent more than projected in the *Portfolio Budget Statements 2010-11*.

Operating Cash Received will increase by \$40.5m due to:

- an increase in goods and services of \$7.4m resulting from:
 - re-classification from other cash received to better reflect estimated receipts (\$7.5m)
 - additional revenue for ADF housing and from other Government agencies for research and development activities (\$27.4m)
 - reduced revenue from the DMO due to a decrease in ADF members provided to the DMO (-\$27.4m)
- an increase in net GST received of \$60.1m principally due to the expected final 2009-10 GST refund, which was actually received in 2010-11
- a decrease in appropriation of \$19.5m resulting from:
 - operations supplementation under the no-win/no-loss arrangement (\$112.1m)
 - return of appropriations from the DMO due to underspends in military and civilian employee expenses (\$52.3m)
 - transfer to the Department of Prime Minister and Cabinet for cyber security (-\$0.09m)
 - movements in foreign exchange parameters (-\$3.3m)
 - re-allocation between outcome appropriation and equity injections to reflect category transfers from operating to capital (-\$180.5m).

Operating Cash Used will decrease by \$90.6m resulting from:

- a decrease in employees of \$3.1m due to:
 - funding required for impact of increased military personnel (\$62.9m)
 - movements in foreign exchange parameters (-\$1.2m)
 - activities budgeted for in 2010-11 actually spent in 2009-10 (-\$10.9m)
 - reduced funding for impact of decreased civilian personnel (-\$53.9m)
- a decrease in suppliers of \$78.8m due to:
 - operations supplementation under the no-win/no-loss arrangement (\$112.1m)
 - re-allocation across categories to better reflect estimated expenditure (\$15.1m)
 - re-classification from other cash used for property disposals cost (-\$10.1m)
 - movements in foreign exchange parameters (-\$2.0m)
 - re-classification of grants to better reflect estimated expenditure (-\$3.3m)
 - activities budgeted for in 2010-11 actually spent in 2009-10 (-\$190.7m)
- a decrease in net GST payments of \$16.3m due to reduced supplier payments
- an increase in grants of \$3.3m due to a re-classification from suppliers

- an increase in other cash used of \$10.1m due to a re-classification from suppliers for property disposals costs
- a decrease in payments to the OPA of \$5.7m due to the revised property disposals program.

Investing Activities

Net cash used by Investing Activities will increase by \$243.9m, or 2.8 per cent more than projected in the *Portfolio Budget Statements 2010-11*.

Investing cash received will decrease by \$1.5m due to:

- the revised property disposals program (\$5.5m)
- a reduction in commercial vehicle sales (-\$7.0m)

Investing cash used will increase by \$242.3m resulting from:

- a decrease in purchase of land and buildings of \$163.5m due to the re-allocation to suppliers and specialist military equipment to better reflect estimated expenditure
- a decrease in purchase of infrastructure, plant and equipment of \$58.2m due to the re-allocation to suppliers and specialist military equipment to better reflect estimated expenditure
- an increase in purchase of specialist military equipment of \$382.3m resulting from:
 - re-allocation from suppliers and other asset classes to better reflect estimated expenditure (\$450.2m)
 - movements in foreign exchange parameters (-\$67.9m)
- an increase in intangibles of \$1.3m due to re-allocation from specialist military equipment to better reflect estimated expenditure
- an increase in purchase of inventory of \$82.3m due to re-allocation from suppliers to better reflect estimated expenditure
- an increase in selling costs on sale of assets of \$1.2m due to the revised property disposals program
- a decrease in finance costs of \$3.1m due to activities budgeted for in 2010-11 actually spent in 2009-10.

Financing Activities

Net cash from Financing Activities will increase by \$112.8m, or 3.2 per cent more than projected in the *Portfolio Budget Statements 2010-11*.

Equity Injections will increase by \$112.8m due to:

- re-allocation between outcome appropriation and equity injection to reflect transfers between operating and capital (\$180.5m)
- movements in foreign exchange parameters (-\$67.7m).

3.2.2 DEPARTMENTAL BUDGETED FINANCIAL STATEMENTS

Table 58: Budgeted Departmental Comprehensive Income Statement (showing net cost of services)

	2009-10 Actual Result \$'000	2010-11 Revised Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Expenses					
Employee benefits	9,072,746	9,505,369	9,344,499	9,766,335	10,277,569
Supplier expenses	9,086,599	9,524,139	8,929,426	8,925,202	9,691,442
Grants	57,287	48,680	48,639	48,743	49,061
Depreciation and amortisation	3,741,666	3,563,317	3,513,688	3,689,002	3,808,360
Finance costs	90,561	84,892	87,017	90,080	73,794
Write-down of assets and impairment of assets	878,254	1,061,739	1,245,263	1,143,915	1,195,852
Losses from sale of assets	7,413	-	-	20,531	-
Foreign exchange	146	-	-	-	-
Other	217,959	11,000	6,909	937	958
Total expenses	23,152,631	23,799,136	23,175,441	23,684,745	25,097,036
LESS:					
Own-source income					
Revenue					
Sales of goods and services	753,190	883,817	846,191	873,846	917,576
Rental income	8,655	7,170	6,373	6,535	6,715
Other revenue	788,717	177,390	78,691	80,429	82,458
Total revenue	1,550,562	1,068,377	931,255	960,810	1,006,749
Gains					
Reversals of previous asset write-downs	614,852	549,650	578,003	608,301	640,657
Sale of assets	-	5,832	9,682	-	6,209
Other gains	17,628	-	-	-	-
Total gains	632,480	555,482	587,685	608,301	646,866
Total own-source income	2,183,042	1,623,859	1,518,940	1,569,111	1,653,615
Net cost of (contribution by) services	20,969,589	22,175,277	21,656,501	22,115,634	23,443,421
Revenue from Government	21,503,960	22,175,277	21,656,501	22,115,634	23,443,421
Surplus (Deficit) attributable to the Australian Government	534,371	-	-	-	-
OTHER COMPREHENSIVE INCOME					
Charges in asset revaluation reserves	407,971	-	-	-	-
Total other comprehensive income	407,971	-	-	-	-
Total comprehensive income attributable to the Australian Government	942,342	-	-	-	-

Table 59: Budgeted Departmental Balance Sheet (as at 30 June)

