



# **Submission No 19**

## **Review of the Defence Annual Report 2010 - 2011**

**Organisation:** Department of Defence

**Joint Committee on Foreign Affairs, Defence and Trade**

**QUESTIONS ON NOTICE - COMMITTEES**

**Parliamentary Committee**

**2010-11 Defence Annual Report Hearing – 16 March 2012**

**Q6: SRP-Savings**

Mr Macdonald asked on 16 March 2012 (Proof Hansard page 19):

What challenges do you face to get the savings that you are being required to make under SRP?

**Response:**

The portfolio level challenges Defence faces in making the savings required under Strategic Reform Program (SRP) include:

- A range of sustainment and capability issues, including the under-funding of major platforms, have been exposed through processes of review and analysis, both as part of the SRP implementation and through major external reviews, for example the Rizzo review of how the Navy's amphibious fleet is repaired, maintained and sustained.
- Changing budgetary circumstances such as the efficiency dividend, implementing shared services across a complex organisation, and reprogramming the Defence Capability Investment Program which impact short term planning.
- Effecting cultural change to sustain reform and integrate it into business as usual, particularly aligning the SRP with an expanding reform agenda such as Pathways to Change and the Black Accountability Review.

**Joint Committee on Foreign Affairs, Defence and Trade**

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**Q33: Cash Holdings**

Ms Brodtmann provided in writing:

On page 398 of the Defence Annual Report, you report substantial cash holdings in 5A.

- (a) Can you please explain why you keep so much cash on hand and at call?
- (b) Is there an FMA guideline on how much cash can be kept on hand and at call by government agencies?

**Response:**

**Part (a) and (b)**

Defence holds cash on hand and at call in order to meet our operational needs. This level of cash is in accordance with the Department of Finance and Deregulation's (DOFD) policy on working cash limits as established in Estimate Memoranda 2010/48.

The working cash limit for material Financial Management Act 1997 agencies is mathematically calculated as 2 days of the current financial year departmental revenue (as defined as total departmental appropriated amount provided in the applicable Appropriation Acts).

For 2010-11, the allowable working cash limit, based on the 2010-11 Portfolio Budget Statements, was \$141.2 million (2/365 of \$25,772.9 million). Defence's actual cash on hand (\$6.6 million) and at call (\$58.2 million) is much less than that allowed under the DOFD guidelines.