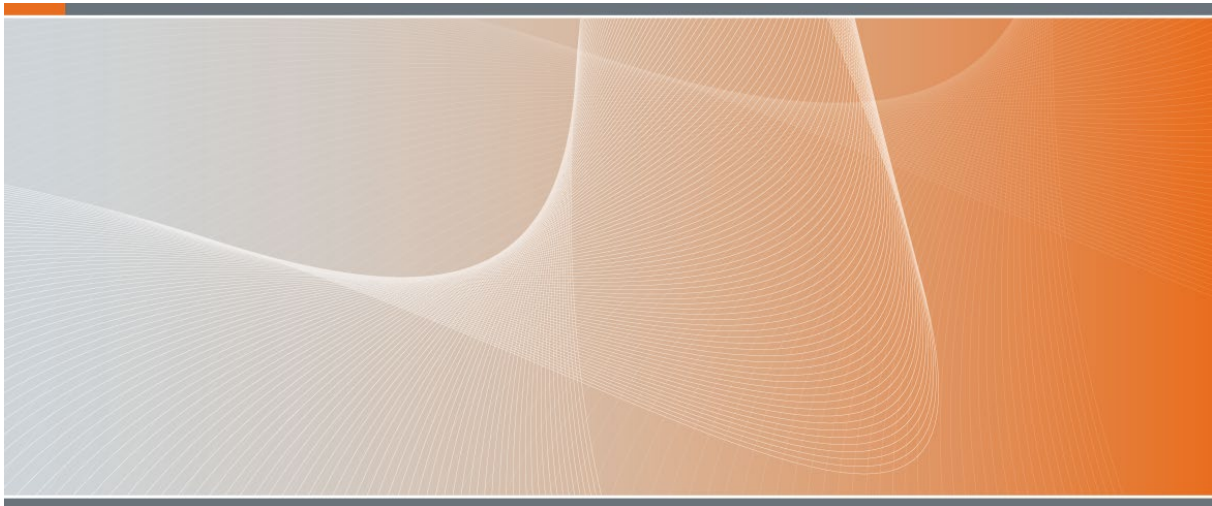


**OFFICIAL**



**Australian Government**  
**Department of Defence**

**DEFENCE CAPABILITY MANUAL**



This document is issued for use by Defence staff involved in development and management of capability and is effective forthwith.

A handwritten signature in black ink, appearing to read 'D Johnston'.

**David Johnston, AO, RAN**  
Vice Admiral  
Vice Chief of the Defence Force



Department of Defence  
CANBERRA ACT 2600

4 April 2022

**OFFICIAL**

© Commonwealth of Australia 2020, 2021, 2022

This work is copyright. Apart from any use as permitted under the [Copyright Act 1968](#), no part may be reproduced by any process without prior written permission from the Department of Defence.

**Sponsor:**

Vice Chief of the Defence Force (VCDF)

**Cancellation**

Defence Capability Manual v1.1 of 3 December 2021

**Developer:**

Investment Portfolio Management Branch (IPMB)

**Publisher:**

Defence Publishing, Library and Information Service  
Department of Defence  
CANBERRA ACT 2600

Proposals for amendment are to be forwarded to:

Director Capability Continuous Improvement  
[CLC.Reform@defence.gov.au](mailto:CLC.Reform@defence.gov.au)  
R3-3-012  
Department of Defence  
CANBERRA ACT 2600

PO Box 7905  
CANBERRA BC ACT 2610

<b>Amendment number</b>	<b>Amendment</b>	<b>Effective date</b>
1.0	Original Edition	22 December 2020
	Correction of typographical errors, Update definitions.	21 January 2021
1.1	Update to Capability Program Architecture, Inclusion of MDP list. Additional links to resources. Update terminology and definitions.	3 December 2021
1.2	Updates to reflect new T&E Manual.	4 April 2022

## CONTENTS

Contents	iii
<b>Chapter 1</b>	<b>1</b>
<b>Capability</b>	<b>1</b>
<b>Foundations</b>	<b>1</b>
Purpose	1
Defence Capability Policy Framework	1
Background	2
Key terms: Capability, Value for Money and Integration	3
<b>One Defence Capability System</b>	<b>4</b>
Overview	4
One Defence Capability System Phases	5
Connecting Capability Decisions	7
Capability Program Architecture	9
Fundamental Inputs to Capability	11
Interoperability	13
Test and Evaluation	13
Security	14
<b>Engagement with Government</b>	<b>14</b>
Government approval authorities	14
Government Guidance	15
<b>Chapter 2</b>	<b>17</b>
<b>Capability Governance</b>	<b>17</b>
<b>Role of the Capability Governance</b>	<b>17</b>
Overview	17
Committees	17
Capability decision-making roles	19
Performance Monitoring and Reporting	22
Governance and Decision Information	23

Contestability	24
<b>Chapter 3</b>	<b>26</b>
<b>Strategy and Concepts Phase</b>	<b>26</b>
<b>Introduction</b>	<b>26</b>
Overview	26
<b>Developing Strategy</b>	<b>27</b>
Setting Government Priorities	27
Strategy Framework	27
<b>Translating Strategy into Concepts and Effects</b>	<b>28</b>
Portfolio-level Capability Management	28
Integrated Force Design Process	28
Concepts	29
Defence Capability Assessment Program	30
Force Structure Direction	32
Preparedness Direction	33
Program Direction	33
Interoperability Direction	34
Contestability	34
Feedback	34
<b>Chapter 4</b>	<b>35</b>
<b>Risk Mitigation and Requirement Setting Phase</b>	<b>35</b>
Overview	35
Program Management planning	36
Capability proposal planning	39
Planning for Capability Realisation	42
Contestability	43
Feedback	43
<b>Chapter 5</b>	<b>44</b>
<b>Acquisition Phase</b>	<b>44</b>
Overview	44

Program management	45
Major capital project management	46
Feedback	46
<b>Chapter 6</b>	<b>48</b>
<b>In-Service and Disposal Phase</b>	<b>48</b>
Overview	48
Program management	48
Disposal	50
Feedback	50
<b>Terms and definitions</b>	<b>A - 1</b>
<b>Acronyms and Abbreviations</b>	<b>B - 1</b>

## List of figures

Figure 1-1: Defence Capability Policy Framework	1
Figure 1-2: Capability: Input and Output Perspectives	3
Figure 1-3: One Defence Capability System	5
Figure 1-4: One Defence Capability System phases	6
Figure 1-5: Domains and Capability Program Architecture	10
Figure 1-6: Multi-Domain Programs	11
Figure 1-7: Relationship between Government and Defence	15
Figure 2-1: High Level Accountabilities	19
Figure 3-1: Strategy and Concepts phase	26
Figure 3-2: Integrated Force Design Process	29
Figure 4-1: Risk Mitigation and Requirement Setting phase	35
Figure 5-1: Acquisition phase	44
Figure 5-2: Illustrative Capability Program Management	46
Figure 6-1: In-Service and Disposal phase	48

## List of tables

Table 2–1: Capability Functions across Defence Groups and Services	22
--	----

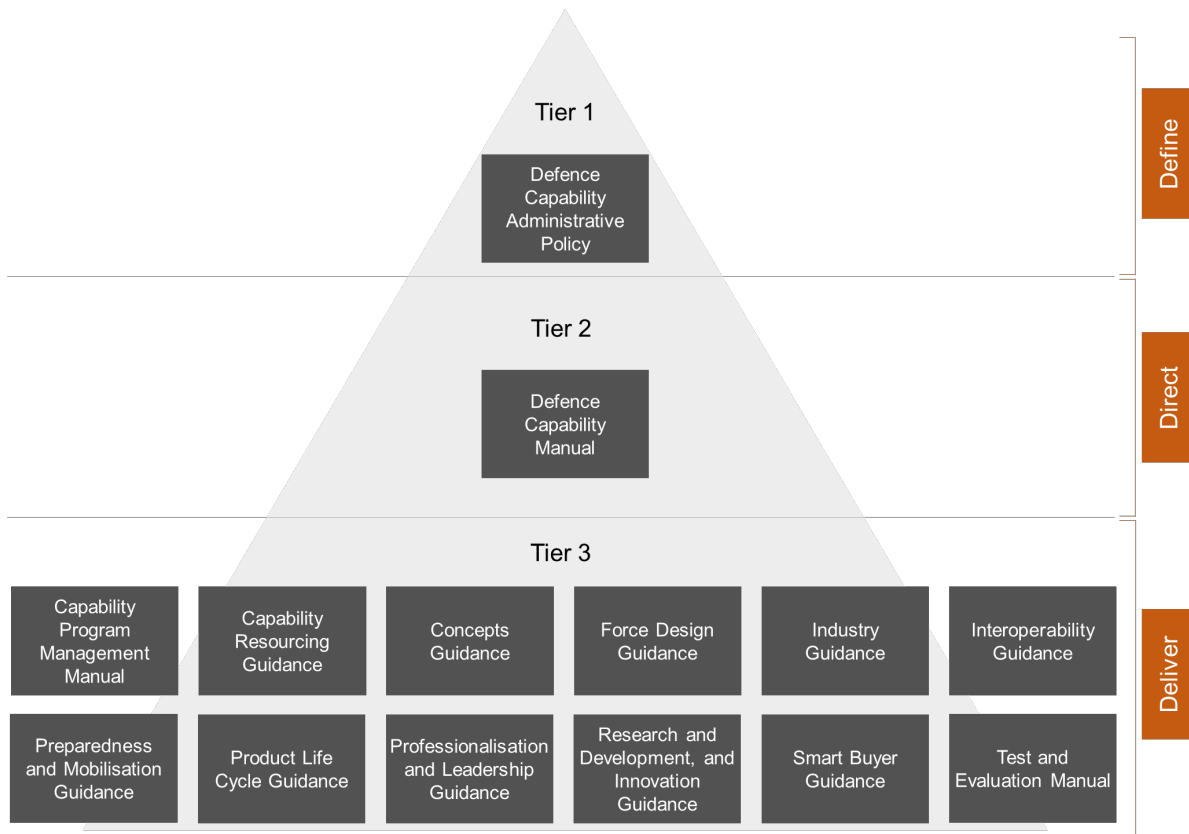
# CHAPTER 1

## CAPABILITY

### FOUNDATIONS

#### Purpose

1.1 The Defence Capability Manual (this manual) describes high-level capability processes and how they integrate to deliver upon Government’s strategic intent. This manual is based on and supports the Defence Capability Administrative Policy and forms part of the Defence Capability Policy Framework.



**Figure 1-1: Defence Capability Policy Framework**

#### Defence Capability Policy Framework

1.2 The Defence Capability Policy Framework is a set of guidance documents that provide an integrated view of the policy and processes that guide capability management. The documents are organised into three tiers as shown in Figure 1-1:

- a. Defence Capability Administrative Policy (Tier 1) provides the overarching principles and top-level accountabilities.
- b. Defence Capability Manual (Tier 2) outlines the One Defence Capability System (ODCS), the phases of the ODCS and a high-level description of capability processes and how they connect.

- c. A suite of Tier 3 guidance documents, retained on the Defence Protected network, provide more detailed guidance on particular processes and issues.

## Background

1.3 The Defence Capability Policy Framework continues the reform path established by the Government with the [First Principles Review](#) (2015) and the [2016 Defence White Paper](#). These saw the need for Defence to move to a more unified decision-making process and focus on continuing to improve the efficiency and effectiveness in Defence's delivery of capability.

1.4 The *First Principles Review 2015* established the basic framework for an integrated, end-to-end process with:

- a. a more unified and integrated organisation that is more consistently linked to its strategy and clearly led by its centre, called the One Defence approach;
- b. a stronger and more strategic centre able to provide clear direction, contestability of decision-making, along with enhanced organisational control of resources and monitoring of organisational performance;
- c. an end-to-end approach for capability development with Capability Managers having clear authority and accountability as sponsors for the delivery of capability outcomes to time and budget, supported by an integrated capability delivery function and subject to stronger direction setting and contestability from the centre;
- d. enablers that are integrated and customer-centric with greater use of cross-functional processes; and
- e. a planned and professional workforce with a strong performance management culture at its core.

1.5 The [2016 Defence White Paper](#) stated that 'the Government's policy is to align Australia's defence strategy with capabilities and resourcing'. [2020 Defence Strategic Update](#) continues this policy stating that 'Defence will continue to evolve and adapt to meet Australia's changing strategic environment and maintain alignment of strategy, capability and resources'. This demands an integrated capability planning and management process that can logically connect Government priorities and strategy to specific capability decisions.

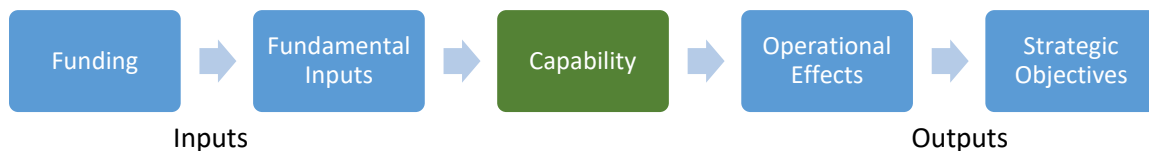
1.6 The [Defence Transformation Strategy](#) states that 'Defence has built governance arrangements and a corporate planning process ... that seek alignment between policy, strategy, and resources. The ability of Defence to sustain this alignment will determine its success in meeting Government's requirements'.