	2009-10 Actual Result \$'000	2010-11 Revised Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	52,226	52,228	52,228	52,228	52,228
Trade and other receivables	59,966	151,145	188,730	219,900	255,304
Tax assets	169,449	45,574	45,574	45,574	45,574
Appropriation receivable	91,846	26,846	20,457	20,457	20,457
Other receivables	185,240	179,764	240,764	220,764	200,764
Total financial assets	558,727	455,557	547,753	558,923	574,327
Non-financial assets					
Land and buildings	15,000,658	15,737,333	16,218,501	16,987,910	17,822,258
Infrastructure, plant and equipment	6,311,964	6,208,927	6,153,144	5,968,507	5,760,065
Specialist military equipment	36,356,400	39,498,220	42,064,265	43,680,850	45,778,524
Intangibles	597,954	547,192	504,692	447,511	400,999
Heritage and cultural	900,602	900,601	900,600	900,599	900,598
Inventories	5,161,135	5,328,669	5,507,911	5,669,241	5,823,653
Prepayments	164,021	164,021	164,021	164,021	164,021
Total non-financial assets	64,492,734	68,384,963	71,513,134	73,818,639	76,650,118
Assets held for sale	28,465	28,465	28,465	28,465	28,465
Total assets	65,079,926	68,868,985	72,089,352	74,406,027	77,252,910
LIABILITIES					
Interest bearing liabilities					
Leases	808,351	803,123	826,250	741,305	688,962
Total interest bearing liabilities	808,351	803,123	826,250	741,305	688,962
Provisions					
Employees	2,132,913	2,290,316	2,364,561	2,448,037	2,554,314
Restoration, decontamination and decommissioning	769,880	777,095	788,634	809,562	819,894
Other	14,834	14,834	14,834	14,834	14,834
Total provisions	2,917,627	3,082,245	3,168,029	3,272,433	3,389,042
Payables					
Suppliers	799,200	831,742	842,043	821,706	873,806
Other	319,080	320,619	318,987	322,073	326,248
Total payables	1,118,280	1,152,361	1,161,030	1,143,779	1,200,054
Total liabilities	4,844,258	5,037,729	5,155,309	5,157,517	5,278,058
NET ASSETS	60,235,668	63,831,256	66,934,043	69,248,510	71,974,852
EQUITY					
Contributed equity	11,711,732	15,402,693	18,591,159	20,927,329	23,824,846
Reserves	14,042,887	14,042,887	14,042,887	14,042,887	14,042,887
Retained surpluses or accumulated deficits	34,481,049	34,385,676	34,299,997	34,278,294	34,107,119
Total equity	60,235,668	63,831,256	66,934,043	69,248,510	71,974,852

Table 60: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)

	2009-10 Actual Result \$'000	2010-11 Revised Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	742,647	845,594	808,606	842,676	882,172
Net GST received	505,413	609,559	513,903	518,047	563,873
Appropriations	21,906,968	22,173,177	21,656,501	22,115,634	23,443,421
Interest	-	-	-	-	-
Dividends	-	-	-	-	-
Other cash received	85,859	179,800	80,185	81,963	84,047
Cash transfer from the Official Public Account (receivables)	425,161	65,000	6,389	-	-
Total cash received	23,666,048	23,873,130	23,065,584	23,558,320	24,973,513
Cash used					
Employees	8,819,781	9,346,428	9,271,886	9,679,773	10,167,117
Suppliers	8,319,627	8,598,355	7,999,347	8,069,893	8,783,743
Net GST payments	584,845	533,163	513,903	518,047	563,873
Grants	57,373	48,680	48,639	48,743	49,061
Other cash used	13,943	11,000	6,909	937	958
Cash transfer to the Official Public Account (receivables)	427,538	93,269	85,679	21,703	171,175
Total cash used	18,223,107	18,630,895	17,926,363	18,339,096	19,735,927
Net cash from (used by) operating activities	5,442,941	5,242,235	5,139,221	5,219,224	5,237,586
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of land and buildings	17,828	125,802	125,019	55,493	178,466
Proceeds from sales of infrastructure, plant and equipment	30,038	28,947	35,839	35,947	36,160
Proceeds from sales of specialist military equipment	1,506	-	-	-	-
Other cash received	340,767	-	-	-	-
Total cash received	390,139	154,749	160,858	91,440	214,626
Cash used					
Purchase of land and buildings	1,422,382	1,402,716	1,236,046	1,435,540	1,675,372
Purchase of infrastructure, plant and equipment	350,942	310,727	330,491	318,356	282,226
Purchase of specialist military equipment	4,994,125	5,909,660	5,397,600	4,444,257	5,051,635
Purchase of intangibles	180,716	26,595	31,446	11,286	1,892
Purchase of inventory	1,120,136	1,268,663	1,306,381	1,243,193	1,214,394
Purchase of heritage and cultural assets	5	-	-	-	-
Selling costs on sale of assets	28,340	23,184	34,230	40,105	8,405
Finance costs	67,887	77,677	75,478	69,152	63,462
Other cash used	-	-	-	-	-
Total cash used	8,164,533	9,019,222	8,411,672	7,561,889	8,297,386
Net cash from (used by) investing activities	-7,774,394	-8,864,473	-8,250,814	-7,470,449	-8,082,760

	2009-10 Actual Result \$'000	2010-11 Revised Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	4,011,496	3,690,961	3,188,466	2,336,170	2,897,517
Total cash received	4,011,496	3,690,961	3,188,466	2,336,170	2,897,517
Cash used					
Repayment of debt	62,724	68,723	76,873	84,945	52,343
Cash to the Official Public Account	1,593,035	-	-	-	-
Total cash used	1,655,759	68,723	76,873	84,945	52,343
Net cash from (used by) financing activities	2,355,737	3,622,238	3,111,593	2,251,225	2,845,174
Net increase or (decrease) in cash and cash equivalents held					
Cash and cash equivalents at the beginning of the reporting period	24,284	-	-	-	-
Effect of exchange rate movements on cash and cash equivalents	28,088	52,226	52,226	52,226	52,226
	-146	-	-	-	-
Cash and cash equivalents at the end of the reporting period	52,226	52,226	52,226	52,226	52,226

