

DEPARTMENT OF DEFENCE

Section 1: Defence Overview and Resources

1.1 STRATEGIC DIRECTION STATEMENT

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

Defence will continue to contribute to the international coalition to disrupt, degrade and defeat Daesh in Iraq. Defence's contribution currently consists of an Air Task Group, a Special Operations Task Group, and a Building Partner Capacity force to provide training support to Iraq's security forces.

Over 2015-16, Defence will also continue to support security, governance and development in Afghanistan through the NATO-led Resolute Support Mission.

Enhancing defence engagement with allies and security partners in the Indo-Pacific region will remain a priority.

A new Defence White Paper will be released in the second half of 2015. The White Paper will set out the Government's strategic direction for Defence, and will be accompanied by a ten-year Defence Capability Plan.

During 2015-16, Defence will build capacity to protect Australia's interests through the introduction of new capabilities, including ten C-27J Spartan battlefield airlifters to be delivered over the next two years, and the continuing delivery of 24 MH-60R Seahawk Romeo helicopters. Army will continue the implementation of Plan BEERSHEEBA, to best posture Army to respond to the full spectrum of possible operational commitments.

1.2 DEFENCE RESOURCE STATEMENT

Table 2: Total Defence Resourcing

Serial No.	2014-15 Estimated Actual \$'000		2015-16 Previous Estimate \$'000	2015-16 Budget Estimate ^[1] \$'000	Variation \$'000	2016-17 Forward Estimate \$'000	2017-18 Forward Estimate \$'000	2018-19 Forward Estimate \$'000
Defence resourcing								
1	26,349,322	Appropriation for departmental outcomes	27,016,201	28,976,236	1,960,035	28,582,387	30,034,828	31,106,731
2	2,758,491	Equity injection appropriation	2,440,165	2,875,209	435,044	2,516,263	3,568,920	4,889,446
3	-	Prior year appropriation	-	-	-	-	-	-
4	29,107,813	Current year's appropriation (1 + 2 + 3)	29,456,366	31,851,445	2,395,079	31,098,650	33,603,748	35,996,177
5	-71,357	Draw down of appropriations carried forward	-	-	-	-	-	-
6	-	Other appropriation receivable movements	-	-	-	-	-	-
7	-853	Return (to)/from the Official Public Account ^[2]	-875	11,817	12,692	-77,346	-46,070	-8,066
8	-72,210	Funding from / to the OPA (5 + 6 + 7)	-875	11,817	12,692	-77,346	-46,070	-8,066
9	29,035,603	Funding from Government (4 + 8)	29,455,491	31,863,262	2,407,771	31,021,304	33,557,678	35,988,111
10	128,153	Capital receipts	229,908	226,974	-2,934	44,978	57,628	42,045
11	933,314	Own source revenue (s74 receipts) ^[3]	860,058	605,115	-254,943	556,207	580,640	612,615
12	-	Prior year receipts	-	-	-	-	-	-
13	1,061,467	Funding from other sources (10 + 11 + 12)	1,089,966	832,089	-257,877	601,185	638,268	654,660
14	30,097,070	Total Defence funding (9 + 13)	30,545,457	32,695,351	2,149,894	31,622,489	34,195,946	36,642,771
Administered								
15	6,002,415	Administered special appropriations	5,120,549	5,230,392	109,843	5,371,044	5,517,572	5,679,713
16	1,452,206	Own source revenue	1,459,075	1,477,817	18,742	1,359,133	1,292,326	1,234,268
17	-1,452,206	Returns to the Official Public Account	-1,459,075	-1,477,817	-18,742	-1,359,133	-1,292,326	-1,234,268
18	6,002,415	Total Administered funding (15 + 16 + 17)	5,120,549	5,230,392	109,843	5,371,044	5,517,572	5,679,713
19	36,099,485	Total Defence resourcing (14 + 18)	35,666,006	37,925,743	2,259,737	36,993,533	39,713,518	42,322,484
Appropriation carried forward								
20	414,742	Appropriation receivable including previous year's outputs	-	171,222	171,222	158,530	199,620	243,408
21	35,490	Cash in bank	12,732	142,732	130,000	142,732	142,732	142,732
22	450,232	Total appropriations carried forward (20 + 21)^[4]	12,732	313,954	301,222	301,262	342,352	386,140