## Key terms: Capability, Value for Money and Integration

1.7 Throughout the Defence Capability Policy Framework there are certain key concepts that underpin the approach.

1.8 **Capability.** Capability is defined as the power to achieve a desired operational effect in a nominated environment within a specified time, and to sustain that effect for a designated period. Capability is generated through combining inputs known as Fundamental Inputs to Capability (FIC) – see page 11.

1.9 Thus in managing capability, it is necessary to consider both an output perspective, where operational effects contribute to achieving strategic objectives, and an input perspective where various inputs need to be resourced and integrated as the foundation to capability (see Figure 1-2).



**Figure 1-2: Capability: Input and Output Perspectives**

1.10 **Value for money.** Value for money is an important concept in capability management. In one sense, obtaining value for money is a legal obligation. The *Public Governance, Performance and Accountability Act 2013* (sect 15) requires the proper use of public resources, which it defines as ‘efficient, effective, economical and ethical’. The [Commonwealth Procurement Rules](#) (CPRs) identify achieving value for money as the core rule. Value for money is also a common-sense approach as resources will always be finite. This allows Defence to do more with the available resources.

1.11 Value for money should not be seen simply as economising or as a purely financial concept. A cheaper option will still need to be fit for purpose and offer real value. On the other hand, a more expensive option needs to be commensurately better than a cheaper option to be preferred. In this way, the value is seen as the contribution to addressing the Government’s priorities.

1.12 The concept of value for money applies at every level of the organisation where decisions are made, from the strategic level down to technical. At the highest level, Defence is seeking to find the set of capabilities that aligns strategy and resources, as described in strategic guidance. Through our capability planning processes we break this problem into smaller and smaller parts that are still logically connected back to Government’s assessment of strategic risk and priorities – our ultimate basis for value.



1.13 **Integration.** In its dictionary definition integration refers to ‘the act of integrating; combination into a whole’. Bringing together various components to work together is a key strategy in achieving better performance. To achieve this performance, three types of integration are addressed in this Manual:

- a. Integrated processes: processes which work across the organisation and avoid traditional stovepipes, to ensure a more holistic view of the issues. The ODCS described in this Manual provide a fully integrated end-to-end process.
- b. Integration of force capabilities: where the different force capabilities are required to work in support of each other. In Defence usage, interoperability is defined as the ability of systems, units or forces to act together to provide services to or from, or exchange information with partner systems, units and forces. There are three levels of interoperability: integrated, compatible and de-conflicted. Determining and achieving the right level of interoperability across the force is an important capability issue.
- c. FIC Integration: where FIC elements need to be coordinated and combined in order to generate and sustain capability.

## ONE DEFENCE CAPABILITY SYSTEM

### Overview

1.14 The ODCS (Figure 1-3) is an integrated system that ensures Defence capability decisions optimise capability outcomes within resource limitations.

1.15 Managing, delivering and optimising Defence capability involves four broad sets of processes:

- a. **Centralised planning.** Centralised planning commences with Defence engaging in a dialogue with Government on strategic priorities led by the Deputy Secretary Strategy, Policy and Industry (DEPSEC SP&I). The Integrated Force Design process, led by the Vice Chief of the Defence Force (VCDF), translates Government’s strategic, industry and resource priorities into a coherent force design that can evolve as and when required and addresses the opportunities provided by alternative warfighting concepts, the required interoperability and the expected level of preparedness that could be required now and into the future. The Integrated Investment Program (IIP) provides a rolling capital investment plan that ensures force structure addresses priorities and is affordable.

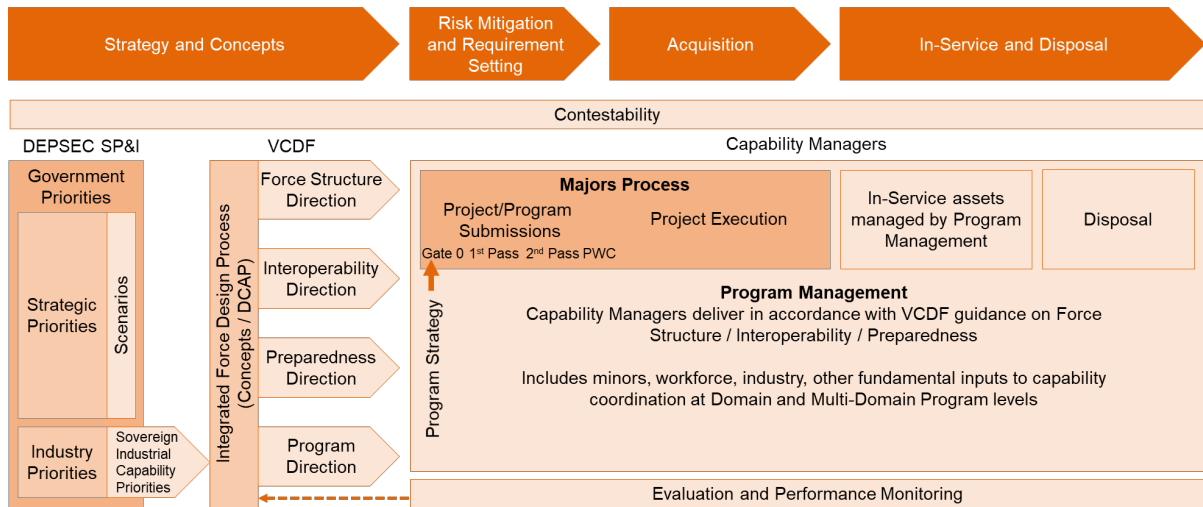


Figure 1-3: One Defence Capability System

- b. **Devolved execution.** The realisation of capability will be achieved across the Defence Groups and Services, through Domains and Capability Programs, led by the Capability Managers. This devolved execution will be guided by the centralised planning process, and needs to deliver the capability outcomes, including specific requirements for preparedness and interoperability. Domains and Capability Programs are the key structures for managing capability in Defence and reporting performance to Government.
- c. **Specific processes for capability requiring Government approval.** Government typically needs to approve spending that has significant capability, cost, risk or potential industry implications. This includes Program Tranche Submissions, IIP projects (equipment, facilities and ICT), and major support contracts or other commitments.
- d. **Specific processes linked to operational priorities.** Defence Preparedness is the ‘sustainable capacity to apply capabilities to accomplish Government directed tasks’. The components of preparedness, readiness and sustainability, are delivered through the application of the FIC. Shorter-term preparedness posture is driven by immediate operational concerns, informed by strategic assessments and intelligence. In the longer term, capabilities (including potential notice, rate of effort and sustainment periods), while also informed by strategic assessments and intelligence, are developed to address a wider range of potential contingencies.

**One Defence Capability System Phases**

1.16 The ODCS progresses through four phases (shown in Figure 1-4), which connect Government’s priorities through to prepared forces that are available to be committed to operations. At any point in time, individual capabilities will be at different stages of maturity across the four phases. The phases are:



**Figure 1-4: One Defence Capability System phases**

- a. **Strategy and Concepts phase** which connects the Government's assessment of strategic risks and other priorities, through to alternative concepts and force design.
- (1) Government's strategic priorities are informed by Defence's assessments of threats and the range of options to address them, and are contained in Government's strategic guidance (notably the Defence White Paper and Strategic Updates). Government priorities can also influence Defence capability decisions, notably economic, industry, employment and regional policies. Within Defence, the DEPSEC SP&I is accountable for these activities.
  - (2) Concepts provide a theoretical model for how Defence should approach conflict or the potential for conflict, either at the whole of force level or by addressing specific sets of issues. Concepts allow exploration of alternative ways of warfighting and support across a range of time horizons. This allows for innovative thinking in response to changing threat, technology, and it also allows for exploration of the implication of alternative force structures. Within Defence, VCDF is accountable for these activities.
  - (3) Integrated Force Design seeks to develop, at the portfolio level, the sets of capabilities and associated concepts that generate the military effects to best address the strategic risks and other Government priorities within the available resources. The outcomes inform direction on force structure (including the IIP), interoperability, preparedness and mobilisation, and direction for Capability Programs. Within Defence, VCDF is accountable for these activities.
- b. **Risk Mitigation and Requirement Setting phase** which sees development of solutions to address the priorities identified through Integrated Force Design, including options, detailed specifications and risk management strategies. Within Defence, the Capability Managers are accountable for these activities, and supported by the Lead Delivery Group. Depending on the nature of the capability, the level of risk, and the policy and funding authority, the Capability Manager may need approval from Government or from senior management within Defence.
- c. **Acquisition phase** which sees the capability acquired, delivered, integrated, and brought into service. Within Defence, the Capability Managers are accountable for these activities. They are supported by the Lead Delivery

Group which ensures that all components of FIC are scheduled and implemented to provide an integrated and coordinated delivery of all elements of the capability, and risks are managed.

- d. **In-Service and Disposal phase** which sees the maintenance of capabilities at the appropriate level of preparedness, in accordance with the CDF's Preparedness Directive, available to be force-assigned to Chief of Joint Operations, or other operational commander, as required for operational employment. At the end of their life, Products are withdrawn from service and disposed of. Within Defence, the Capability Managers are accountable for these activities and supported by the Lead Delivery Group.

1.17 While the phases show a logic flow running left to right, the ODCS is dynamic, with all components influencing each other. Feedback from the later phases inform decisions in the earlier phases.

### Connecting Capability Decisions

1.18 The various functions that comprise the ODCS are intimately connected and integrated. These links are made effective by:

- a. **Common frameworks.** Common frameworks help ensure there is a clear logical connection across ODCS phases. These include frameworks to organise:
- (1) Strategic priorities and the contingencies they represent. These include Strategic Defence Objectives (SDO), and Strategic Effects as described in the Defence Planning Guidance and Australian Capability Context Scenarios (ACCS).
  - (2) Operational outcomes described in terms of Joint Capability Effects.
  - (3) The physical manifestation of capability in Defence Elements and Force Packages.
  - (4) Interoperability and dependencies between capabilities, described in terms of Layers, Levels and Dimensions.
  - (5) Domains and Capability Programs.
  - (6) Risks are managed in accordance with the Defence Risk Management Framework.
- b. **Clear and consistent decision criteria.** As decision-making progresses through the phases of the ODCS, a series of decisions is made which evolve from the broad and conceptual through to the specific and concrete. Progression through the phases involves assessing the available options and determining which is likely to provide the best solution in terms of value for money – value being a measure of the ability to address the Government's

priorities. As options are refined, the decisions made at each level must demonstrate how they support the Government's priorities through the decisions made at higher levels.

- c. **Evidence based decision-making.** Capability decisions need to be supported by robust evidence. As the value of capability relates primarily to its relevance in future conflict, a combination of tools are required to understand that value. These include joint experimentation, wargaming, analytical studies, test and evaluation, review of lessons learnt and expert judgement.
- d. **Risk-based decision-making.** Risk management is integral to the decision-making process. Each decision involves an assessment of risk. This will include the range of Defence risk types (strategic risks, enterprise risks, business operation risk and specialist risk). Our best assessments of value, cost and implementation will have some level of uncertainty and could be susceptible to external shocks. This uncertainty can result in positive as well as negative developments. Thus risk assessment will inform the selection of the appropriate option and identify necessary risk mitigations.
- e. **Feedback.** Each phase is supported by systematic Evaluation and Performance Monitoring of both capability outcomes and the methodology to achieve those outcomes. Performance feedback provides the basis to make improvements to processes and capability decisions in the individual phases, and also to inform decision-making in the earlier processes (for example, changes in expected capability performance may, if sufficiently large, require adjustments to strategy or force design).
- f. **Professionalism and Engagement.** Decision-making across all phases requires professional and skilled staff whose behaviours align with the Defence values. It also requires relevant stakeholders to be appropriately engaged. The capability workforce must have the appropriate skills, attitudes and experience to perform their role.

## Capability Program Architecture

1.19 Defence employs a Capability Program Architecture to analyse, manage and report on capability outcomes and outputs. The current version is shown in Figure 1-5). The Capability Program Architecture consists of three key components:

- a. Five Domains – Maritime, Land, Air, Space, and Information and Cyber.
- b. 35 Capability Programs –25 of these reside within one of the five Domains, while 10 span all of the Domains; and
- c. 11 Multi-Domain Programs (MDP) – an MDP is a capability management construct which groups a number of Capability Programs together to promote their coordinated development.

1.20 **Domains.** Domains are defined as ‘an environment through which, or within which, activities and operations are conducted to achieve objectives.’ This structure provides Service Chiefs and Chief of Joint Capabilities with the ability to shape the Joint Force by providing expert input to the centre-led Force Design process under the VCDF. The Domain Leads set requirements for Capability Programs that fall within their Domain responsibilities. The Domains and respective Domain Leads are:

- a. Maritime: Chief of Navy (CN)
- b. Land: Chief of Army (CA)
- c. Air: Chief of Air Force (CAF)
- d. Space: CAF
- e. Information and Cyber: Chief of Joint Capabilities (CJC).