**Table 61: Departmental Statement of Changes in Equity – Summary of Movement
(Budget year 2010-11)**

	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Contributed Equity/ Capital \$'000	Total Equity \$'000
Opening balance as at 1 July 2010				
Balance carried forward from previous period	34,481,045	14,042,887	11,711,732	60,235,664
Adjustment for changes in accounting policies	-	-	-	-
Adjusted opening balance	34,481,045	14,042,887	11,711,732	60,235,664
Comprehensive Income				
Comprehensive income recognised directly in equity:				
Gain/loss on revaluation of property	-	-	-	-
Sub-total comprehensive income	-	-	-	-
Surplus (Deficit) for the period	-	-	-	-
Total comprehensive income recognised directly in equity	-	-	-	-
Transactions with owners				
<i>Distribution to owners</i>				
Returns on capital:				
Restructuring	-	-	-	-
Other	-95,369	-	-	-95,369
<i>Contributions by owners</i>				
Appropriation (equity injection)	-	-	3,690,961	3,690,961
Other:	-	-	-	-
Sub-total transaction with owners	-95,369	-	3,690,961	3,595,592
Transfers between equity components	-	-	-	-
Estimated closing balance as at 30 June 2011	34,385,676	14,042,887	15,402,693	63,831,256

Table 62: Departmental Capital Budget Statement

	2009-10 Actual Result \$'000	2010-11 Revised Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
CAPITAL APPROPRIATIONS					
Equity Injections	2,418,461	3,690,961	3,188,466	2,336,170	2,897,517
Total capital appropriations	2,418,461	3,690,961	3,188,466	2,336,170	2,897,517
Represented by:					
Purchase of non-financial assets	2,355,737	3,622,238	3,111,593	2,251,225	2,845,174
Annual finance lease costs	62,724	68,723	76,873	84,945	52,343
Other items	-	-	-	-	-
Total Items	2,418,461	3,690,961	3,188,466	2,336,170	2,897,517
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations	2,418,461	3,690,961	3,188,466	2,336,170	2,897,517
Funded by finance lease costs	9,991	63,495	100,000	-	-
Funded internally from departmental resources ⁽¹⁾	5,014,424	3,958,737	3,807,117	3,873,269	4,113,608
Total	7,442,876	7,713,193	7,095,583	6,209,439	7,011,125
Reconciliation of cash used to acquire assets to asset movement table					
Total purchases	7,442,876	7,713,193	7,095,583	6,209,439	7,011,125
less additions by finance lease	9,991	63,495	100,000	-	-
less additions by creditors/borrowings	-	-	-	-	-
plus borrowing/finance costs	67,887	77,677	75,478	69,152	63,462
plus Annual finance lease costs	62,724	68,723	76,873	84,945	52,343
less Gifted assets	176	-	-	-	-
less s32/restructuring	16,080	-	-	-	-
Total cash used to acquire assets	7,547,240	7,796,098	7,147,934	6,363,536	7,126,930

Note

- 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 63: Statement of Departmental Asset Movements (2010-11)

	Land and Buildings \$'000	Specialist Military Equipment \$'000	Infrastructure Plant and Equipment \$'000	Intangibles \$'000	Heritage and cultural assets \$'000	Total \$'000
As at 1 July 2010						
Gross book value	15,267,878	69,233,098	6,759,165	995,992	900,602	93,156,735
Accumulated depreciation/amortisation and impairment	267,221	32,876,698	447,203	398,039	-	33,989,161
Opening net book balance	15,000,657	36,356,400	6,311,962	597,953	900,602	59,167,574
CAPITAL ASSET ADDITIONS						
Estimated expenditure on new or replacement assets						
By purchase - appropriation equity	1,402,716	5,909,660	310,727	26,595	-	7,649,698
By purchase - donated funds	-	-	-	-	-	-
By finance lease	-	-	63,495	-	-	63,495
Total Additions	1,402,716	5,909,660	374,222	26,595	-	7,713,193
Other Movements						
Assets held for sale	15,860	11,978	628	-	-	28,465
Reclassifications ⁽¹⁾	-	390,729	21,768	-	-	412,497
Depreciation and amortisation	511,552	2,542,602	431,806	77,356	1	3,563,317
Disposal of entities or other operations (including restructuring)	91,606	-	34,127	-	-	125,733
Other disposals ⁽²⁾	47,022	603,989	32,464	-	-	683,476
As at 30 June 2011						
Gross book value	16,516,106	74,917,520	7,087,936	1,022,587	900,602	100,444,751
Accumulated depreciation/amortisation and impairment	778,773	35,419,300	879,009	475,395	1	37,552,478
Closing net book value	15,737,333	39,498,220	6,208,927	547,192	900,601	62,892,273

Notes

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

Analysis of Administered Activity

Administered expenses are those managed by Defence on behalf of the Government. They relate to activities governed by eligibility rules and conditions established by the Government or Parliament. Defence has four administered programs as follows:

- Defence Force Superannuation Benefits
- Defence Force Superannuation Nominal interest
- Housing Assistance
- Other (DHA Competitive Neutrality and other financial transactions)

These are described in detail in Programs 1.14 to 1.18.

Revised Administered Income and Expenses

Defence is budgeting to receive \$1,183.8m in income for administered items and plans to have expenses of \$3,777.0m in 2010-11. Details are shown in Table 64 and explanation of the major variations provided.

Table 64: Variation in Schedule of Budgeted Income and Expenses Administered on behalf of Government (for the period ended 30 June)

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	Variation %
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT				
Revenue				
Non-taxation				
Interest	5,961	5,460	-501	-8.4
Dividends	46,393	46,393	-	-
Military superannuation contributions	975,579	1,080,578	104,999	10.8
Fees	9,739	9,226	-513	-5.3
Other ⁽¹⁾	26,100	42,191	16,091	61.7
Total non-taxation	1,063,772	1,183,848	120,076	11.3
Total revenues administered on behalf of Government	1,063,772	1,183,848	120,076	11.3
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT				
Subsidies	118,719	107,739	-10,980	-9.2
Military retention benefits	41,000	39,223	-1,777	-4.3
Military superannuation benefits	3,584,000	3,630,000	46,000	1.3
Total expenses administered on behalf of Government	3,743,719	3,776,962	33,243	0.9

Note

1. This includes an amount for a DHA competitive neutrality payment.

Income

Income administered on behalf of Government will increase by \$120.1m primarily due to:

- an increase in military superannuation contributions primarily as a result of consideration of 2009-10 actual achievement and an increase of 1,850 in the ADF permanent force (\$105.0m).