Notes

- The 2015-16 Budget Estimate varies to the 2015-16 Previous Estimate by \$2,395.1m as a result of:
 - Budget Measures and Adjustments for 2015-16 of \$1,483.4m.
 - In accordance with the First Principles Review, the Defence Materiel Organisation has transferred to the Department of Defence from 2015-16, and as a result, \$805.0m is included in Defence's Departmental appropriations at Serial No 1.
 - Budget adjustments of \$106.7m regarding DMO direct appropriation transfers relating to reduced operating costs between 2014-15 Additional Estimates and 2015-16 Budget.
- Represents net transfers to and from the Official Public Account.
- All figures are net of GST.
- The 2015-16 Budget Estimate varies to the 2015-16 Previous Estimate by \$301.2m as a result of the DMO Special Account being brought to account in Defence. This Special Account will be reviewed taking into account the sunset provisions of the *Legislative Instruments Act 2003*.

1.3 BUDGET MEASURES

2015-16 Budget Measures and Other Budget Adjustments

Table 3: Defence 2015-16 Budget Measures

	Programme	2014-15 Estimated Actual \$m	2015-16 Budget Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	Total Forward Estimates \$m	
Departmental Budget Measures								
Expenditure Measures								
	Operation Okra - continued support	2.2	-	359.8	11.8	10.0	-	381.6
	Operation Accordion - extension	2.2	-	189.3	1.4	0.6	-	191.3
	Operation Highroad	2.2	-	115.1	11.3	7.9	-	134.4
	Operation Manitou	2.2	-	40.3	0.5	0.5	-	41.3
	Operation Resolute - extension	3.1	-	48.1	5.7	-	-	53.8
	Sir John Monash Centre - Villers-Bretonneux, France ^[1]	1.9	-	-	-	-	-	-
	Digital Transformation Agenda - Portfolio Contributions	1.10	-	-1.4	-1.4	-1.4	-1.4	-5.8
	Smaller Government - Defence Materiel Organisation - reintegration into the Department of Defence	various	-	-	-	-	-	-
Total Departmental Budget Measures			-	751.2	29.2	17.6	-1.4	796.6
Other Departmental Budget Adjustments								
	Foreign exchange ^[2]	various	320.3	732.2	681.0	688.7	696.6	2,798.5
Total Other Departmental Budget Adjustments			320.3	732.2	681.0	688.7	696.6	2,798.5
Variation to Defence Departmental Funding			320.3	1,483.4	710.3	706.3	695.2	3,595.2

Notes

1. The cost of this measure will be met from within existing resourcing of the Department of Defence.
2. This other Departmental budget adjustment has also been included in the 2014-15 Portfolio Supplementary Additional Estimates.

Operations Summary

Table 4: Net Additional Cost of Operations from 1999-00 to 2018-19

	1999-00 to 2013-14 Actual Result \$m	2014-15 Estimated Actual \$m	2015-16 Budget Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
Operation Astute	4,311.9	-	-	-	-	-
Operation Bel Isi	47.7	-	-	-	-	-
Operation Slipper	6,924.8	267.5	121.9	103.9	-	-
Operation Manitou	-	52.0	43.2	2.2	0.5	-
Operation Accordion	-	120.2	191.0	1.4	0.6	-
Operation Highroad	-	82.4	115.1	11.3	7.9	-
Operation Resolute	175.0	59.7	48.7	5.7	-	-
Operation Catalyst	2,364.5	-	-	-	-	-
Operation Okra	-	260.8	390.8	17.5	10.0	-
Operation Anode	355.2	0.1	-	-	-	-
Operation Sumatra Assist	44.5	-	-	-	-	-
Operation Acolyte	10.5	-	-	-	-	-
Operation Deluge	6.7	-	-	-	-	-
Operation Pakistan Assist	9.8	-	-	-	-	-
Operation Outreach	14.6	-	-	-	-	-
Operation Kruger	45.3	-	-	-	-	-
Operation Southern Indian Ocean	10.8	3.0	-	-	-	-
Enhanced Force Protection in Afghanistan	540.0	16.2	-	-	-	-
Defence Support to 2014 G20 Summit	0.1	8.0	-	-	-	-
Total Net Additional Costs	14,861.5	869.9	910.7	142.1	19.1	-
Sources of Funding for Operations:						
Government Supplementation	13,230.7	845.5	910.7	142.1	19.1	-
Department of Foreign Affairs and Trade	9.1	-	-	-	-	-
Department of Defence (Absorbed)	1,621.7	24.3	-	-	-	-
Total Cost	14,861.5	869.9	910.7	142.1	19.1	-