Domains:	Maritime	Land	Air	Space	Information and Cyber	
	CN	CA	CAF	CAF	CJC	
Capability Managers	CN	Undersea Combat & Surveillance Surface & Above-Water Combat Maritime C5ISREW Maritime Combat Support & Amphibious Maritime Mine Warfare, Patrol & Geospatial				
	CA		Land ISREW Dismounted Combat Land C4 Special Operations Land Combat Mobility Land Combat Vehicles Land Combat Support Battlefield Aviation			
	CAF			Air ISREW Air Mobility Combat Air Support Air Combat Maritime Patrol & Response IAMD	Space Control	
	CJC				Space Services Joint Cyber Joint C4 Joint EW	
	VCDF	← Guided Weapons & EO; Joint Logistics; Defence Training Areas & Simulation →				
	AssocSec	← Asymmetric Warfighting →				
	DGASD	← Defence Business Enterprise Architecture & Transformation →				
	CDI	← Geospatial Information & Intelligence; Joint Intelligence →				
	CIO	← Enterprise ICT →				
	DepSec SE	← Enterprise Estate and Infrastructure →				
CDS	← Innovation & S&T →					

Figure 1-5: Domains and Capability Program Architecture<sup>1</sup>

1.21 **Capability Programs.** Capability Programs provide an outcomes oriented framework that connects, and aligns capability outputs to operational effects and strategic priorities, at a lower level than the Domain. Often these represent sets of activities and capabilities that create or contribute to similar effects within a Domain. Capability Programs may be divided into sub-programs. Organising capabilities by Capability Programs and grouping them by Domains allows for most related capability issues to be planned and managed together and realise opportunities to optimise performance.

1.22 **Multi-Domain Programs.** Issues spanning different domains require a higher level of joint oversight and consultation. To address these, MDPs were established to optimise capability outcomes across related Capability Programs and a Capability Manager has been assigned to each of the MDPs. The intent is that the MDP will work to realise a collective outcome that is greater than the sum of the

<sup>1</sup> Correct as at date of publication. The Capability Program Architecture is subject to change, reflecting changes to the organisation and capability development priorities.

individual Capability Program outcomes, while working with relevant Delivery and Enabler Groups to realise efficiencies. The issues considered by the MDPs are Program-level and above. The MDP framework is an internal Defence capability management construct and is not expected to delve into sub-program and project level issues, which are the responsibility of Program Sponsors.

1.23 VCDF nominates a Capability Manager who in turn will appoint the MDP Leader. The MDP Leader will have responsibility for coordination of MDP outputs through an MDP Steering Group. Individual Capability Managers within the MDP remain accountable for resource decisions within their programs but these decisions will be coordinated with the MDP Leader. The current MDPs (at time of publication) are shown in Figure 1-6.

MDP Title	MDP CM	MDP Leader
Joint C4	CJC	HIW
Joint Cyber		
Joint EW		
Space Services		
Joint Logistics		CJLOG
IAMD	CAF	HAC
Space Control		CDSpC
Defence Intelligence	CDI	HIC
GEOINT		
Enterprise ICT	CIO	CTO
Defence Business Enterprise Architecture & Transformation	AssocSec	FAS ET&G

Figure 1-6: Multi-Domain Programs

### Fundamental Inputs to Capability

1.24 Fundamental Inputs to Capability (FIC) are capability elements or inputs, which in combination, form the basis of capability. No individual FIC is a capability. Generating capability depends on integrating, coordinating and managing the various FIC, which need to be delivered in the quantities, characteristics and timescales to generate and sustain the capability, combined in an optimum way to deliver the joint force by design.

1.25 Coordination of FIC occurs at each phase of the ODCS. In each phase, it is necessary to understand how FIC should be integrated, coordinated and managed through the life of the capability. This understanding must be at a greater level of



specificity, reach practical solutions and be actively managed as progress is made through the ODCS phases.

1.26 While the Capability Manager is accountable for capability realisation, the Lead Delivery Group is responsible for coordinating and integrating the FIC on behalf of the Capability Manager, as required to deliver the outcomes described in the program or product delivery agreement. Effective FIC planning and implementation requires the advice and cooperation of the multiple Groups and Services which are providing FIC. Effective capability realisation requires these inputs to be synchronised and scheduled to achieve coordinated, effective and efficient delivery of capability. The Lead Delivery Group is responsible for synchronising FIC plans and schedules from across the organisation until the capability is delivered; with the Capability Manager assuming direct responsibility once in service. Where FIC plans cannot be coordinated effectively that concern is reported by the Lead Delivery Group to the Capability Manager for resolution.

1.27 Some FIC represent a limited resource or require specialist expertise to develop. This means that in some cases whole of Defence arrangements are needed to plan and budget for FIC development.

1.28 The nine Fundamental Inputs to Capability are:

- a. **Organisation** means the capability is employed within flexible functional groupings with an appropriate balance of competency, structure, and command and control to meet the endorsed capability requirements stemming from the original need.
- b. **Command and Management** includes command and management arrangements at all levels to safely and effectively employ the capability, including its integration across Defence. Effective command and management depend on the availability of information including intelligence.
- c. **Personnel** means the role of a competent workforce component, including Australian Defence Force (ADF) (permanent and Reserves), Australian Public Service (APS) and contractors, in the delivery, operation, sustainment and disposal of the capability.
- d. **Collective Training** means the capability is supported by a defined collective training regime to a validated performance level against the Defence planning requirements and based on the original need.
- e. **Major Systems** includes significant platforms, fleets of equipment and operating systems that enable the effective generation of Defence capabilities.
- f. **Facilities and Training Areas** means the infrastructure requirements necessary to support the delivery, sustainment and operation of a capability

system, including training areas which may mean any area of land, sea, undersea or airspace that may be designated for military manoeuvres or simulated wartime operations.

- g. **Supplies** include managing all classes of supply to maintain a capability at the designated readiness state, including sustainment funding and fleet management.
- h. **Support** includes engineering support; maintenance support; supply support; training support; packaging, handling, storage and transportation; facilities; support and test equipment; personnel; technical data and computer support.
- i. **Industry** includes the consideration of the resilience and capacity of industry, such as the reliability and health of supply chains.

## Interoperability

1.29 Interoperability is defined as the ability of systems, units or forces to act together, to provide services to or from, or exchange information with partner systems, units or forces. Interoperable forces are more effective. They can have a common situational awareness, simplified logistic arrangements and are better able to combine operational effects to defeat an adversary. As the level of interoperability can affect the capability achieved, it needs to be considered throughout the capability process.

1.30 The interoperability of capability is affected by the degree of compatibility achieved at the FIC level. The three dimensions of interoperability need to be considered across the FIC:

- a. **Technical:** The ability of systems, units or forces to connect to each other and share information.
- b. **Procedural:** The compatibility of processes and procedures between systems, units and forces.
- c. **Human:** The compatibility of the experience and perspectives of people associated with systems, units and forces.

## Innovation

1.31 Decisions throughout the capability process should consider alternative approaches to achieving the outcomes. Innovative options across the spectrum from scientific research and development to incremental evolution of pre-existing systems must be compared with conventional options and evaluated to determine which is the most suitable. In this way emerging technologies or processes can be considered and accelerated for adoption if they deliver a significant capability advantage, better value or reduced costs. Clear and coordinated Innovation pathways that bridge the gap between early-stage technology development and acquisition are also essential

to create a more agile and proactive approach to capability development and sustainment.

## Test and Evaluation

1.32 Test and evaluation supports capability decision-making by providing credible information on the safety, effectiveness, risk and suitability of capabilities. Test and evaluation is applied at product level, throughout the life of the product, at the program level and at the integrated Joint Force level. The *Defence Test and Evaluation Manual* describes Defence's approach to T&E across the One Defence Capability System, and the responsibilities for Capability Managers and Delivery Groups for planning, conduct, reporting (including to the Investment Committee and Government) and governance.

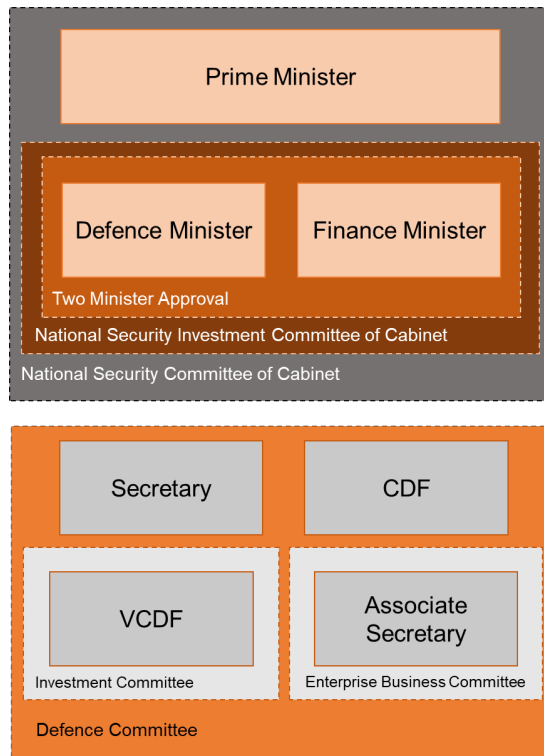
## Security

1.33 Security planning and controls require attention throughout the capability process. Capability planning must identify and proactively address any potential security vulnerabilities of the future force, and supporting systems. Although the implementation of security controls to mitigate security risk is recognised as a significant cost driver, failure to adequately assess security risks can have enduring flow-on financial and strategic effects. Guidance is contained in the Defence Security Principles Framework (DSPF).

## ENGAGEMENT WITH GOVERNMENT

### Government approval authorities

1.34 Defence is responsible to the Executive Government, in the form of the Ministers and Cabinet. The Cabinet committee of significance to Defence matters is the [National Security Committee of Cabinet](#) (NSC). Chaired by the Prime Minister, the NSC includes the Deputy Prime Minister, the Minister for Defence, other Ministers dealing with national security and the two key economic ministers (the Treasurer and the Minister for Finance). The NSC is supported by sub-committees. The [National Security Investment Committee of Cabinet](#) (NSIC), chaired by the Minister for Finance, considers capability-related submissions. Shipbuilding issues and related capabilities may be considered by the [Naval Shipbuilding Enterprise Governance Committee](#) (NSEGC) chaired by the Prime Minister. NSIC and NSEGC decisions need endorsement by the NSC.



**Figure 1-7: Relationship between Government and Defence**

1.35 NSC is also supported by the Secretaries Committee on National Security (SCNS), the peak officials-level committee chaired by the Secretary of the Department of the Prime Minister and Cabinet. SCNS is attended by both the Secretary of the Department of Defence and the Chief of the Defence Force. SCNS considers major national security matters to be put before the NSC and coordinates implementation of policies and programs relevant to national security. The Secretaries’ Committee on Australian National Naval Shipbuilding Enterprise (SCANNSE) serves a similar role to SCNS with a focus on naval shipbuilding. The NSC Ministers are advised by their own Departments, the most significant of which are the three central agencies: the Department of the Prime Minister and Cabinet, the Treasury, and the Department of Finance. Figure 1-7 depicts these arrangements.

1.36 The Executive Government depends on the Parliament for approval of its Budgets and legislation. In most cases, the *Public Works Committee Act 1969* requires the Standing Parliamentary Committee on Public Works (PWC) to conduct an inquiry into facilities costing over \$75 million and Parliamentary approval before work can commence.

**Government Guidance**

1.37 The NSC sets the higher-level strategic guidance. The [2016 Defence White Paper](#) is the public expression of the Government’s Defence policy. It is

supplemented by a range of specific policy decisions, which may have accompanying classified or public documents (such as, but not limited to the [2020 Defence Strategic Update](#), the Defence Planning Guidance and the [2016 Defence Industry Policy Statement](#)).

1.38 The Government also sets financial guidance for Defence through the whole-of-government budget process. The Budget Process Operational Rules (BPORs - endorsed by Cabinet) and Estimates Memoranda (particularly Estimates Memorandum 2017/55) issued by the Department of Finance provide guidance on the Government approval processes. This includes requirements for approval pathways, cost estimate quality and other submission requirements. Due to resource limitations, achieving value-for-money is a necessity as well as a requirement of Government policy (notably in the [Commonwealth Procurement Rules](#)).

1.39 The Government is the ultimate decision-maker on Defence capability proposals. This role is reflected in its approval of the IIP, individual capability proposals and other capability related submissions.

## CHAPTER 2

# CAPABILITY GOVERNANCE

### ROLE OF THE CAPABILITY GOVERNANCE

#### Overview

2.1 The capability governance arrangements ensures that capability processes are managed appropriately through all phases. Governance arrangements include the following:

- a. committees, working groups and other consultative arrangements
- b. specific authority provided to decision-makers
- c. performance monitoring and reporting
- d. documentation of key processes, responsibilities and decisions
- e. testing of judgements through an internal contestability function.

#### Committees

2.2 Committees play an important role in the governance system, ensuring that the decision-maker (normally the committee chair) has access to considered and coordinated advice on key issues. The most senior committees (Tier 1 and 2 committees) which provide approvals and strategic direction for capability are:

- a. **Defence Committee.** The Defence Committee, chaired by the Secretary, is the senior decision-making committee of Defence, and oversees capability processes. The Defence Committee may delegate authority to its subsidiary committees, most significantly the Investment Committee.
- b. **Chiefs of Service Committee.** The Chiefs of Service Committee (COSC), chaired by the Chief of the Defence Force (CDF), considers ADF-specific matters including preparedness and mobilisation, force generation and sustainment, joint force design, and ADF workforce.
- c. **Investment Committee.** The Investment Committee, chaired by the VCDF, is responsible for supporting the Defence Committee by overseeing the implementation and integrity of the IIP, and monitoring Defence's performance in delivering it.
- d. **Enterprise Business Committee.** The Enterprise Business Committee, chaired by the Associate Secretary, is responsible for ensuring the effective running of the Defence organisation, including monitoring and reporting on in-year budget performance.
- e. **Strategic Policy Committee.** The Strategic Policy Committee, chaired by the Secretary, is responsible for decision-making processes on key strategic

policy issues and considers for endorsement documents referenced in the Strategy Framework.