Expenses

Expenses administered on behalf of Government will increase by \$33.2m primarily due to:

- an increase in the military superannuation benefit expense is attributable to an increase in service costs for MSBS members associated with higher ADF numbers and the increased interest cost on the higher unfunded superannuation liability for the MSBS and DFRDB schemes (\$46.0m)
- offset by a decrease in the number of home loans provided by the Defence Home Ownership Assistance Scheme (-\$11.0m).

Revised Administered Assets and Liabilities

Defence is budgeting to have \$2,479.7m in assets and plans to have liabilities of \$44,090.0m in 2010-11. Details are shown in Table 65 and an explanation of the major variations provided.

Table 65: Variation in Schedule of Budgeted Assets and Liabilities Administered on behalf of Government (as at 30 June)

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	Variation %
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT				
Financial assets				
Cash and cash equivalents	-	-	-	-
Receivables	51,489	63,898	12,409	24.1
Investments accounted for using the equity method	2,043,388	2,174,330	130,942	6.4
Loans	84,580	84,580	-	-
Total financial assets	2,179,457	2,322,808	143,351	6.6
Non-financial assets				
Prepayments	90,361	156,892	66,531	73.6
Total non-financial assets	90,361	156,892	66,531	73.6
Total assets administered on behalf of Government	2,269,818	2,479,700	209,882	9.2
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT				
Provisions				
Superannuation - DFRDB ⁽¹⁾	25,656,000	25,774,000	118,000	0.5
Superannuation - MSBS ⁽²⁾	18,024,000	18,275,000	251,000	1.4
Total provisions	43,680,000	44,049,000	369,000	0.8
Payables				
Other	38,444	40,970	2,526	6.6
Total payables	38,444	40,970	2,526	6.6
Total liabilities administered on behalf of Government	43,718,444	44,089,970	371,526	0.8

Notes

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

Assets

Total assets are estimated to be \$2,479.7m reflecting an increase of \$209.9m primarily due to:

- an upward revaluation at fair value of the Defence investment in DHA at 30 June 2010 has been carried through to the 2010-11 revised estimate (\$130.9m)
- an increase in the pre-payment is a result of additional members qualifying for retention benefits in 2010-11 and the cumulative costs arising from additional recipients brought forward from previous years (\$66.5m).

Liabilities

Total liabilities are estimated to be \$371.5m more than the budget estimate primarily due to:

- the increase in the DFRDB unfunded liability is primarily a result of lower than expected exit rates which has led to postponed benefit payments and a corresponding increase in the unfunded liability in the balance sheet (\$369.0m).

Table 66: Variation in Schedule of Budgeted Administered Cash Flows (for the period ended 30 June)

	2010-11 Budget Estimate \$'000	2010-11 Revised Estimate \$'000	Variation \$'000	Variation %
OPERATING ACTIVITIES				
Cash received				
Interest	34,642	5,460	-29,182	-84.2
Military superannuation contributions	975,579	1,080,579	105,000	10.8
Fees	9,739	9,226	-513	-5.3
Net GST received	-	-	-	-
Other	26,100	74,614	48,514	185.9
Total cash received	1,046,060	1,169,879	123,819	11.8
Cash used				
Subsidies paid	118,719	107,739	-10,980	-9.2
Military benefits	1,878,000	1,955,600	77,600	4.1
Other	-	-	-	-
Total cash used	1,996,719	2,063,339	66,620	3.3
Net cash from or (used by) operating activities	-950,659	-893,460	57,199	-6.0
INVESTING ACTIVITIES				
Cash received				
Dividends	48,987	48,987	-	-
Total cash received	48,987	48,987	-	-
Cash used				
Loans ¹⁾	44,100	44,100	-	-
Investment	-	-	-	-
Total cash used	44,100	44,100	-	-
Net cash from or (used by) investing activities	4,887	4,887	-	-
Net increase (decrease) in cash held	-945,772	-888,573	57,199	-6.0
Cash at the beginning of the reporting period	-	1	1	-
Cash from the Official Public Account for appropriations	2,193,720	2,107,439	-86,281	-3.9
Cash to the Official Public Account	-1,247,948	-1,218,867	29,081	-2.3
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-
Cash and cash equivalents at the end the of the reporting period	-	-	-	-

Note

1. Includes payments to CAC Act bodies.

Revised Administered Cash Flow

Operating Activities

Net cash from used by Operating Activities will decrease by \$57.2m more than projected in the *Portfolio Budget Statements 2010-11*.

Operating cash received will increase by \$123.8m primarily due to:

- reclassification of DHA loan interest from interest to other cash received (-\$29.2m)
- an increase in military superannuation contribution receipts as a result of an increase in the ADF permanent force (\$105.0m)
- an increase in other cash received of \$48.5m primarily a result of reclassification of interest on loans to DHA (\$29.2m) and cash received from the sale of an investment (\$15.9m).

Operating cash used will increase by \$66.6m due to:

- an increase in retention benefit payments due to increase in the number of recipients (\$77.6m)
- offset by a decrease in home loan subsidy payments caused by a reduction in the estimated number of members who will take up the scheme (-\$11.0m).

Table 67: Schedule of Budgeted Income and Expenses Administered on behalf of Government (for the period ended 30 June)

	2009-10 Actual Result \$'000	2010-11 Revised Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Interest	1,544	5,460	5,815	5,822	5,829
Dividends	52,653	46,393	49,040	50,230	52,055
Military superannuation contributions	1,071,271	1,080,578	1,136,131	1,175,898	1,209,046
Fees	6,322	9,226	11,708	13,874	15,933
Other ⁽¹⁾	31,084	42,191	29,531	28,867	27,993
Total non-taxation	1,162,874	1,183,848	1,232,225	1,274,691	1,310,856
Total revenues administered on behalf of Government	1,162,874	1,183,848	1,232,225	1,274,691	1,310,856
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Subsidies	62,304	107,739	132,511	153,116	172,494
Military retention benefits	40,399	39,223	52,443	64,223	77,103
Military superannuation benefits	3,560,253	3,630,000	3,756,000	3,916,000	4,088,000
Other	211	-	-	-	-
Total expenses administered on behalf of Government	3,663,167	3,776,962	3,940,954	4,133,339	4,337,597