1.4 CAPITAL INVESTMENT PROGRAMME

Table 5: Capital Investment Programme

Serial No.		2015-16 Budget Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	Total \$m
1	Defence Capability Plan (DCP)	885.5	1,896.8	3,078.3	6,376.3	12,237.0
2	Approved Major Capital Investment Programme	6,157.9	4,586.4	4,894.2	4,558.9	20,197.4
3	Capital Facilities Programme	1,278.5	1,576.7	2,151.9	2,196.6	7,203.8
4	ICT Investment Plan ^[1]	415.3	250.1	20.1	9.2	694.7
5	Minors Programme	164.4	170.1	160.4	174.7	669.6
6	Other Investment ^[2]	893.9	1,102.8	1,166.0	1,312.5	4,475.1
7	Total Capital Investment Programme	9,795.4	9,582.8	11,471.0	14,628.3	45,477.5
	<i>Capital component</i>	<i>8,514.4</i>	<i>8,359.6</i>	<i>10,070.6</i>	<i>12,886.3</i>	<i>39,830.9</i>
	<i>Operating component</i>	<i>1,281.0</i>	<i>1,223.2</i>	<i>1,400.4</i>	<i>1,742.0</i>	<i>5,646.6</i>

Notes

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

2 Includes purchases of plant and equipment, and the capital component of repairable items within the capability sustainment programme.

Table 6: Capability Sustainment Programme

Serial No.		2015-16 Budget Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	Total \$m
	Current Sustainment					
1	Navy Sustainment	2,066.3	2,007.9	2,028.6	2,120.6	8,223.4
2	Army Sustainment	1,584.4	1,528.7	1,485.9	1,522.4	6,121.4
3	Air Force Sustainment	2,255.0	1,969.4	2,063.4	2,041.1	8,328.9
4	Chief Information Officer Sustainment	694.9	682.5	705.8	708.3	2,791.5
5	Vice Chief of the Defence Force Sustainment	57.6	49.3	52.2	52.9	212.1
6	Strategy Sustainment	21.4	18.0	17.3	18.0	74.7
7	Joint Operations Command Sustainment	6.8	6.9	7.2	7.4	28.4
8	Defence Support and Reform Group Sustainment	655.4	473.4	903.9	677.7	2,710.4
	Future Sustainment					
9	Future Sustainment Costs associated with AMCIP, ICT and Facilities	266.4	862.1	1,127.3	1,658.2	3,914.1
10	Total Sustainment	7,608.2	7,598.2	8,391.8	8,806.6	32,404.8

Table 7: Retained Net Capital Receipts

Serial No.		2015-16 Budget Estimate \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	Total \$m
	Property Sales					
	Proceeds from the sale of land and buildings	183.3	0.3	12.0	-	195.6
	Proceeds from the sale of housing	13.1	13.8	14.5	15.2	56.6
	Total proceeds from the sale of property	196.4	14.1	26.5	15.2	252.2
	Costs from the sale of property ^[1]	-26.4	-89.0	-91.3	-0.4	-207.1
1	Net property proceeds retained by Defence	169.9	-74.8	-64.8	14.8	45.1
2	Proceeds from sale of specialist military equipment	7.5	7.5	7.5	7.5	30.2
3	Proceeds from sale of infrastructure, plant and equipment	23.1	23.3	23.6	19.3	89.3
4	Retained Net Capital Receipts (1+2+3)	200.5	-44.0	-33.7	41.7	164.5

Note

1. Costs from the sale of property include remediation works.

1.5 PEOPLE

Workforce Overview

ADF Workforce

The Australian Defence Force (ADF) is forecast to achieve an Average Funded Strength of 57,982 in 2015-16. The ADF has been below its approved allocations since 2011-12. Army's separation rates have decreased since late 2014-15, whereas both Navy and Army have increased their recruitment targets for 2013-14 onwards. As a result, the permanent force strength has increased since January 2014, with it gradually increasing towards the workforce strength approved by Government.

In previous Portfolio Budget Statements, the number of ADF Reserve members has been represented by a simple headcount. While this provided a broad indication of the number of Reservists, it did not adequately describe their contribution to Defence, as some Reservists provide less than one day service per year, while others can provide 20 days or more. To remedy this, Table 10 now shows both the total number of days service provided for each Service, and an estimated headcount of members undertaking paid service.

Civilian Workforce

In line with Government commitments, Defence continues to reduce its Australian Public Service, largely through natural attrition and disciplined recruiting practices.