2.3 Senior Defence committees that can affect capability decisions include:

- a. Joint Warfare Committee,
- b. Defence Finance and Resourcing Committee,
- c. Defence People Committee,
- d. Defence Communications and Information Systems Committee, and
- e. Defence Security Committee.

2.4 Further details on committees and descriptions of the roles of other committees can be found on the Senior Committees webpage.

2.5 Other committees that are relevant to capability decisions are:

- a. Strategic Command Group,
- b. Defence Intelligence Enterprise Committee,
- c. Joint Capability Coordination Committee,
- d. Information Environment Control Board, and
- e. Enterprise Transformation Board.

## Capability decision-making roles

2.6 Key decision-making roles are summarised in Figure 2-1 and are described in the Defence Capability Administrative Policy. Detailed descriptions of other roles involved in capability processes can be found in the charters, directives and other documents within the Defence Capability Policy Framework.

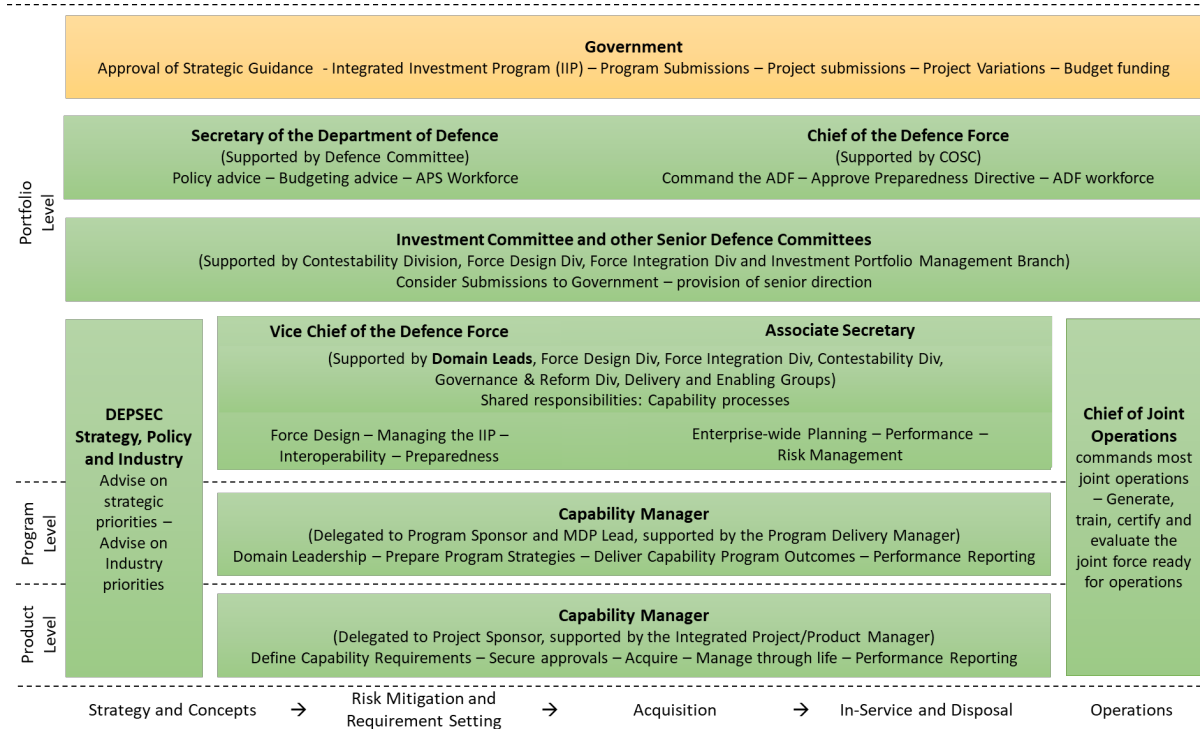


Figure 2-1: High Level Accountabilities

2.7 The **VCDF** is responsible for ensuring that the current and future joint force meets the capability requirements directed by Government and preparedness requirements directed by CDF. Specifically VCDF is accountable for the following processes that guide Defence capability:

- a. the Integrated Force Design process including management of the IIP;
- b. the Preparedness and Mobilisation processes; and
- c. the Interoperability process.

2.8 As Chair of the Investment Committee, VCDF ensures that capability proposals being developed for Government are efficient, effective, affordable and aligned with policy priorities.

2.9 The **Strategic Centre** refers includes the Defence leadership and the governance and accountability arrangements that support the capacity to make



informed decisions and ensure that those decisions are implemented with fidelity to agreed policy and strategy.

2.10 The **Capability Managers** are accountable for:

- a. Program Management within their organisation, including the development and implementation of Program Strategies and reporting on performance;
- b. the development, introduction and sustainment of assets through the Product Life Cycle, and reporting on performance, taking an end-to-end view; and
- c. generating prepared forces as required by the CDF's Preparedness Directive.

2.11 The Service Chiefs and Chief of Joint Capabilities are **Domain Leads**, as well as Capability Managers. In this role, they assist VCDF setting capability requirements within their respective Domains in response to preparedness, capability development and joint force interoperability requirements, and recommending resource prioritisation between assigned Capability Programs in collaboration with other Capability Managers.

2.12 Capability Managers delegate responsibilities to **Program, Project and Product Sponsors** as appropriate. These personnel work in close collaboration with the Program Delivery, and Integrated Project and Product Managers in the Delivery and Enabling Groups to ensure capability outcomes are delivered.

2.13 The **Delivery and Enabling Groups** play a significant role in the capability process. They provide the expertise and the organisational capacity to plan and implement capability change in partnership with the Capability Manager's organisation and to support it once delivered. The Lead Delivery Group plays a key role in coordinating the delivery and integration of FIC. The functions of the Groups are shown in Table 2-1.

2.14 The Chief Defence Scientist (CDS) serves as both the capability manager for innovation, science and technology and as head of an enabling group that supports the other capability managers address their needs for innovation, science and technology. CDS is responsible for developing innovative technologies that can be delivered by industry and transitioned into Defence capability, and for shaping innovation, science and technology within Defence and across the nation. Defence's research is aligned to future force requirements and focuses on the development of leap ahead capabilities for Defence and maximising the opportunities created by emerging and future technologies.

2.15 VCDF will appoint Capability Managers to be responsible for each Multi-Domain Program (MDP). In turn, these Capability Managers will appoint the **MDP Leaders**. The MDP Leaders will ensure coordination of related Capability Programs

across Domain boundaries, to support interoperability guidance and realise Joint outcomes.

2.16 Certain functions spread across multiple Capability Managers may not require a dedicated MDP, but would still benefit from a designated authority to coordinate interoperability efforts. A **Joint Force Integrator** appointed by Head Force Integration on behalf of VCDF has the authority to enable coordination across Capability Managers and ensure enablers and elements are both fit for purpose and collectively capable of delivering the function. See VCDF (Joint Force Authority) Directive 08/2018 - Joint Force Integrators (Available on DSN).

2.17 Capability Managers will delegate many of their responsibilities as Capability Manager and Domain Lead (if applicable) to a **two-star / Band 2 officer as head of capability**. This officer will oversee the work of the Program, Project and Product Sponsors and MDP Leaders, and ensure that capability work in the Service or Group is coordinated.

**Table 2–1: Capability Functions across Defence Groups and Services**

<b>Department of Defence Group / Service</b>	<b>Capability Manager</b>	<b>Delivery</b>	<b>Enabling</b>
VCDF Executive	X		
Associate Secretary Group	X		X
Navy	X		
Army	X		
Air Force	X		
Joint Capabilities Group (JCG)	X		X
Defence Intelligence Group (DIG)	X	X	X
Joint Operations Command (JOC)			
Strategy, Policy and Industry Group (SP&I)			
Defence Science and Technology Group (DSTG)	X		X
Capability Acquisition and Sustainment Group (CASG)		X	
Chief Information Officer Group (CIOG)	X	X	
Defence Finance Group (DFG)			X
Defence People Group (DPG)			X
Security and Estate Group (SEG)	X	X	
<b>Other Defence Portfolio Agencies</b>			
Australian Signals Directorate (ASD)	X	X	X

## Performance Monitoring and Reporting

2.18 Performance monitoring and reporting on Defence's delivery of Government's requirements is conducted within the Defence enterprise performance-reporting framework. The purpose of this monitoring and reporting is to provide visibility and assurance to the senior Defence leadership and relevant Ministers that Defence is delivering on government requirements and making the most effective and efficient use of resources, and to identify the need for any corrective action.

- 2.19 Specific performance measurement includes:
- a. Portfolio level checks to ensure the capability system provides an end-to-end process that is fit for purpose and operates efficiently and effectively.
  - b. Joint Force Interoperability Assurance to give confidence in the Joint Force's ability to meet the Joint Force Interoperability Needs. Elements of the Joint Force are validated against measures as defined through Interoperability Design assuring the Joint Force is sufficiently interoperable, or identifying risks and issues.
  - c. Interoperability Requirements Assurance supports the Capability Managers in responding to interoperability needs and ensures the VCDF that the Joint Force Interoperability Needs are being addressed.
  - d. Independent reviews, such as the CASG Independent Assurance Reviews, which can give decision-makers confidence that the approved outcomes will be achieved while identifying opportunities for improvements, or provide early warning to the accountable delegate when programs, projects or products are at risk of moving outside set tolerances. These can be conducted on programs and projects as they approach key milestones, periodically on the sustainment of the delivered product, or when a significant problem or risk arises. Ministers may also initiate reviews of particular issues where they have concerns.
  - e. Defence preparedness reporting provides COSC and the Strategic Command Group regular updates on the preparedness of force elements and their capacity to meet the CDF's Preparedness Directive.
  - f. Periodic performance reporting is provided by the delivery groups to Capability Managers, and ultimately the Minister for Defence regarding program, project and product performance across the lifecycle. This reporting method aligns with the 'One Defence' approach, built upon standardised tools and information that can be rolled up to inform each management tier so that better decisions are made. Capability Managers have access to monthly performance reports for CASG managed projects via the supporting information management system.
  - g. Lessons learnt processes where experience from previous activities is recorded to form a basis for improvements for similar activities in the future.

## **Governance and Decision Information**

2.20 Documentation supports strong governance, by recording advice and agreements, plans, decisions and directions at various levels and by differing organisational contexts. The significance of the various documents will depend on the context. The decisions of Government will take primacy, followed by directives of

the senior leadership and the decisions of senior Defence committees. Other documents can play important roles in the management of Domains, Capability Programs, projects and products. These are discussed in the later chapters and in the subordinate Tier 3 guidance documents.

2.21 CapabilityOne is the enterprise information system supporting the Integrated Investment Program, Capability Programs and projects within Defence. The functionality of CapabilityOne is continually being developed to provide support for capability decisions. In order to ensure accurate advice, Capability Managers are accountable for the quality of the information in CapabilityOne.

### Contestability

2.22 Contestability is a mechanism that supports Defence decision-makers by providing independent review of capability proposals to ensure they are aligned with strategy and resources and can be delivered in accordance with Government direction. Contestability is an integral part of managing capability and aims to improve the quality of advice provided to senior Defence committees and to Government, and hence confidence in decision-making by ensuring proposals are subject to appropriate scrutiny.

2.23 Contestability Division provides arms-length, evidence-based advice to the VCDF (as Chair of the Investment Committee), the Secretary and CDF. Further information can be found in the Contestability Division Handbook. Contestability activity is proportionate to the risk presented. Contestability Division provides:

- a. **Strategic contestability** – ensuring the force structure, portfolio of capability investments and individual programs, capability proposals and projects deliver government policy objectives and the strategic needs as directed by Government in Defence white papers and other guidance documents.
- b. **Scope, technical and cost contestability** – convening Defence expertise to contest key deliverables such as scope, schedule, budget, risks and technical aspects throughout the capability proposal process. Contestability Division will typically verify the funding provision, the price basis, whether the cost estimate is sound, whether the estimate adheres to the principles in the CPRs and what cost risk is present.
- c. **Commercial and contracting strategy contestability** – examining the evidence and claims relevant to supplier selection (such as the choice between sole sourcing and competitive tender) and acquisition approaches (including leases, outright ownership, or potential public-private partnerships (PPPs)).

2.24 All areas contribute to generating contested advice by bringing their own expertise to committee and consultation processes. In particular, Strategy, Policy and

Industry Group ensures alignment with strategic policy; while the VCDF Executive ensures alignment with force design and interoperability policy.

2.25 Some Defence Groups provide assessments of key assumptions, providing advice independent from the sponsor and Delivery Group. These include:

- a. Defence Finance Group – which provides assessment of cost models, budgets and financial management approaches.
- b. Defence Science and Technology Group (DSTG) – which provides technology risk assessment.
- c. Defence People Group (DPG) – which provides workforce risk assessments at key decision gates.
- d. Defence Intelligence Group (DIG) – which provides strategic threat assessments, threat environment and military capability updates and advice at key decision gates.
- e. Defence Security Division – which provides domestic security threat advice and risk assessments on security risks at key decision gates.