Note

1. This includes an amount for a DHA competitive neutrality payment.

**Table 68: Schedule of Budgeted Assets and Liabilities Administered on behalf of Government
(as at 30 June)**

	2009-10 Actual Result \$'000	2010-11 Revised Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash and cash equivalents	1	-	-	-	-
Receivables	66,492	63,898	66,545	67,734	69,559
Investments accounted for using the equity method	2,174,330	2,174,330	2,174,330	2,174,330	2,174,330
Loans	40,480	84,580	84,580	84,580	84,580
Total financial assets	2,281,303	2,322,808	2,325,455	2,326,644	2,328,469
Non-financial assets					
Prepayments	122,515	156,892	170,549	165,226	152,523
Total non-financial assets	122,515	156,892	170,549	165,226	152,523
Total assets administered on behalf of Government	2,403,818	2,479,700	2,496,004	2,491,870	2,480,992
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Provisions					
Superannua ion - DFRDB ⁽¹⁾	28,558,700	25,774,000	25,791,000	25,788,000	25,751,000
Superannua ion - MSBS ⁽²⁾	19,683,000	18,275,000	20,099,000	22,068,000	24,178,000
Total provisions	48,241,700	44,049,000	45,890,000	47,856,000	49,929,000
Payables					
Other	40,970	40,970	40,970	40,970	40,970
Total Payables	40,970	40,970	40,970	40,970	40,970
Total liabilities administered on behalf of Government	48,282,670	44,089,970	45,930,970	47,896,970	49,969,970

Notes

1. Defence Force Retirement and Death Benefits.
2. Military Superannua ion and Benefits Scheme.

Table 69: Schedule of Budgeted Administered Cash Flows (for the period ended 30 June)

	2009-10 Actual Result \$'000	2010-11 Revised Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash Received					
Interest	1,269	5,460	5,815	5,822	5,829
Military superannuation contributions	1,078,417	1,080,579	1,136,132	1,175,897	1,209,046
Fees	6,022	9,226	11,708	13,874	15,933
Net GST received	-	-	-	-	-
Other	53,217	74,614	53,666	57,136	56,471
Total cash received	1,138,925	1,169,879	1,207,321	1,252,729	1,287,279
Cash Used					
Subsidies paid	62,733	107,739	132,511	153,116	172,494
Military benefits	1,668,846	1,955,600	1,982,100	2,007,900	2,081,400
Other	-	-	-	-	-
Total cash used	1,731,579	2,063,339	2,114,611	2,161,016	2,253,894
Net cash from or (used by) operating activities	-592,654	-893,460	-907,290	-908,287	-966,615
INVESTING ACTIVITIES					
Cash Received					
Dividends	47,344	48,987	46,393	49,040	50,230
Total cash received	47,344	48,987	46,393	49,040	50,230
Cash Used					
Loans ⁽¹⁾	40,480	44,100	-	-	-
Investment	161,000	-	-	-	-
Total cash used	201,480	44,100	-	-	-
Net cash from (used by) investing activities	-154,136	4,887	46,393	49,040	50,230
Net increase (decrease) in cash held	-746,790	-888,573	-860,897	-859,247	-916,385
Cash at the beginning of the reporting period	-	1	-	-	-
Cash from the Official Public Account for appropriations	1,960,115	2,107,439	2,114,611	2,161,016	2,253,894
Cash to the Official Public Account	-1,213,324	-1,218,867	-1,253,714	-1,301,769	-1,337,509
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents at the end of the reporting period	1	-	-	-	-

Note

1. Includes payments to CAC Act bodies.

3.2.3 CONSOLIDATED DEFENCE/DMO BUDGETED FINANCIAL STATEMENTS

Table 70: Consolidated Defence/DMO Comprehensive Income Statement (showing net cost of services)

	2009-10 Actual Result \$'000	2010-11 Revised Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
EXPENSES					
Employee benefits	9,580,663	10,039,615	9,910,752	10,387,925	10,943,422
Supplier expenses	8,362,863	9,530,334	8,978,291	8,964,096	9,726,333
Grants	73,415	59,748	60,892	61,933	63,368
Depreciation and amortisation	3,744,012	3,564,799	3,514,330	3,689,644	3,809,002
Finance costs	90,561	84,892	87,017	90,080	73,794
Write-down of assets and impairment of assets	882,682	1,061,739	1,245,263	1,143,915	1,195,852
Losses from sale of assets	7,413	-	-	20,531	-
Other	217,968	11,000	6,909	937	958
Total expenses	22,959,577	24,352,127	23,803,454	24,359,061	25,812,729
LESS:					
OWN-SOURCE INCOME					
Revenue					
Sales of goods and services	413,595	533,620	487,223	505,883	540,390
Rental income	8,655	7,170	6,373	6,535	6,715
Other revenue	130,276	231,046	133,688	137,076	140,578
Total revenue	552,526	771,836	627,284	649,494	687,683
Gains					
Reversals of previous asset write-downs	614,852	549,650	578,003	608,301	640,657
Sale of assets	-	5,832	9,682	-	6,209
Foreign exchange	10,877	-	-	-	-
Other gains	18,772	2,250	2,250	2,250	2,250
Total gains	644,501	557,732	589,935	610,551	649,116
Total own-source income	1,197,027	1,329,568	1,217,219	1,260,045	1,336,799
Net cost of (contribution by) services	21,762,550	23,022,559	22,586,235	23,099,016	24,475,930
Revenue from Government	22,402,577	23,022,559	22,586,235	23,099,016	24,475,930
Surplus (Deficit) attributable to the Australian Government	640,027	-	-	-	-
OTHER COMPREHENSIVE INCOME					
Charges in asset revaluation reserves	407,971	-	-	-	-
Total other comprehensive income	407,971	-	-	-	-
Total comprehensive income attributable to the Australian Government	1,047,998	-	-	-	-

Table 71: Consolidated Defence/DMO Budgeted Departmental Balance Sheet (as at 30 June)

