

PORTFOLIO OVERVIEW

Key 2012-13 Cash Budget Statistics		
	\$'m	%
Total Departmental Appropriations		
comprised of:		
Employees	10,385.4	42.9%
Capital	5,263.7	21.8%
Operating	8,538.8	35.3%
Total Departmental Appropriations	24,188.0	
Major Components of the Budget Include:		
Defence Operations		
2012-13 expenditure is comprised of:		
Operation Slipper (Afghanistan)	1,189.8	77.1%
Enhanced Force Protection in Afghanistan	211.5	13.7%
Operation Astute (East Timor)	87.6	5.7%
Operation Anode (Solomon Islands)	42.9	2.8%
Operation Resolute (Coastal Surveillance)	9.5	0.6%
Operation Kruger (Embassy Security in Bagdad)	1.9	0.1%
Total Defence Operations	1,543.3	
Capital Investment Program		
comprised of:		
Defence Capability Plan	275.8	6.0%
Approved Major Capital Equipment Investment Program	3,138.3	68.2%
Facilities (Approved and Unapproved)	1,018.9	22.1%
Other Investment	171.9	3.7%
Total Capital Investment Program	4,604.9	
Sustainment	4,600.7	
Defence Workforce		
comprised of:		
Military Employees	8,232.1	79.3%
Civilian Employees	2,153.3	20.7%
Total Defence Workforce	10,385.4	

PORTFOLIO OVERVIEW

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

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

In practice, these bodies have to work together closely and are broadly regarded as one organisation known simply as Defence (or the Australian Defence Organisation).

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

The Defence portfolio also contains the Department of Veterans' Affairs (DVA) and associated bodies, as designated in the Administrative Arrangements Order. The DVA is administered separately to Defence.

MINISTERS AND THEIR PORTFOLIO RESPONSIBILITIES

Changes Affecting the Portfolio

Following the Prime Minister's announcement on changes to the Ministry, on 5 March 2012, the Hon. Jason Clare MP was sworn in as the Minister for Defence Materiel, replacing Senator the Hon. Kim Carr. The Ministers and their portfolio responsibilities are as follows:

THE HON STEPHEN SMITH MP – MINISTER FOR DEFENCE

- General:
 - oversight of all aspects of the Defence portfolio
 - lead on all Cabinet submissions
- Strategic Policy
- Operations and Intelligence
- International Policy
- Force Structure and Force Posture
- Strategic Reform Program
- Budget and Finance
- Defence estate policy and major projects
- Military Justice System
- Defence Export Controls
- White Paper 2013 Processes
- Strategic aspects of:
 - Defence estate policy and major projects
 - Project SEA 1000
 - New Air Combat Capability
- Capability Responsibilities:
 - Development of the Defence Capability Plan (DCP) and the alignment of the DCP with the Defence Planning Guidance
 - DCP programming and budgeting
 - Processing of unapproved projects up to and including Second-Pass stage.

THE HON WARREN SNOWDON MP – MINISTER FOR DEFENCE SCIENCE AND PERSONNEL

Specific responsibilities allocated to Mr Snowdon are:

- Science and technology policy including:
 - strategic direction
 - external engagement
 - support to operations
 - support to the force-in-being
 - enabling research
- Personnel policy including:
 - workforce planning
 - recruitment and retention
 - pay and superannuation
 - equity and diversity
 - personnel support
 - Defence families and community organisations
 - housing policy
 - health (including Occupational Health and Safety).

THE HON JASON CLARE MP – MINISTER FOR DEFENCE MATERIEL

Specific responsibilities allocated to Mr Clare are:

- Defence materiel acquisition
- Sustainment issues
- Tendering and contracting for materiel acquisition
- Industry capacity, structure, policy and engagement
- Skills policy
- Equipment disposal
- Science and technology matters as they relate to capability development, materiel acquisition and sustainment
- Capability Responsibilities:
 - Acquisition strategy throughout the capability approval process
- Assist the Minister for Defence on:
 - Development of the DCP
 - DCP programming and budgeting
 - Processing of unapproved projects up to and including Second-Pass stage.

SENATOR THE HON DAVID FEENEY – PARLIAMENTARY SECRETARY FOR DEFENCE

Specific responsibilities allocated to Senator Feeney are:

- Garrison services and administration of Defence estate policy
- Facilities, infrastructure and property
- Reserves policy
- Cadets
- Honours and Awards
- Nature of Service Review
- ADF Parliamentary exchange program
- Aircraft noise and abatement
- Education and training^[1]
- Assistance to the Minister for Defence on:
 - ICT matters
 - Pacific policy
 - Force structure.