# CHAPTER 3

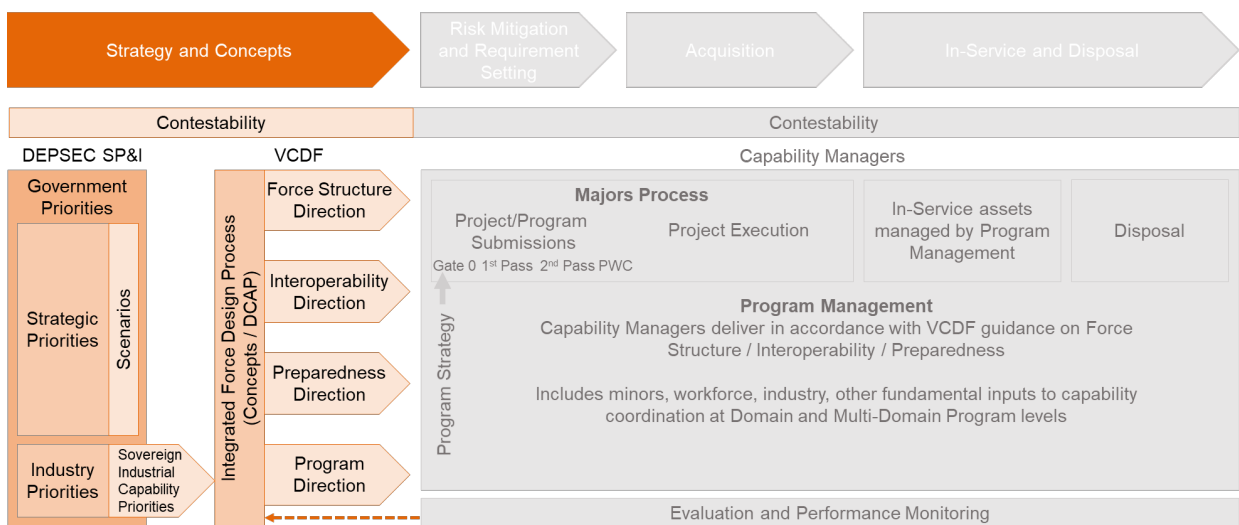
## STRATEGY AND CONCEPTS PHASE

### INTRODUCTION

#### Overview

3.1 The *First Principles Review* recommended that Defence ‘establish a strong, strategic centre to strengthen accountability and top level decision-making’. Centrally coordinated policy guidance can help ensure that Defence’s decisions take account of the key issues, are aligned with each other and aligned with Government’s priorities. Within the ODCS, key priorities are set in the Strategy and Concepts phase (Figure 3-1), and includes:

- a. Strategic Centre engagement with Government in the development of strategic guidance.
- b. VCDF’s leadership of Integrated Force Design that combines consideration of concepts and capabilities needed to generate operational effects.



**Figure 3-1: Strategy and Concepts phase**

3.2 In addition, the Strategic Centre has an ongoing influence through engagement in decision-making and assurance across all phases. In this way it helps ensure implementation remains aligned with policy.

## DEVELOPING STRATEGY

### Setting Government Priorities

3.3 Defence provides analysis to support the development of Government direction and priorities, and to capture these priorities in a way that can be implemented by Defence.

3.4 Strategic guidance aims to capture Government assessment of priorities for responding to developments in the strategic environment. This can include threats Defence needs to respond to or deter; the nature of its relations with allies and other partners; and where it sees opportunities for shaping the capability and intent of other international actors. These factors can all have a direct bearing on capability decisions.

3.5 Government's Defence policies can cover a wide range of other issues including reform of management practices and personnel policy that can affect capability considerations. In addition, there are Government policy statements directed at the national security community that will have implications for Defence such as the [National Security Science and Technology Priorities](#).

3.6 In some areas, Government's national security concerns may intersect with domestic policy issues. Thus Defence needs to factor in economic, industry, science and technology, regional and employment policy. Notably, Government's intent for defence industry is to maximise the opportunities for Australian industry participation in Defence and to build industry capability to support specific defence capabilities, designated Sovereign Industrial Capability Priorities (SICP). The aim is that Australia would have access to, or control over, the skills, technology, intellectual property, financial resources and infrastructure that underpin the SICP. Moreover, the CPRs require officials assessing larger procurements to consider their value to the broader Australian economy.

3.7 In addition to the major policy issues and strategic trends, where policy settings can apply for several years, short-term issues are constantly arising. These short-term developments are subject to strategic assessment, and form the basis for briefing Government to determine whether a policy response is required and for adjusting preparedness settings.

3.8 Capability planning and management aims to provide the best set of solutions to address the Government's priorities. Decisions in all phases involve a value for money choice where 'value' should be understood as the contribution the capability provides to addressing the Government's priorities.

### Strategy Framework

3.9 The Government's priorities can be reflected in a range of products from public documents to highly classified guidance. These include public documents,



such as the [2016 Defence White Paper](#), the [2016 Defence Industry Policy Statement](#), the [2020 Defence Strategic Update](#) and the [2020 Force Structure Plan](#). Other Government policy documents may update guidance contained in the White Paper, such as, but not limited to, the [2019 Defence Policy for Industry Participation](#) and the classified Defence Planning Guidance. Government also sets funding levels for Defence, within which it is to address these priorities. These funding levels can be adjusted at each Budget or economic update.

3.10 Defence develops further strategic policy documents to elaborate on Government's intent and reflect developments in the geostrategic environment. The main document is the classified Defence Planning Guidance. The range of strategic policy documents is described in [the Strategy Framework 2017](#). These documents help identify the nature of potential contingencies that Defence needs to prepare to counter and their relative priorities. Some add additional processes and considerations such as those on [sensitive technologies](#) and [climate and disaster resilience](#).

## TRANSLATING STRATEGY INTO CONCEPTS AND EFFECTS

### Portfolio-level Capability Management

3.11 Portfolio-level capability management aims to ensure Defence maintains the optimal force to address the Government's strategic policies. It is achieved through:

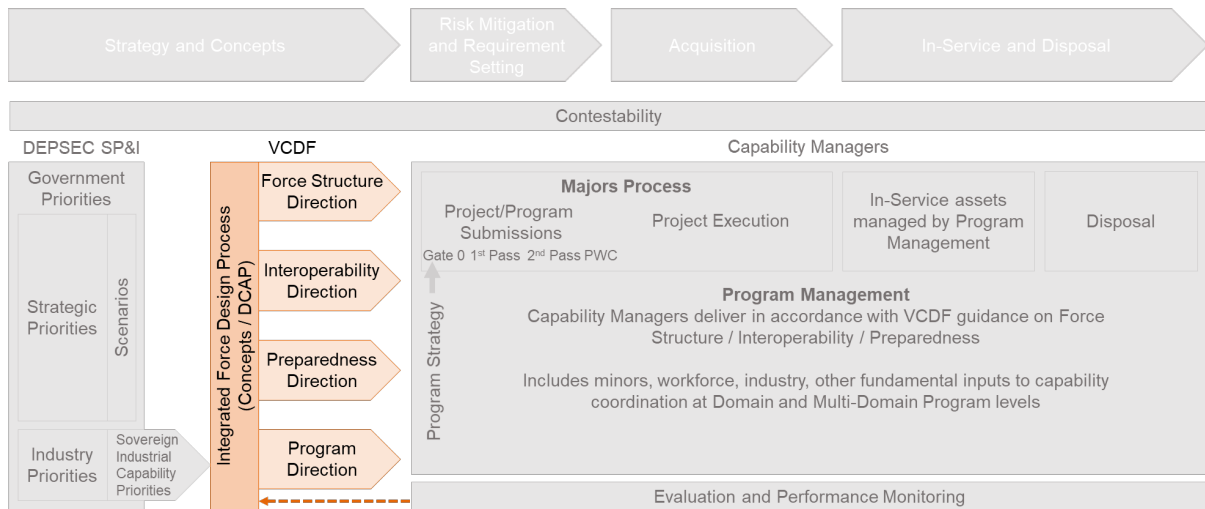
- a. The Integrated Force Design process (Figure 3-2), which provides regular analysis of the force at the Portfolio level, and identifying priorities for capability adjustments that are reflected through plans, directives and other guidance;
- b. Clear accountabilities assigned through the Capability Manager for implementation of the activities needed to adjust capability; and
- c. Performance reporting and other feedback mechanisms that confirm that Defence capabilities are developed as planned and identify problem areas for management attention.

### Integrated Force Design Process

3.12 Integrated Force Design provides for the holistic analysis of capability at the Portfolio level to provide the plans for developing capability across Defence. The main components are:

- a. Development of concepts that can provide alternative approaches and can be tested through the Defence Capability Assessment Program (DCAP) process.

- b. The DCAP, which is the main analytical process for converting strategic priorities into an expression of the intended set of capabilities that provide the optimised range of options for addressing strategic risks.
- c. Development of interoperability direction appropriate for the capabilities identified through the DCAP.



**Figure 3-2: Integrated Force Design Process**

- d. Plans that reflect how Capability is to be developed. These include the IIP (which includes major capital equipment, facilities and ICT and associated sustainment funding), the Defence Strategic Workforce Plan, Capability Program Strategies and other FIC plans (as required). These capture the result of the Integrated Force Design process along with the associated resource requirements and are updated on a rolling basis as capabilities are developed and priorities are adjusted.
- e. Capability Program Directives and MDP Directives capture the outcomes of the DCAP process and assign capabilities to the appropriate Capability Managers for further development and introduction into service.
- f. Other Specific Guidance such as the CDF's Preparedness Directive, which draw on the DCAP analysis.

**Concepts**

3.13 The concepts process explores alternative ways of conducting and supporting operations, providing an avenue for innovation to be applied to the design of the force.

3.14 A concept is a description of a method for employing specified military capabilities in the achievement of a stated objective. This may range from describing the employment of military forces in the broadest terms and at the whole-of-force level to specifying the employment of a particular technology system or the application of a particular logistics or training system. The concept should describe the capabilities and support that it is envisioned will be required to implement the concept successfully although may only be at a general level.

3.15 In the 'ends, ways and means' model for strategy, concepts correspond to the ways, the stated objective to the ends and capabilities to the means. In this sense, concepts are primarily descriptions of how things could be done.

3.16 The Concepts Framework is the collective of concepts approved by VCDF. There is a strict standard for inclusion in the suite, ensuring concepts for force design and integration are useful to capability decisions. The concepts by type are as follows:

- a. **Capstone documents** articulate a central idea on how the force will align warfighting functions with principles for force design, generation, employment and interoperability. There is a capstone document for both the Objective Force and Future Force:
  - (1) The operational narrative in Joint Concepts such as the Australian Joint Operating Concept (AJOC) identifies the uniquely Australian way in which the Joint Force achieves operational success.
  - (2) Future Operating Environment (FOE) describes what the Future Force may face and seeks to improve our ability to anticipate and prepare for future operational challenges.
- b. **Future Joint Concepts** give depth and operational context to ideas that nest with strategic guidance and the capstone concepts.
- c. **Joint Concept Notes** (JCoNs) are developed to distil future-orientated research into a form that can be used by Defence to inform future force design considerations.
- d. **Joint Studies** will explore in detail an operational dilemma or capability opportunities.

3.17 Further detailed guidance on the development of Joint Concepts is provided in the Joint Concepts Framework Handbook (Tier 3).

### Defence Capability Assessment Program

3.18 The DCAP analyses current plans for the force and options to adjust it in the context of the Government's strategic and other policy priorities. The options encompass new and innovative approaches to addressing these priorities. The

outcome is a set of capability plans to develop a new objective force. The DCAP process informs the Business Transformation Cycle, where risks may be treated through Defence Transformation Strategy initiatives.

3.19 Analysis of the force is based on a combination of joint experimentation, wargaming, analytical studies, review of lessons learnt and expert judgement. These typically address the ACCS to provide a clear connection to strategic guidance. Analysis is also typically focussed on a number of fixed timeframes or epochs, based on the capabilities that the ADF could have in service and the capabilities of potential adversaries at the same time. The choice of timeframes is based on strategic and technological issues, and is set at the start of each DCAP round.

3.20 Analysis often requires the use of hypothetical capability elements that are representative of capability decisions yet to be made. These exemplars serve as a basis for joint experimentation, wargaming and other analysis and assessment of the potential costs. While the exemplars represent plausible capability solutions, there is often a range of alternatives available. Care should be taken to ensure that the use of exemplars does not exclude consideration of novel approaches. The key output is identifying the operational effects that contribute to successful outcomes against the strategic priorities. These outcomes are specified against the framework of Joint Capability Effects and quantified as far as possible (in terms of the operational outcome, level of threat, geographic setting, duration, notice period and rate of effort).

3.21 The outcomes of the DCAP include revised plans for capability proposals, reflected in the IIP, and other FIC-based plans such as the Defence Strategic Workforce Plan and guidance to Capability Managers through classified Capability Program and MDP Directives.

3.22 The DCAP is a rolling program, with each new round addressing a new set of issues. Each DCAP round lasts two years and is scheduled to inform a Government Budget; although sometimes an abbreviated round may be required to address an urgent set of developments. Each DCAP can have a different focus, depending on strategic and other developments, and the analysis that has been completed in the preceding years. For example, the DCAP may seek to address:

- a. Overall affordability and structure of the joint force. This broad perspective is appropriate for supporting a White Paper, Force Structure Review or Force Structure Plan where the Government wants to understand whether the balance of resourcing and strategic priorities are appropriate.
- b. Comparison of broad force and conceptual alternatives. This is particularly relevant if there are significant capability choices driven by emerging technology or interoperability.