	2009-10 Actual Result \$'000	2010-11 Revised Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	144,666	144,668	144,668	144,668	144,668
Trade and other receivables	42,582	157,776	195,361	226,531	261,935
Tax assets	331,418	136,004	136,004	136,004	136,004
Appropriation receivable	500,966	595,729	600,042	610,806	614,294
Other receivables	187,052	180,992	241,992	221,992	201,992
Total financial assets	1,206,684	1,215,169	1,318,067	1,340,001	1,358,893
Non-financial assets					
Land and buildings	15,000,658	15,737,333	16,218,501	16,987,910	17,822,258
Infrastructure, plant and equipment	6,319,552	6,216,515	6,160,732	5,976,095	5,767,653
Specialist military equipment	36,356,400	39,498,220	42,064,265	43,680,850	45,778,524
Intangibles	598,272	547,510	505,010	447,829	401,317
Heritage and cultural	900,602	900,601	900,600	900,599	900,598
Inventories	5,161,135	5,328,669	5,507,911	5,669,241	5,823,653
Prepayments	1,568,842	1,568,842	1,568,842	1,568,842	1,568,842
Total non-financial assets	65,905,461	69,797,690	72,925,861	75,231,366	78,062,845
Assets held for sale	28,465	28,465	28,465	28,465	28,465
Total assets	67,140,610	71,041,324	74,272,393	76,599,832	79,450,203
LIABILITIES					
Interest bearing liabilities					
Leases	808,351	803,123	826,250	741,305	688,962
Total interest bearing liabilities	808,351	803,123	826,250	741,305	688,962
Provisions					
Employees	2,300,269	2,464,076	2,546,267	2,639,726	2,747,047
Restoration, decontamination and decommissioning	769,880	777,095	788,634	809,562	819,894
Other provisions	28,585	14,834	14,834	14,834	14,834
Total provisions	3,098,734	3,256,005	3,349,735	3,464,122	3,581,775
Payables					
Suppliers	2,162,070	2,102,108	2,112,409	2,092,072	2,144,172
Other payables	418,259	631,304	632,428	636,295	642,914
Total Payables	2,580,329	2,733,412	2,744,837	2,728,367	2,787,086
Total liabilities	6,487,414	6,792,540	6,920,822	6,933,794	7,057,823
NET ASSETS	60,653,196	64,248,784	67,351,571	69,666,038	72,392,380
EQUITY					
Contributed equity	11,867,100	15,558,061	18,746,527	21,082,697	23,980,214
Reserves	14,042,887	14,042,887	14,042,887	14,042,887	14,042,887
Retained surpluses or accumulated deficits	34,743,209	34,647,836	34,562,157	34,540,454	34,369,279
Total equity	60,653,196	64,248,784	67,351,571	69,666,038	72,392,380

**Table 72: Consolidated Defence/DMO Budgeted Departmental Statement of Cash Flows
(for the period ended 30 June)**

	2009-10 Actual Result \$'000	2010-11 Revised Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	399,991	454,795	438,935	463,949	501,498
Net GST received	1,085,776	1,345,458	1,187,864	1,153,575	1,260,337
Appropriations	22,674,968	23,020,459	22,586,235	23,099,016	24,475,930
Interest	-	-	-	-	-
Dividends	-	-	-	-	-
Other cash received	150,879	233,456	135,182	138,610	142,167
Cash transfer from the Official Public Account (receivables)	425,161	65,000	6,389	-	-
Total cash received	24,736,775	25,119,168	24,354,605	24,855,150	26,379,932
Cash used					
Employees	9,315,223	9,871,700	9,827,437	10,290,599	10,829,482
Suppliers	8,227,612	8,602,300	8,045,961	8,106,537	8,816,384
Net GST payments	1,242,945	1,197,523	1,187,864	1,153,575	1,260,337
Grants	68,953	59,748	60,892	61,933	63,368
Other cash used	13,962	50,911	6,909	937	958
Cash transfer to the Official Public Account (receivables)	427,538	93,269	85,679	21,703	171,175
Total cash used	19,296,233	19,875,451	19,214,742	19,635,284	21,141,704
Net cash from or (used by) operating activities	5,440,542	5,243,717	5,139,863	5,219,866	5,238,228
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of land and buildings	17,828	125,802	125,019	55,493	178,466
Proceeds from sales of infrastructure, plant and equipment	30,038	28,947	35,839	35,947	36,160
Proceeds from sales of specialist military equipment	1,506	-	-	-	-
Other cash received	340,767	-	-	-	-
Total cash received	390,139	154,749	160,858	91,440	214,626
Cash used					
Purchase of land and buildings	1,422,382	1,402,716	1,236,046	1,435,540	1,675,372
Purchase of infrastructure, plant and equipment	352,752	312,209	331,133	318,998	282,868
Purchase of specialist military equipment	4,994,125	5,909,660	5,397,600	4,444,257	5,051,635
Purchase of intangibles	180,716	26,595	31,446	11,286	1,892
Purchase of inventory	1,120,136	1,268,663	1,306,381	1,243,193	1,214,394
Purchase of heritage and cultural assets	5	-	-	-	-
Selling costs on sale of assets	28,340	23,184	34,230	40,105	8,405
Finance costs	67,887	77,677	75,478	69,152	63,462
Other cash used	-	-	-	-	-
Total cash used	8,166,343	9,020,704	8,412,314	7,562,531	8,298,028
Net cash from or (used by) investing activities	-7,776,204	-8,865,955	-8,251,456	-7,471,091	-8,083,402
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	4,011,496	3,690,961	3,188,466	2,336,170	2,897,517
Total cash received	4,011,496	3,690,961	3,188,466	2,336,170	2,897,517
Cash used					
Repayment of debt	62,724	68,723	76,873	84,945	52,343
Cash to the Official Public Account ⁽¹⁾	1,593,035	-	-	-	-
Total cash used	1,655,759	68,723	76,873	84,945	52,343
Net cash from or (used by) financing activities	2,355,737	3,622,238	3,111,593	2,251,225	2,845,174

Defence Portfolio Additional Estimates Statements 2010-11

	2009-10 Actual Result \$'000	2010-11 Revised Estimate \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
Net increase or (decrease) in cash and cash equivalents held	20,075	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	124,737	144,666	144,666	144,666	144,666
Effect of exchange rate movements on cash and cash equivalents	-146	-	-	-	-
Cash and cash equivalents at the end of the reporting period	144,666	144,666	144,666	144,666	144,666