In 2015-16 Defence's APS workforce will reduce from an estimated 18,950 full time equivalents to 17,900 by the end of 2015-16—a reduction of around 1,050—as illustrated in Table 8 below. The estimated 18,950 full time equivalents at 1 July 2015 represents a reduction of over 1,000 since 1 July 2014. The savings to date are the result of ongoing reform to Defence's business practices, which will continue through the implementation of *Creating One Defence*.

The report of the 2015 First Principles Review, *Creating One Defence*, provides direction in reshaping Defence's structures, systems and processes that will enable it to evolve into a single, integrated system. This will inform the size and shape of Defence's APS workforce in coming years, and work is progressing to develop a workforce plan outlining the distribution, skill requirements and other details of the workforce. While this workforce plan is refined, the tables below show the APS workforce at an indicative 17,800 from 2016-17. Additionally, the forthcoming Defence White Paper and Force Structure Review will influence the size and shape of Defence's workforce, as each of these Reviews may change the shape of the workforce allocation over the coming years for a range of capabilities.

Previous statutory reporting has reflected the DMO's status as a prescribed agency by providing a separate listing for its workforce. The implementation of *Creating One Defence* will see the DMO fully integrated into the Department of Defence, with different DMO elements residing within various parts of the new Defence structure. As such, the DMO workforce will no longer be shown separately.

Table 8: End of Financial Year Full Time Equivalent (FTE) Estimates for 2014-15 and the Forward Estimates

	2014-15 Estimated Actual EOFY FTE	2015-16 EOFY Full Time Equivalent Forecast Outcome	2016-17 Forward estimate	2017-18 Forward estimate	2018-19 Forward estimate
Total APS	18,950	17,900	17,800	17,800	17,800

Workforce Summary

The total full-time Defence workforce average is forecast to be 76,846 in 2015-16, comprising:

- Permanent Forces (75 per cent) of:
 - 14,238 Navy Personnel
 - 29,528 Army Personnel
 - 14,216 Air Force Personnel
- 18,380 APS staff (24 per cent)
- 484 Contractors (less than 1 per cent)

The forecast for the total Active and High Readiness Reserves in 2015-16 is 851,000 days of service performed by an estimated 18,860 members.

Over the forward estimates period, the total workforce (excluding Reserves) will increase by 830 from the forecast of 76,846 in 2015-16 to 77,676 in 2018-19.

Defence's contractor workforce shows an increase of 132 in average terms from 2014-15 to 2015-16. This is due to low contractor engagement in 2014-15 compared to forecasts, and it is likely that actual contractor numbers in 2015-16 will also fall short of approved allocations.

Service providers working under outcomes-based contracts employ their own workforces to support Defence capabilities. These service providers undertake activities such as garrison support, information and communications technology functions and maintenance activities. The size of this workforce cannot be quantified as it is employed by third party organisations that have no obligation to report workforce numbers or arrangements to Defence.

The total planned strength of the Defence workforce is shown in Tables 9 and 10, while a breakdown by Service and rank/level is at Table 11.

Defence People

In 2015-16, there will be significant focus on implementation of the *Defence White Paper*, and other major reviews. This includes strategic and organisational reform required through the First Principles Review, Human Resources (HR) service delivery reform, laying the groundwork for transition to the future force and implementation of a new ADF superannuation scheme for those joining the ADF from 1 July 2016 (and for serving and returning members who choose to join).

Defence will implement workforce reform in accordance with the First Principles Review and develop an updated Strategic Workforce Plan. This will include developing workforce plans for the enabling workforce and APS job families, with a focus on skills and competencies, performance and talent management, work value and span of control for managers. Defence will continue the implementation of an ADF Total Workforce Model to enhance workplace flexibility, increase the retention of skilled people and improve the ability to meet future people capability requirements.

Efforts will continue to create a sustainable, affordable and diverse workforce, which remains a key component of Defence's cultural reform programme. In particular, measures are being taken to increase the representation and employment opportunities for people from culturally and linguistically diverse backgrounds, women, and Indigenous Australians. Specific actions are also under way to support the employment of people with disability. These reforms reflect continued implementation of Defence's Diversity and Inclusion Strategy.

Defence will also generate the required people capability that underpins the White Paper strategy through a more effective and efficient HR framework, including through streamlining HR policies, and governance and IT reform for payroll and HR management systems.

The health, safety and wellbeing of our people is critical for sustaining capability and will be a continuing priority for Defence.