- c. Minor adjustments to Capability Program Strategies and other guidance and plans to reflect changes to the force and strategic environment since the previous DCAP round.
- d. Improving the robustness of the analysis base by expanding coverage to new time periods, scenarios or analytical techniques.
- e. Informing an update of preparedness guidance by examining contingencies in the near term.
- f. Identifying the interoperability needs associated with combinations of forces and which are most important to achieving successful outcomes across a range of scenarios.

3.23 The DCAP method is being continuously refined. Further detail on the DCAP process is provided in the Force Design Guidance (Tier 3).

### **Force Structure Direction**

3.24 Force structure direction is captured in a number of capability plans that reflect how capability is intended to be delivered into the future (typically out 20 years). These plans include:

- a. the Force Structure Plan, which is the plan for future force, responding to Defence objectives. It outlines the capability plan for the portfolio, covering major systems, facilities and information and communications technology;
- b. the IIP, which is the investment plan aligned to capability milestones. It includes the acquisition and sustainment costs of all Capability Programs including major systems, facilities and information and communications technology. It also includes the workforce costs and operating costs;
- c. the classified Defence Strategic Workforce Plan;
- d. other plans intended to coordinate the delivery of specific FIC; and
- e. plans for further capability analysis, innovation, and research and development related to new potential options.

3.25 These plans seek to achieve the following four outcomes:

- a. capture the current set of decisions about how the relevant sets of capability elements are to be developed;
- b. provide transparency to relevant decision-makers;
- c. show the relationship between the planned capability and the budget; and
- d. provide a baseline against which capability adjustments can be assessed.

3.26 Capability plans are adjusted as a result of the DCAP, Government decisions, and progress made in delivering the capabilities contained in the plans. For example, plans are updated twice per year in line with funding changes approved through the Government's budget cycle (ie Budget and Additional Estimates).

3.27 The IIP is the most significant of these plans as major changes to capability often involve new capital spending. The IIP comes with its own funding guidance, separate to the base funding directly controlled by the Capability Managers. The IIP is considered by Government through the IIP Bi-Annual Update. Other plans are considered by Government as required.

### **Preparedness Direction**

3.28 Maintaining forces on high readiness and prepared to sustain operations is expensive. As a result, the ability to respond to contingencies on short notice is risk managed. Resources needed to bring forces from their present level of operational capability to the necessary operational level of capability may be obtained from means such as central stocks, work-up training, re-allocation of personnel and equipment from lower priority force elements, and callout of reserves; which is to be considered as part of a capability's workforce planning.

3.29 Preparedness, readiness and resourcing judgements are informed by the DCAP processes which determine the necessary capability effects for near term contingencies combined with assessments of emerging strategic risk. The required level of preparedness is captured in the CDF's Preparedness Directive along with preparedness reporting arrangements. Further detail on the CDF's Preparedness Directive is provided in the Preparedness and Mobilisation Guidance (Tier 3).

3.30 Mobilisation is a subset of preparedness management. Mobilisation is a deliberate planning activity that describes how Defence intends to generate scaled, enduring operations beyond the scope of the initial crisis response.

3.31 Mobilisation Planning sits at the intersection of a multitude of Defence and other Government planning activities. Defence is to develop a Defence Mobilisation Plan to increase the ADF's ability to support a range of scenarios, including in response to future large-scale domestic natural disasters and national emergencies. Upon the completion of this Plan, expected late 2022/early 2023, further guidance will be provided.

### **Program Direction**

3.32 The classified Capability Program Directives and MDP Directives record Capability Program management guidance as well as relevant guidance on future preparedness, mobilisation and interoperability and key deliverables expected from the Capability Program Strategy. This guidance is derived from the DCAP process which identifies the Capability Target States to be achieved, described in terms of operational effects and given time periods into the future.

3.33 Capability Managers are then given the authority to manage their Capability Programs and oversee the work of the allocated Multi-Domain Programs in accordance with this direction. Further detail on these directives is provided in the Capability Program Management Guidance (Tier 3).

### **Interoperability Direction**

3.34 Interoperability planning starts with the development of force concepts that enable effects through interoperable capabilities. Options of enabling interoperability between capability elements or acquiring separate capabilities for each domain requires analysis during the DCAP process, including assessment of the benefits, costs and risks of interoperability.

3.35 Interoperability direction identifies interoperability issues associated with achieving effects, and specific interoperability directions which applies across the Force.

### **Contestability**

3.36 Contestability Division contributes to the Integrated Force Design processes to ensure that decisions are based on robust information, unbiased analysis process and aligned with strategic priorities.

### **Feedback**

3.37 The outcomes of Integrated Force Design may identify issues that need to be considered as part of strategy development. For example, it may identify a mismatch between strategic ambition and resourcing, or it may identify that some lower threats may be relatively easy to counter with modest adjustments to priorities. These should be captured in the appropriate lessons learnt system. As new capabilities are identified, planning commences for capability performance measures to be implemented in later phases.

## CHAPTER 4

# RISK MITIGATION AND REQUIREMENT SETTING PHASE

### Overview

4.1 The Risk Mitigation and Requirement Setting phase (Figure 4-1) sees the guidance provided in the Strategy and Concepts phase translated into specific decisions on capability, including decisions on the introduction of new capabilities, maintaining or disposing of existing capabilities, and decisions for making adjustments to the utilisation of FIC. For major capital projects, this phase commences with the project being identified as a priority through the DCAP process, and concludes with Second Pass approval by Government.

4.2 Identification of risks and development of risk management strategies is a major focus of this phase. Typically, the risks include:

- a. strategic risk, which Defence capability aims to mitigate;
- b. capability risk, which considers the extent to which the capability contributes to, and is interoperable with the Joint Force;
- c. cost and performance risk, which can affect assessments of value-for-money, effectiveness and budget impact;
- d. implementation risk, including schedule, technological, industry and workforce risk;
- e. legal risk;
- f. security risks; and
- g. workplace health and safety risks.

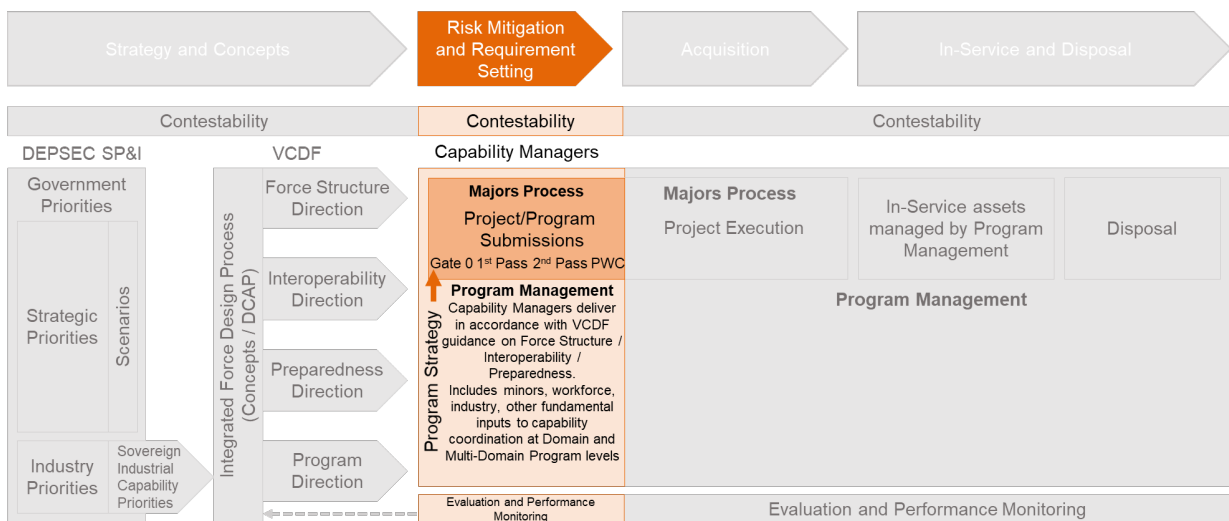


Figure 4-1: Risk Mitigation and Requirement Setting phase



4.3 The accountability for this phase resides with the Capability Manager. The *First Principles Review* recommended the creation of an end-to-end capability development process. The key underlying concept was that the Capability Managers, who are the ultimate users of capability systems, should also have the key role in their design, acquisition and sustainment. Aligning these roles on a single accountable manager would result in better decision-making.

4.4 While the Capability Manager is accountable, many areas across Defence contribute to the delivery of a capability, most notably the Lead Delivery Group. Thus throughout the capability process the need for the Services and Groups to work in partnership is critical. This partnering arrangement is highlighted in the *First Principles Review* as a key behaviour expected in the One Defence approach.

### Program Management planning

4.5 All capabilities are assigned to a Capability Program. The Capability Manager is accountable for managing the Capability Program in accordance with Capability Program Directive. Responsibility for the conduct of the process is delegated to the Program Sponsor, who will work in close cooperation with the Lead Program Delivery Manager and supporting Program Delivery Managers in the Delivery Groups and is assisted by a Program Steering Group.

4.6 The Capability Manager is guided by the following documents:

- a. **Capability Program Summary** - provides a master description of each Capability Program, including the scope, resource requirements, and description of capability proposals, capability acquisitions, and in-service products and activities. They describe the current 'force-in-being' and approved 'objective force'. The Capability Program Summaries are maintained by Force Design Division and updated to reflect policy changes; and
- b. **Capability Program Directive** - articulates the VCDF's objectives for the program, including future preparedness, force design, and interoperability outcomes, as well as metrics and reporting requirements. Programs are to be managed to achieve the defined Capability Target States.

4.7 **Program Documents.** The outcomes of Program planning are captured in the following documents:

- a. **Program Strategy**, which describes the approach the relevant Capability Manager intends to follow in order to deliver the VCDF required outcomes for the Capability Program.
- b. **Program Operational Concept**, which describes the warfighting and support requirements and concepts, and how capability products fit together within the Program. It also describes key dependencies on, and considerations that

relate to, other programs. The Capability Manager may choose to produce Operational Concepts that cover several Capability Programs, or, if appropriate, an alternative document which outlines the operating model or architecture of the Program and its constituent elements.

- c. **Capability Program Management Plan**, which provides the link between the Program Strategy and program delivery. Developed by the Lead Program Delivery Manager, it describes the coordinated efforts needed for individual projects, products and FIC to achieve the objectives of the Program Strategy.

4.8 **Program Strategy.** A Program Strategy is developed by the Program Sponsor on behalf of the Capability Manager in response to the Capability Program Directive and approved by VCDF on behalf of CDF and Secretary. It outlines how the Capability Program Directive will be achieved and acts as the primary document that defines the intent for leading, managing and developing capabilities within the program in alignment with Defence strategic objectives as articulated in the Capability Program Directive and with the resources identified in the Capability Program Summary. The Program Strategy bounds the program by articulating a coordinated strategy, blueprint and roadmap to manage existing, transitioning and emerging capabilities, including how FIC contributes to those capabilities, over time.

4.9 The Program Strategy will:

- a. detail how a program is aligned to Capability Program Directive, Domain requirements (if a single-Domain Program) and Defence strategic direction and relevant Joint and Service Concepts or enabling strategies (such as the Defence Estate Strategy and Defence ICT Strategy);
- b. identify the Interoperability Needs relevant to the Program, in conjunction with Force Integration Division;
- c. include an Operational Concept graphic and Test and Evaluation Strategy Statement;
- d. provide an overall planning view of the projects and products within the program, including addressing all details within the FIC;
- e. detail how the program will develop, deliver, transition and sustain agreed capabilities;
- f. coordinate sustainment of all products to maximise the aggregate of capability output across the program;
- g. detail program level industry opportunities and constraints, including opportunities to maximise Australian industry participation, particularly in relation to SICP;

- h. establish R&D goals and innovation opportunities, including mechanisms to embed successful innovations into acquisition and then capability realisation;
- i. maintain a pipeline of capability proposals, projects and activities, as required to support programs, for consideration by Force Design Division;
- j. ensure that potential capability adjustments within the program are identified, managed and prioritised to meet program capability outcomes and future preparedness objectives; and
- k. need to align to any additional guidance that may be provided by:
  - (1) an MDP Strategy, developed in response to an MDP Directive issued by VCDF; and
  - (2) a Domain strategy, should the Domain Lead develop one in cooperation with other affected Capability Managers.

**4.10 Program Operational Concept.** The Program Operational Concept is developed by the Program Sponsor supported by the Lead Program Delivery Manager and is the primary co-ordination document developed to support the Program Strategy. The document expands on the capability objectives contained in the Program Strategy by providing clear design guidance in the form of:

- a. the Capability Program's needs derived from relevant operational scenarios and Interoperability Direction;
- b. program level operational architectures, such as those derived from joint war fighting architectures informed by C4ISR Design guidance;
- c. relevant non-materiel standards to be adopted across the program; and
- d. support arrangements that underpin the capability.

**4.11 Capability Program Management Plan.** The Capability Program Management Plan is developed by the Lead Program Delivery Manager in collaboration with the Program Sponsor and is approved by the Program Sponsor on behalf of the Capability Manager. The Plan details how program delivery will be governed, planned, funded, managed, and assured. The document describes program scope (aligned with the Program Strategy), required resources, high level dependencies and constraints for Project and Products Managers to be able to plan and manage subordinate projects, products and enabler inputs across the Program.