Note

1. Return of proceeds from the sales of property, net of the cost of sales and drawdown from the OPA.

**Table 73: Consolidated Defence/DMO Budgeted Administered Statement of Cash Flows
(for the period ended 30 June)**

	2009-10 Actual Result \$'000	2010-11 Revised Budget \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	3,888	6,960	7,315	7,322	7,329
Military superannuation contributions	1,078,417	1,080,578	1,136,131	1,175,898	1,209,046
Fees	6,022	9,226	11,708	13,874	15,933
Net GST received	-	-	-	-	-
Other	53,217	74,615	53,667	57,135	56,471
Total cash received	1,141,544	1,171,379	1,208,821	1,254,229	1,288,779
Cash used					
Subsidies paid	62,733	107,739	132,511	153,116	172,494
Military benefits	1,668,846	1,955,600	1,982,100	2,007,900	2,081,400
Other	-	-	-	-	-
Total cash used	1,731,579	2,063,339	2,114,611	2,161,016	2,253,894
Net cash from or (used by) operating activities	-590,035	-891,960	-905,790	-906,787	-965,115
INVESTING ACTIVITIES					
Cash received					
Dividends	47,344	48,987	46,393	49,040	50,230
Total cash received	47,344	48,987	46,393	49,040	50,230
Cash used					
Loans ¹⁾	40,480	44,100	-	-	-
Investment	161,000	-	-	-	-
Total cash used	201,480	44,100	-	-	-
Net cash from (used by) investing activities	-154,136	4,887	46,393	49,040	50,230
Net increase (decrease) in cash held	-744,171	-887,073	-859,397	-857,747	-914,885
Cash at the beginning of the reporting period	-	1	-	-	-
Cash from the Official Public Account for appropriations	1,960,115	2,107,439	2,114,611	2,161,016	2,253,894
Cash to the Official Public Account	-1,215,943	-1,220,367	-1,255,214	-1,303,269	-1,339,009
Effect of exchange rate movements on cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents at the end of the reporting period	1	-	-	-	-

Note

1. Includes payments to CAC Act bodies.

Table 74: Consolidated Defence/DMO Budgeted Income and Expenses Administered on behalf of Government (for the period ended 30 June)

	2009-10 Actual Result \$'000	2010-11 Revised Budget \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Non-taxation					
Interest	4,318	6,960	7,315	7,322	7,329
Dividends	52,653	46,393	49,040	50,230	52,055
Military superannuation contributions	1,071,271	1,080,578	1,136,131	1,175,898	1,209,046
Fees	6,322	9,226	11,708	13,874	15,933
Other ⁽¹⁾	31,084	42,191	29,531	28,867	27,993
Total non-taxation	1,165,648	1,185,348	1,233,725	1,276,191	1,312,356
Total revenues administered on behalf of Government	1,165,648	1,185,348	1,233,725	1,276,191	1,312,356
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Subsidies	62,304	107,739	132,511	153,116	172,494
Military retention benefits	40,399	39,223	52,443	64,223	77,103
Military superannuation benefits	3,560,253	3,630,000	3,756,000	3,916,000	4,088,000
Other	211	-	-	-	-
Total expenses administered on behalf of Government	3,663,167	3,776,962	3,940,954	4,133,339	4,337,597

Note

1. This includes an amount for a DHA competitive neutrality payment.

Table 75: Consolidated Defence/ DMO Budgeted Assets and Liabilities Administered on behalf of Government (as at 30 June)

	2009-10 Actual Result \$'000	2010-11 Revised Budget \$'000	2011-12 Forward Estimate \$'000	2012-13 Forward Estimate \$'000	2013-14 Forward Estimate \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash and cash equivalents	1	-	-	-	-
Receivables	66,654	64,060	66,707	67,896	69,721
Investments accounted for using the equity method	2,174,330	2,174,330	2,174,330	2,174,330	2,174,330
Loans	40,480	84,580	84,580	84,580	84,580
Total financial assets	2,281,465	2,322,970	2,325,617	2,326,806	2,328,631
Non-financial assets					
Prepayments	122,515	156,892	170,549	165,226	152,523
Total non-financial assets	122,515	156,892	170,549	165,226	152,523
Total assets administered on behalf of Government	2,403,980	2,479,862	2,496,166	2,492,032	2,481,154
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Provisions					
Superannuation - DFRDB ⁽¹⁾	28,558,700	25,774,000	25,791,000	25,788,000	25,751,000
Superannuation - MSBS ⁽²⁾	19,683,000	18,275,000	20,099,000	22,068,000	24,178,000
Total provisions	48,241,700	44,049,000	45,890,000	47,856,000	49,929,000
Payables					
Other	40,970	40,970	40,970	40,970	40,970
Total payables	40,970	40,970	40,970	40,970	40,970
Total liabilities administered on behalf of Government	48,282,670	44,089,970	45,930,970	47,896,970	49,969,970

Notes

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

NOTES TO THE BUDGETED FINANCIAL STATEMENTS

Note 1 – Key Accounting Policies

1.1 Budgeted Financial Statements Overview

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

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

Departmental activities are those over which Defence has discretion, responsibility and authority and are controlled by Defence in its own right. Departmental financial statements represent the financial performance of Defence in delivering its outputs. Departmental expenses include employee and supplier expenses and other administrative costs which are incurred by Defence in providing its goods and services.

Administered activities involve the management or oversight by Defence, on behalf of the Government, according to set Government directions, of which Defence does not have management control. These include military superannuation contributions, payments received from the United Nations and foreign governments, bank interest and dividends paid by DHA.

The continued existence of Defence in its present form, and with its present outcomes and related programs, is dependant on Australian government policy and on continuing appropriations by Parliament for Defence's administration and the running of programs.

Note that the term 'budgeted financial statements' and 'statements' are used interchangeably.

1.2 Appropriations in the Accrual Budgeting Framework

Under the Government's accrual budgeting framework, separate annual appropriations are provided for:

- departmental outputs appropriations (representing the Government's funding for outputs from agencies)
- departmental capital appropriations (representing increases in equity through funding non-expense payments)
- administered expense appropriations (representing estimated administered expenses relating to an existing outcome or a new outcome)
- administered capital appropriations (representing investments by the Government for either additional equity in or loans to agencies)
- special appropriations fund the majority of payments from the Consolidated Revenue Fund (especially those that are entitlement driven).

1.3 Basis of Preparation of the Financial Statements

The budgeted statements have been prepared in accordance with:

- Finance Minister's Orders (FMOs), (Financial Statements for reporting periods ending on or after 1 July 2009)
- applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB)
- *Portfolio Additional Estimates Statements 2010-11* guidance.

The budgeted financial statements have been prepared on an accrual basis and are in accordance with the historic cost convention, except for certain assets which, as noted (refer to items 1.8 and 1.10), are at fair value. Except where stated no allowance is made for the effect of changing prices on the results or financial position.

Administered revenues, expenses, assets and liabilities and cash flows reported in the Schedule of Administered Items are accounted for on the same basis and using the same policies as for departmental items, except as otherwise stated in Note 1.18.