THE HON MIKE KELLY MP – PARLIAMENTARY SECRETARY FOR DEFENCE

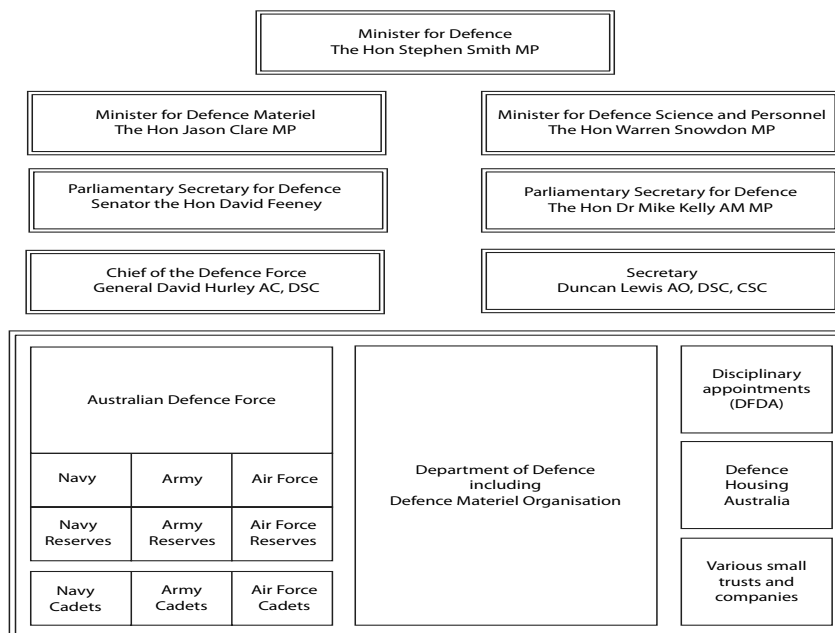
Specific responsibilities allocated to Dr. Kelly are:

- Assisting the Minister for Defence in the Afghanistan Transition
- UN Peacekeeping including assistance to the Minister for Defence on policy aspects
- Peace Operations Training Centre
- Australian Civil-Military Centre
- Asia-Pacific Centre for Military Law

1. The Parliamentary Secretary for Defence has prime carriage of education and training, but he will consult the Minister for Defence Science and Personnel on matters in relation to overall personnel policy.

PORTFOLIO STRUCTURE AND OUTCOMES

Figure 1: Defence portfolio structure and outcomes



Department of Defence

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

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

Defence Materiel Organisation (Prescribed Agency within the Department)

Chief Executive Officer: Mr Warren King

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

Defence Housing Australia

Managing Director: Mr Michael Del Gigante

Mission: To deliver total housing and related services that meet Defence operational and client needs through a strong customer and business focus.

Portfolio Resource Statement

Table 1: Portfolio Resources^[1]

	Departmental Bill No. 1	Appropriation Bill No. 2	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Department of Defence								
Administered appropriations	-	-	-1,344.6	4,227.4	2,882.8	1,344.6	-	4,227.4
Departmental appropriations	23,269.9	-	-90.3	-	23,179.6	1,037.9	-	24,217.4
Total Department of Defence	23,269.9	-	-1,434.9	4,227.4	26,062.4	2,382.5	-	28,444.9
	Departmental Bill No. 1	Appropriation Bill No. 2	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Defence Materiel Organisation								
Administered appropriations ^[2]	-	-	-	-	-	-	-	-
Departmental appropriations	928.5	-	-	-	928.5	8,190.6	-	9,119.1
Total Defence Materiel Organisation	928.5	-	-	-	928.5	8,190.6	-	9,119.1
	Departmental Bill No. 1	Appropriation Bill No. 2	Return to the OPA	Special Appropriation	Total Appropriation	Non- Appropriation Receipts	Other Non- Appropriated Items	Total Resources Available
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Defence Housing Australia								
Administered appropriations	-	-	-	-	-	-	-	-
Departmental appropriations	-	-	-	-	-	967.3	-	967.3
Total Defence Housing Australia	-	-	-	-	-	967.3	-	967.3
Total Portfolio	24,198.3	-	-1,434.9	4,227.4	26,990.9			

Note

- Figures shown include interagency transactions.
- DMO receives interest receipts from overseas bank accounts which are returned to the OPA and do not form part of DMO's resources. The estimated amount for 2012-13 is \$1m.