Table 9: Planned Workforce Allocation for the 2015-16 Budget and Forward Estimates—Average Fulltime^[1]

	2014-15 Estimated Actual	2015-16 Budget estimate	2016-17 Forward estimate ^[2]	2017-18 Forward estimate ^[2]	2018-19 Forward estimate ^[2]
ADF Permanent Force^[3]					
Navy	14,061	14,238	14,368	14,416	14,350
Army	29,433	29,528	30,774	31,018	31,018
Air Force	14,094	14,216	14,236	14,125	14,014
1 Total Permanent Force	57,588	57,982	59,378	59,559	59,382
Civilian Employees					
APS	19,360	18,380	17,850	17,800	17,800
Contractors ^[4]	352	484	490	488	494
2 Total Civilian Employees	19,712	18,864	18,340	18,288	18,294
Total Workforce Strength (1 + 2)	77,300	76,846	77,718	77,847	77,676

Notes

1. All numbers for the full-time workforce elements represent average full-time equivalents.
2. Forward Estimates for the full-time workforce elements represent the Government approved strength for each year, noting that the forward estimates for the civilian workforce will be subject to refinement as implementation plans for *Creating One Defence* are further developed.
3. Numbers for ADF Permanent Force include Reservists on full-time service.
4. Contractors are individuals under contract performing agency roles. Contractors are not APS employees.

Table 10: Planned Workforce Allocation for the 2015-16 Budget and Forward Estimates—Reserve^{[1][2]}

	2014-15 Estimated actual: days served (members paid)	2015-16 Budget estimate: days served (members paid)	2016-17 Forward estimate: days served	2017-18 Forward estimate: days served	2018-19 Forward estimate: days served	
Active Reserve Force						
	Navy	80,000 (1,760)	80,000 (1,760)	80,000	80,000	80,000
	Army ^[3]	595,000 (14,500)	595,000 (14,000)	595,000	595,000	595,000
	Air Force	160,000 (2,765)	162,000 (2,830)	159,000	156,000	153,000
1	Sub-total Active Reserve Force	835,000 (19,025)	837,000 (18,590)	834,000	831,000	828,000
High Readiness Reserve						
	Air Force	12,000 (235)	14,000 (270)	17,000	20,000	23,000
2	Sub-total High Readiness Reserve Force	12,000 (235)	14,000 (270)	17,000	20,000	23,000
Total Reserves (1 + 2)		847,000 (19,260)	851,000 (18,860)	851,000	851,000	851,000

Notes

1. As the number of days or hours worked by Reserve members can vary greatly, figures in Table 10 for the 2014-15 Estimated Actual and 2015-16 Budget Estimate show the total number of days service rendered, with a headcount of members rendering paid service in brackets. For the Forward Estimates period, only the estimated number of days served is shown.
2. Table 10 includes the High Readiness Reserve Force, Active Reserve Force and Specialist Reserve Force. Reservists on full-time service in the Permanent Forces are not included in Table 10, only in Table 9.
3. Army has one Reservist serving on a High Readiness Reserve contract.

Table 11: Breakdown of Average Personnel Numbers by Service and Rank^[1]

	2014-15 Estimated Actual	2015-16 Budget Estimate
Navy		
One Star and above	57	56
Senior Officers ^[2]	612	620
Officers	2,816	2,841
Other Ranks	10,576	10,721
Total Navy	14,061	14,238
Army		
One Star and above	79	79
Senior Officers ^[2]	831	834
Officers	5,569	5,587
Other Ranks	22,954	23,028
Total Army	29,433	29,528
Air Force		
One Star and above	53	53
Senior Officers ^[2]	681	660
Officers	4,152	4,302
Other Ranks	9,208	9,201
Total Air Force	14,094	14,216
APS		
Senior Executives ^[3]	160	155
Senior Officers ^[2]	6,243	6,012
Other APS Staff	12,957	12,213
Total APS	19,360	18,380
Contractors		
Contractors ^[4]	352	484
Total Workforce	77,300	76,846

Notes

1. Permanent Forces and APS numbers are forecasts of the average strength for 2014-15.
2. Senior Officers are of Colonel or Lieutenant Colonel rank equivalent and APS Executive Level 1 and 2.
3. The 2015-16 figures for Senior Executive Service include the Secretary, 14 Chiefs of Division and 2 Medical Officers Grade 6.
4. Contractors are individuals under contract performing agency roles. Contractors are not APS employees.