**4.12 Program Risk Management.** Risk management is an integral part of capability program management. Risk mitigation and acceptance is included in the Program Strategy. Project and product sustainment risks and their mitigation, and program level FIC risks, can potentially be better managed by taking the program, rather than an individual project or product, to the Investment Committee.

4.13 **Governance agreements.** A Program Delivery Agreement, or similar will be incorporated into the Program Management Plan. The agreement is between the Capability Manager's representative and Delivery and Enabling Groups' representatives to establish the governance arrangements between the Capability Manager and the relevant Delivery Groups. Where there is more than one Delivery Group, a Lead Delivery Group Program Delivery Manager will be appointed, who will be identified in the agreement. It is expected that governance arrangements will then be agreed and documented between the Delivery Groups and the relevant Enabler Groups that contribute to the Delivery Groups' delivery of FIC for the Program.

4.14 **Development of specific initiatives.** Each of the initiatives described in the Program Strategy and Capability Program Management Plan will have its own objectives, governance arrangements and resourcing.

4.15 **Contestability.** Contestability provides assurance to government and senior stakeholders that programs are aligned to strategic guidance, Joint and Service Concepts or enabling strategies (such as the Defence Estate Strategy and Defence ICT Strategy) and reflect resource allocation. This occurs as part of Contestability Division's review of the Capability Program Directive. The level of contestability should be proportionate to the risk presented by a program. The Investment Committee may direct additional assurance from Contestability Division when required, including reviews of the Program Strategy. Contestability presents an opportunity to ensure benefits are realised by the program level of management.

4.16 **Program Submissions.** Government approves major capital projects, with the current mechanisms described in the next section. Related projects can be grouped into a single submission. Defence is developing a model that shifts the focus of Government approvals to Capability Programs and Program Tranches as an alternative to submitting individual projects and project phases. The aim of this is to ensure a more strategic view of capability while maintaining transparency. This model will be fully developed in cooperation with the central agencies.

4.17 Further detail on program management planning is provided in the Capability Program Management Guidance (Tier 3).

### Capability proposal planning

4.18 The ability to transition a proposed capability in the IIP into a new or significantly changed capability occurs through obtaining Government approval for the capability proposal. The capability proposal can encompass the Program, Program Tranches, an individual project or project phase. Regardless of the form, the proposal defines coherent time-bound bodies of work and deliverables.

4.19 The progress of these project phases and tranches is described in terms of Gates for consideration by the Investment Committee and Passes for consideration by Government.

- a. Gate 0 consideration by the Investment Committee is an internal Defence consideration only. These capability proposals can be considered by Government collectively in the IIP Bi-Annual Update when an appropriate decision is required.
- b. Gate 1 consideration by the Investment Committee is followed by First Pass consideration by Government. This provides an opportunity to engage with government about how the capability relates to strategic priorities and the range of capability options. Developing the options involves consideration of Australian industry and innovative approaches. First Pass approval provides the authority to proceed to Second Pass, including identifying the capability options to develop, the activities needed to provide quality information and mitigate risk including any approach to market, and provides authority to use funds for development activities.
- c. Gate 2 consideration by the Investment Committee is followed by Second Pass consideration by Government, (where there was no proceeding First Pass proposal, this is referred to as a Combined Pass). Second Pass approval provides the authority to acquire the capability. Where required, the Parliamentary Standing Committee on Public Works (PWC) reviews and Parliament approves capital works projects.

4.20 **Project initiation.** Projects are initiated through the following activities:

- a. **Force Design.** The capability need of the project is identified through the Force Design process and a funding provision is included in the IIP. This decision will be reflected in the Capability Program Directive, and subsequently included in the Capability Program Strategy and Capability Program Summary.
- b. **Joint Capability Needs Statement.** A Joint Capability Needs Statement (JCNS) is developed by the Program Sponsor on behalf of the Capability Manager to describe the capability adjustment sought and its strategic relevance. The JCNS is considered by Head Force Design (HFD) and Head Force Integration (HFI) to confirm its alignment with Integrated Force Design and Interoperability direction, and is endorsed by HFI and approved by HFD on behalf of VCDF.
- c. **Project Execution Strategy.** The Project Execution Strategy (PES) is a high-level strategy for the execution of the project across the life of the product and is developed by the Lead Delivery Group, supported by the Capability Manager, utilising the Smart Buyer Framework.
- d. **Gate 0 Business case.** The Project Sponsor prepares a business case for the project, consisting of an Overview, the JCNS and PES. The business case is reviewed by the Capability Manager Gate Review (CMGR) and

formally considered by the IC for endorsement of further development of the project.

- e. Further detail on developing the Gate 0 Business Case is provided in the Product Life Cycle Guidance (Tier 3).

4.21 **Issues identification.** The process leading up to Gate 0 should be used to identify issues that will require management on a whole of Defence basis. These include legal review of new weapons, identification of sensitive technologies and management of electro-magnetic spectrum. These may require subsequent reviews and management.

4.22 **Tailoring.** The standard approval authority for projects is typically by the NSC for projects requiring two passes, but Government will vary these depending on the project risk. For example, a lower risk project may be approved by the Minister for Defence and Minister for Finance acting jointly (Two Minister approval). Likewise, a lower risk project may proceed directly to Second Pass, bypassing First Pass in a process referred to as Combined Pass; while a more complex project may require multiple intermediate Passes. The Smart Buyer processes review the proposed recommend approval strategy for the project, which will include an Approval Pathway to be negotiated with central agencies. The Investment Committee, as part of the Gate 0 Business Case, recommends the appropriate approval authorities and pathways which Government considers in the context of the IIP Bi-Annual Update.

4.23 At each Gate and Pass, the proposal is examined to determine if it should progress further based on consideration of:

- a. **Value for money.** A decision to acquire an option is based on demonstrating that the preferred option presents the best value for money. This involves establishing an option set that, at least initially, includes scope for innovative approaches. This is followed by an assessment of the project's value in terms of contribution to the Government's strategic priorities as analysed through the Force Design process. Other Government priorities can also contribute to value, notably the opportunities for maximising Australian industry participation and contribution to Sovereign Industrial Capability Priorities. This value is compared to the assessment of cost and requirements for other resources (workforce, estate, etc).
- b. **Assessment of Options.** Government needs to be explicitly engaged in the choice of options. At each Pass, a range of options is presented with accompanying analysis on each, together with a recommendation on which should be further developed (First Pass) or selected to progress to acquisition (Second Pass/Combined Pass).
- c. **Implementation planning and risk management.** Definition of dependencies, requirements, costings, implementation plans to acquire and

sustain the capability and risk analysis are progressively developed for each Pass. Government forms a judgement on whether this development work is sufficiently mature to progress the proposal further.

**4.24 Project Development.** Once the Gate 0 Business Case has been approved, the activities within the Risk Mitigation and Requirement Setting phase fulfil three purposes:

- a. providing the information that allows Government to make an informed decision on the capability to be acquired;
- b. defining the capability requirements sufficiently so that Defence can specify its needs for FIC and their integration to industry and to internal FIC providers; and
- c. ensuring that risks are understood and managed appropriately.

**4.25 Project Documentation.** Documentation is prepared for Gate 1 and Gate 2 Government consideration and reviewed by the Capability Manager Gate Review and the Investment Committee. This documentation includes:

- a. the Cabinet Submission;
- b. the Business Case;
- c. the JCNS, updated as required;
- d. the updated PES
- e. a Sponsor's Paper providing an Executive Summary of the proposal;
- f. the Capability Workforce Plan (WFP), updated as required;
- g. a Test and Evaluation Master Plan;
- h. the Through Life Cost Estimate (Cost Model);
- i. Capability Definition Documents; and
- j. a range of supporting documents, listed in the Product Life Cycle Guidance (Tier 3).

**4.26** Further detail on major capital project planning and the complete list of required documents is provided in the Product Life Cycle Guidance (Tier 3).

### **Planning for Capability Realisation**

**4.27** Planning for capability realisation commences in this phase and in some areas execution may commence. Capability realisation activities include:

- a. **Engagement with Industry**, including tendering, contract negotiation and contract management with a prime contractor and potentially a number of supporting contracts not managed directly by the prime.
- b. **Coordination and management of other FIC providers**, to ensure all of the capability components and enablers are developed and integrated in a coordinated manner to support the capability.
- c. **Introduction into Service** of the new capability into the Joint Force. Test and evaluation will confirm that the capability has been delivered as specified and can operate safely and effectively.

### Contestability

4.28 Contestability Division contributes to the Risk Mitigation and Requirement Setting phase to ensure that decisions are feasible and defensible, based on accurate information and evidence, and aligned with the outcomes of Strategy and Concepts phase.

### Feedback

4.29 The outcomes of the Risk Mitigation and Requirement Setting phase may identify issues that need to be considered as part of the Strategy and Concepts phase. For example, it may provide a more refined view of the capabilities that can be delivered efficiently. Depending on the issue, this feedback may be provided directly to the relevant team involved in developing strategic policy or force design or captured in the appropriate lessons learnt system. Small-scale trials, experiments and preview test and evaluation may form part of the phase. Planning for performance measures and test and evaluation matures through this phase.



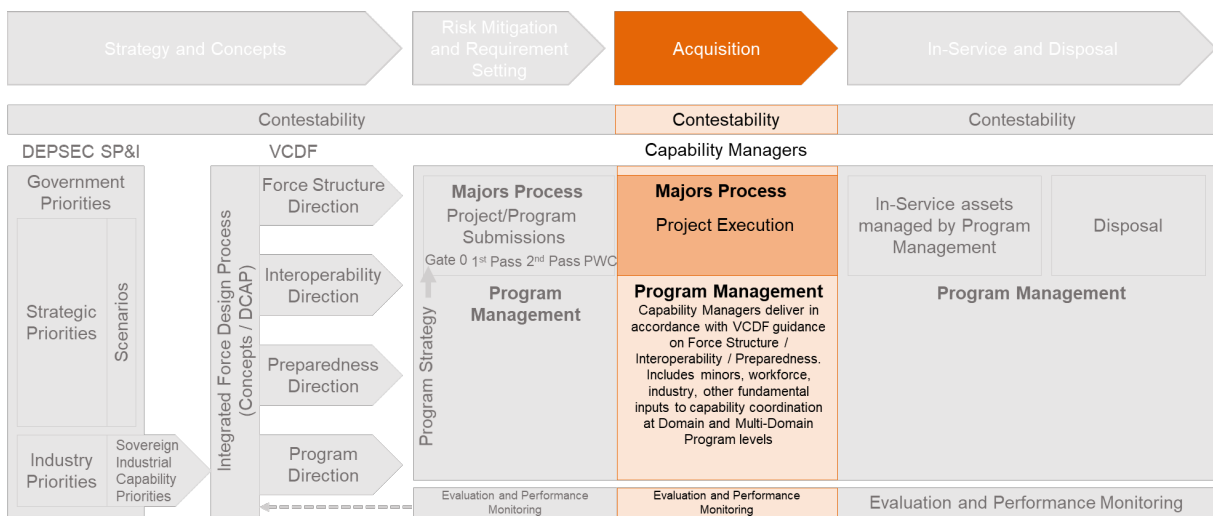
## CHAPTER 5

### ACQUISITION PHASE

#### Overview

5.1 In the Acquisition phase (Figure 5-1) Defence acquires, develops and introduces the new capability systems planned and approved in the Risk Mitigation and Requirement Setting phase. This involves coordinating and integrating all the associated FIC. For projects in the IIP, it commences with the Government’s Second Pass approval and concludes when the capability is introduced into service and available for use. While the Capability Manager is accountable for the Acquisition phase, the Lead Delivery Group takes the dominant role in achieving the required outcomes.

5.2 Risk management is ongoing in the Acquisition phase, based on the analysis in the Risk Mitigation and Requirement Setting phase (see paragraph 4.2). Monitoring of performance indicators serves to identify where risk management strategies need to be activated or senior management intervention is needed.