Table 2: Total Departmental and Administered Consolidation Cash Budget for the Department of Defence (including DMO)^[1]

	2012-13 Estimate \$m
APPROPRIATIONS AND CAPITAL	
Appropriation (Bill 1)	24,188.0
Appropriation - Contributed Equity (Bill 2)	-
Appropriations for military superannuation ^[2]	2,019.9
less Returns to the OPA	-1,435.9
Total Cash Available	24,771.9
OPERATING ACTIVITIES	
Cash received	
Goods and services	400.7
Net GST received	1,203.1
Interest	32.8
Other cash	167.0
Fees	10.0
Total cash received	1,813.6
Cash used	
Employees	9,170.3
Suppliers	8,870.3
Net GST paid	1,203.1
Grants	73.0
Other cash used	33.9
Subsidies paid	109.2
Military benefits	1,910.6
Total cash used	21,370.5
Net cash from or (used by) operating activities	-19,556.8
INVESTING ACTIVITIES	
Cash received	
Proceeds from sales of land and buildings	97.9
Proceeds from sales of infrastructure, plant and equipment	28.7
Dividends	48.6
Total cash received	175.3
Cash used	
Purchase of land and buildings	873.2
Purchase of infrastructure, plant and equipment	419.9
Purchase of specialist military equipment	2,936.0
Purchase of intangibles	11.3
Purchase of inventory	988.8
Selling costs on sale of assets	4.2
Finance costs	77.4
Total cash used	5,310.8
Net cash from or (used by) investing activities	-5,135.5
FINANCING ACTIVITIES	
Cash used	
Repayment of debt	79.6
Total cash used	79.6
Net cash from or (used by) financing activities	-79.6
Net increase or (decrease) in cash and cash equivalents held	-
Cash and cash equivalents at beginning of the reporting period	115.9
Effect of exchange rate movements on cash and cash equivalents	-
Cash and cash equivalents at end of the reporting period	115.9

Notes

- Figures shown eliminate interagency transactions flowing between Departmental and Administered funding.
- Includes \$918m of appropriation planned to be drawn down by DMO.
- Cross references with Table 75 Consolidated Budgeted Administered Statement of Cash Flows for the Department of Defence (including DMO) for the period ended 30 June.

Defence (including Defence Materiel Organisation) Workforce

Following a period of historically low separation rates that led ADF to exceed its budgeted workforce strength in 2010-11, the measures implemented to correct the overachievement have succeeded and the ADF workforce has now returned to its budgeted strength. It is expected to remain so over the Forward Estimates period.

The Australian Public Service (APS) workforce will reduce to 21,195 in 2012-13 from the 2011-12 projected result of 21,841. Reductions to the net APS workforce will result from planned reductions in duplication of effort in the Defence organisation in the areas of administrative and corporate functions. There has been ongoing examination into identifying initiatives that will streamline and improve administrative and corporate functions, including the use of new Information and Communications Technology (ICT). Shared Services reform will facilitate the reduction of 1,000 in overall forecast growth from financial year 2011-12 through to 2013-14 as announced in the *Portfolio Budget Statements 2011-12*.

In addition to the above reductions to the civilian workforce, which flow from decisions made in previous years, Defence will make further savings through ongoing reductions to its civilian numbers of an additional 666 in 2012-13 and 334 in 2013-14, a total of 1,000 further reductions. This reduction has initially been allocated as a proportional reduction of 5 per cent across each Group, pending a more comprehensive review of the requirements across Groups in the new financial year. The reductions will be achieved primarily through a combination of natural attrition, tightening of recruitment practices and other measures. Defence will work systematically to identify where the savings are to be found within Groups.

Care will be taken in this program of reductions to not reduce standards of service in priority areas of Defence including support to operations.

These reductions are partially offset by factors including investment associated with future Force capability development initiatives, and Workforce and Shared Services Reform-related civilianisation of non-combat related military positions and conversions from contractors to less costly APS positions.

Table 3: Defence and DMO Consolidated Workforce Table

	2011-12 Estimated Actual	2012-13 Budget Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
ADF					
ADF Permanent Force ^[1]	57,882	58,636	58,589	58,872	59,018
Reserves ^[2]	21,250	21,650	22,595	22,795	22,995
1 Total ADF Workforce	79,132	80,286	81,184	81,667	82,013
APS					
Defence APS	15,848	15,651	15,241	14,880	14,698
DMO APS	5,993	5,544	5,608	5,830	5,849
2 Total APS	21,841	21,195	20,849	20,710	20,547
Contractor^[3]					
Defence Contractor	483	488	450	447	449
DMO Contractor	31	48	48	48	46
3 Total Contractor	514	536	498	495	495
Total Workforce Strength (1+2+3)	101,487	102,017	102,531	102,872	103,055

Notes

1. Numbers for ADF Permanent Force include ADF members in the DMO, and Reservists on Continuous Full Time Service.
2. Numbers for Reserves include Active and High Readiness Reserve members.
3. Contractors are individuals under contract performing agency roles. Contractors are not APS Employees.