1.4 Revenue

Revenue from Government

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

Defence draws down appropriations on a just-in-time basis. The undrawn departmental appropriations are reflected as a receivable and are available to be drawn down to meet future obligations. Appropriations receivable are recognised at their nominal amounts.

Sale of Goods and Rendering of Services

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

Gains

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

1.5 Transactions with the Australian Government as Owner

Equity Injection

Amounts appropriated as equity injections (less any formal reductions) are recognised directly in contributed equity in that year.

Other Distributions to Owners including Return of Capital

Distributions to owners excluding dividends (including returns to the OPA) are debited to Contributed Equity.

1.6 Cash and Cash Equivalents

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

1.7 Receivables

Receivables for goods and services are generally receivable within the short term and are measured at their nominal amounts less any impairment losses. The collectability of receivables is assessed periodically with the impairment being recognised as an allowance for doubtful debts when there is objective evidence that Defence will not be able to collect the debt. No allowance is made for Australian Government, foreign government and employee debts as they are deemed to be collectable unless there is objective evidence to the contrary.

1.8 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

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

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

Asset Recognition Threshold

Purchases of property, plant and equipment, including land, buildings and infrastructure are recognised initially at cost in the Balance Sheet where they meet the individual asset recognition threshold. Individual items are capitalised where their value is equal to or exceeds \$5,000 for buildings, infrastructure and heritage and cultural assets; \$2,000 for other plant and equipment; and \$0.01 for specialist military equipment and land.

Subsequent Valuations

Land, buildings, infrastructure, heritage and cultural and other plant and equipment are measured and disclosed at fair value less any accumulated depreciation and accumulated impairment losses. Specialist military equipment is carried at cost less any accumulated depreciation and accumulated impairment losses, in accordance with the FMOs.

Following initial recognition at cost, valuations are conducted with sufficient frequency to ensure that the carrying values of assets do not materially differ from the assets fair value as at reporting date.

Depreciation

Depreciation rates (useful lives) are determined upon acquisition and are reviewed at each subsequent reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated only when assets are re-valued.

Property, plant and equipment items having limited useful lives are systematically depreciated over their estimated useful lives on a straight-line basis.

Heritage and cultural assets within Defence have been assessed to have indefinite lives and are therefore not subject to depreciation. These heritage and cultural assets are stored, managed, displayed, repaired and restored in ways that will maintain their cultural or heritage value over time for an indefinite period.

Impairment

Property, plant and equipment items are assessed annually for indications of impairment. Where indications of impairment exist the asset's recoverable amount is estimated and compared to the asset's carrying amount. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to the recoverable amount and the reduction is to be shown as an impairment loss expense.

Decontamination, Restoration and Decommissioning Costs

Where a legal or constructive obligation arises upon acquisition to restore an asset back to its original condition, or dismantle an asset at the end of its useful life, the net present value of estimated restoration costs are capitalised and added to the cost of the underlying asset and depreciated over the asset's useful life.

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

At the same time a corresponding provision is recognised for these costs. The carrying amount of the provision is adjusted to reflect the passage of time and any incremental costs are recognised as finance costs.

Assets Under Construction (AUC)

Assets Under Construction (AUC) are carried at cost, and are not revalued. They include expenditure to date on major military capability and facilities projects. AUC projects are reviewed annually for indicators of impairment. Prior to rollout into service, the accumulated AUC balance is reviewed to ensure accurate capitalisation.

Asset Disposals

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

1.10 Intangible Assets

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

Acquired intangible assets may form part of the acquisition of particular tangible assets. Where the intangible asset is inseparable from the underlying tangible asset, it is reflected in the value of the tangible asset.

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

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

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

1.11 Inventory

Defence holds inventory for its own use and does not ordinarily hold inventory for sale. Inventory held for use is valued at cost adjusted where applicable for loss of service potential. Any sales of inventory relates to disposal of inventory surplus to requirements and minor fuel sales.

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

1.12 Suppliers and Other Payables

Defence's suppliers and other payables are generally payable within the short term and are recognised at the amount of cash or cash equivalents required to settle the liability. Liabilities are recognised to the extent that the goods or services have been received (irrespective of being invoiced).

1.13 Employee Benefits

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

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

Liabilities for wages and salaries (including non-monetary benefits), annual leave and other entitlements expected to be settled within 12 months of the reporting date are measured at their nominal amounts which are calculated with regard to the rates expected to be paid on settlement of the liability. All other employee benefits (including long service leave) are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

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

The leave liabilities are calculated on the basis of employees' remuneration, including Defence's employer superannuation contribution, at the estimated rates that will be applied at the time that leave is taken, to the extent that the leave is likely to be taken during service rather than paid out on termination.

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

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

Separation and Redundancy

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

Superannuation

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

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

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

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

1.14 Leases

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

Where an asset is acquired by means of a finance lease, the asset is capitalised and recognised at the lower of the fair value of the leased asset and the present value of minimum lease payments at the inception of the contract and a corresponding liability is also recognised at this time for the same amount. The discount rate used to calculate the present value of the minimum lease payments is the interest rate implicit in the lease. Assets acquired under a finance lease are amortised over the useful life of the asset. Lease payments are allocated between the principal component and the interest expense.

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

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

1.15 Foreign Currency

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

1.16 Taxation

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

Revenues, expenses and assets are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office
- for receivables and payables (which are shown inclusive of GST in the Budgeted Balance Sheet).

1.17 Insurance

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

1.18 Schedule of Budgeted Administered Activities

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

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

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

Administered Revenue

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

Administered Expenses

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

Administered Investments

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

Military Retention Benefits

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

Military Superannuation

The DFRDB and the MSBS are defined benefit superannuation plans for ADF members. Contributions, benefit payments and the provision for unfunded obligations are reflected in the Budgeted Schedule of Administered Items.

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

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

Defence Home Owner Subsidy Scheme

Defence administers the Defence Home Owner Subsidy scheme and the Defence Home Ownership Assistance scheme on behalf of the Government.

Subsidy liabilities are recognised to the extent that: (i) the services required to be performed by the recipient have been performed; or (ii) eligibility criteria have been satisfied, but payments due have not been made.

Payments to CAC Act Bodies

Defence is the responsible agency for DHA CAC Act body appropriation payments. CAC Act body appropriation payments and receipts to or from DHA are classified either as administered expenses or revenues, loans receivable or an adjustment to the carrying amount of the investment held in Defence. Loan appropriation payments and receipts prior to 2008-09 are recognised only in the Budgeted Cash Flow Statement.