**Figure 5-1: Acquisition phase**

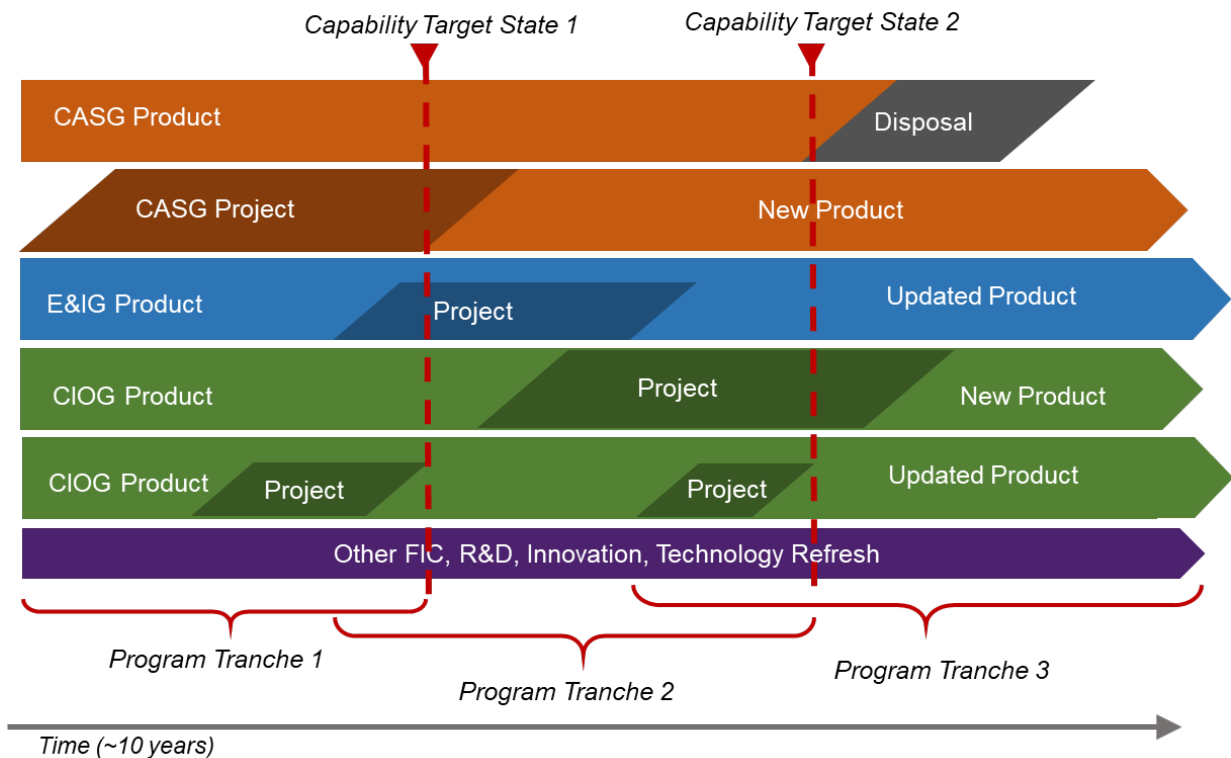
- 5.3 The Acquisition phase includes governance arrangements for:
- a. appropriate management oversight of the acquisition, development and introduction of the capability system and ensuring that key decisions are made in a timely manner with the appropriate decision-makers involved;
  - b. control measures to detect variations from budget, schedule, scope and other aspects of approved plans;
  - c. risk management to ensure emerging risks are identified and appropriately treated;

- d. monitoring, assurance and reporting arrangements to ensure that the desired outcomes are realised and progress is reported to decision makers and Government;
- e. information management and communications to ensure that information reaches the necessary decision-makers in a manner that allows any necessary action to be taken;
- f. whole-of-life sustainment planning and management including routine sustainment work and obsolescence management, managing any changes to preparedness levels and the incorporation of any pre-planned technology refresh activities or upgrades to maintain capability relevance;
- g. integration management within the program, and between programs, to ensure the interoperability requirements will be met; and
- h. Australian industry and supply chain activities to meet the requirements in the Capability Program Strategy and approved business case.

### **Program management**

5.4 For Capability Programs, the Lead Program Delivery Manager is responsible for coordinating the delivery of FIC with other parts of Defence, including integration. The Lead Program Delivery Manager will typically be dealing with a number of initiatives each at a different state of maturity and in different phases (see Figure 5-2). The initiatives will include both projects and business as usual.

5.5 Further detail on program management planning is provided in the Program Management Guidance (Tier 3).



**Figure 5-2: Illustrative Capability Program Management**

**Major capital project management**

5.6 For projects in the Acquisition phase, the Integrated Project Manager in the Lead Delivery Group takes responsibility for coordinating the delivery of all FIC in a synchronised manner in order to achieve objective outcomes.

5.7 **Project Variations.** Monitoring and reporting project performance is needed to allow management intervention to address emerging issues. Where there is a material change to project outcomes after approval (eg a real cost increase (RCI), scope change or delays including change to entry into service dates), then senior management are to be advised. Approval of a project variation will need to be referred to the original decision-maker for consideration.

5.8 **Introduction into service.** Introduction into service occurs during the Acquisition phase, where all the relevant Fundamental Inputs to Capability comprising a capability system are delivered, integrated, tested and approved.

5.9 Further detail on capability acquisition planning is provided in the Product Life Cycle Guidance (Tier 3).

**Feedback**

5.10 The outcomes of the Acquisition phase may identify risk, issues and opportunities that to inform earlier phases. For example, it may provide a more

detailed picture of the availability and capability of the force being introduced into service. This feedback should be appropriately captured, including in performance reporting and the appropriate lessons learnt system.

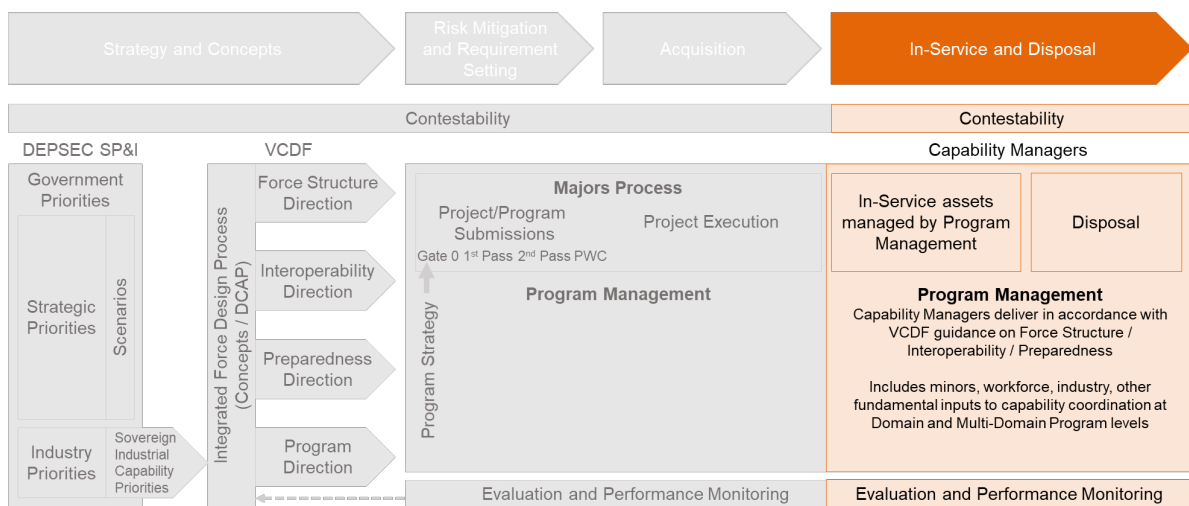
# CHAPTER 6

## IN-SERVICE AND DISPOSAL PHASE

### Overview

6.1 Capabilities are available for use by the Capability Manager in the In-Service and Disposal phase (Figure 6-1) and by the appropriate operational (usually Chief of Joint Operations). Capabilities are sustained in service and, where necessary, withdrawn when obsolescent.

6.2 Risk management planning is ongoing throughout the In-Service and Disposal phase based on the work conducted in the previous phases (see paragraphs 4.2 and 5.2). Regular updates account for changes to the force structure, the strategic environment and the changing condition of the capability over time. Performance is monitored to identify where risk management strategies need to be activated or senior management intervention is needed.



**Figure 6-1: In-Service and Disposal phase**

6.3 Activities during this phase include routine sustainment work and obsolescence management, managing any changes to preparedness levels and the incorporation of any pre-planned technology refresh activities or upgrades to maintain capability relevance.

### Program management

6.4 The Capability Manager remains responsible for the sustainment of capabilities throughout the In-Service and Disposal phases, supported by the Delivery and Enabling Groups.

- a. Responsibility within each Capability Program is delegated to the Program Sponsor (in the Capability Manager's Service or Group) supported by the

Program Delivery Managers and Integrated Product Managers in the Delivery Groups.

- b. For some products, with significant cost and risk, a separate Product Sponsor may be appointed to work with the Integrated Product Manager.
- c. Depending on the organisational structure of the Service or user organisation, capabilities may be controlled by particular commanders, rather than being under the direct control of the Program or Product Sponsor. The organisation is to make appropriate arrangements to ensure the preparedness and material sustainability of these capabilities.
- d. Arrangements for the sustainment and ultimate disposal of products are recorded in the Product Delivery Agreement between the Capability Manager and the Lead Delivery Group, and subordinate agreements with other Groups as required.

6.5 For Government-approved capability acquisitions, Capability Managers are to be aware of the following two conditions:

- a. Where there is a material change in the performance or operating cost from what had been planned at the time of Government approval, Government should be advised and given the opportunity to consider any rectification strategies.
- b. Where it is anticipated that regular technology refreshes will be required over the life of the constituent capability systems, the original Capability Submission should seek to clarify the extent of capability upgrade involved and whether referral back to Government is needed. As a general rule, a technology refresh that is primarily to achieve step-change to capability would be subject to Government approval, whereas anticipated obsolescence management or planned technical refresh would not.

6.6 **Sustainment.** Sustainment arrangements need to progress through the life of the capability and will require management to ensure the combination of FIC remains optimised. This includes establishing arrangements to monitor the condition of the FIC and their continued suitability, and maintain, replace, update or otherwise adjust and integrate FIC to ensure that the capability remains fit for purpose.

6.7 Sustainment contracts should be managed to provide best value for money and align to guidance for renewal of contracts, and contracts over \$100m. Where appropriate, this can involve recontracting at fixed intervals to introduce an element of competition.

6.8 **Work-up.** Where a capability is to be assigned to an operation, it will be necessary to bring it from its present level of operational capability to the desired operational level of capability. This may require application of additional FIC

(additional supplies, support, data/information/intelligence, personnel, equipment and collective (work-up) training) to increase the readiness of capability.

**6.9 Program-level Health Checks.** Program-level health checks are the responsibility of the Program Sponsor and are conducted on a regular basis. They constitute business as usual activities and are supported by an appropriate reporting and monitoring system. Health checks support robust and honest progress reporting to the Capability Manager and other key stakeholders, typically on a bi-annual basis.

6.10 Other performance reporting includes:

- a. the Capability Manager reporting on preparedness levels through the preparedness management system;
- b. the Delivery Group reporting on the progress of programs and Government-approved capability acquisitions and sustainment through periodic performance reports; and
- c. Joint Force Assurance activities give confidence in the Joint Force's ability to meet Interoperability Needs.

## Disposal

6.11 At the end of a product's in-service life, both the Capability Manager and the Delivery Group manage the disposal process. Disposal involves withdrawing capability from service, along with final disposal of any products, including associated resources and equipment, and ensuring that the financial implications are accurately recorded in Defence's financial systems in consultation with DFG. The Disposal Plan articulates the considerations for disposal of the product. Refer to the *Defence Logistics Manual Part 2 Volume 5 Chapter 10 – Defence Disposal Policy*. One of many disposal options, is for select Major Systems to be included in the [Australian Defence Sales Catalogue](#). Disposal may introduce security risks that need to be managed.

6.12 Defence also conducts divestment of property in accordance with the Commonwealth Property and Lands Acquisition Act 1989. Additional information is available concerning [Defence Estate Divestment](#).

## Feedback

6.13 The outcomes of In-Service and Disposal phase may identify issues that need to be considered as part of the earlier phases. Joint Force assurance plays an important role in identifying risks, issues and opportunities. For example, it may provide a current picture of the condition, availability, integration and capabilities of the force-in-being. Performance is captured in preparedness and other performance management systems, while specific issues should be captured in the appropriate lessons learnt system.

**INTENTIONALLY BLANK**



## TERMS AND DEFINITIONS

**Accountable.** The officer required or expected to justify actions or decisions and to be answerable for the completion of the task or deliverable via the delegation of the work to those responsible.

**Acquisition phase.** The phase of the One Defence Capability System in which the government-approved capability is procured by one or more delivery groups and delivered to the capability manager in accordance with the product delivery agreement and integrated project management plan.

**Approval authority.** The authority that provides government endorsement for an Integrated Investment Program project within the two-pass process. Note: Depending on the cost and sensitivity of the project, the level of approval authority is either the National Security Committee of Cabinet (NSC), or Minister for Finance and Minister for Defence.

**Approval pathway.** The steps required to secure Government approval for a project. Note: Depending on the level of risk, Government may agree to one consideration (a Combined Pass), two considerations (First and Second Pass) or a proposal broken into tranches for multiple passes.

**Asset management.** The coordinated activity of an organisation to realise value from assets, where an asset is an item, thing or entity that has potential or actual value to an organisation.

**Australian defence industry.** Businesses with an Australian Business Number and Australian-based industrial capability (such as Australian company and board presence, skills base, value-add work in Australia, infrastructure) that are providing or have the capacity to provide defence specific or dual-use goods or services in a supply chain that leads to the Australian Department of Defence or an international defence force.

**Australian Industry Capability.** Australian industry's ability to directly contribute to the acquisition and sustainment of current and future Defence capability. Note: It is built through the participation of Australian companies in the delivery of Defence projects, and creates international supply chain and domestic commercial opportunities.

**Availability.** A measure of the degree to which an item or system is in an operable or committable state. Note: This may include or refer to personnel, materiel and/or systems.

**Command and Control, Communications and Computers, and Intelligence, Surveillance and Reconnaissance (C4ISR).** The doctrine and concepts, connectivity, information systems, sensors, and tools required to effectively support Command across the spectrum of Defence operations through the timely attainment of trusted and relevant information.

**C4ISR Design Authority.** A role vested in the VCDF and delegated to Head Force Integration who, along with the Capability Manager, approves and controls the capability and operational architectural views, systems and interoperability standards that define the warfighting environment.

**C4ISR Technical Authority.** A role of the Chief Technical Officer in the Chief Information Office Group that sets the enterprise information management frameworks, including architecture, standards, policy and master data management.

**Capability.** The power to achieve a desired operational effect in a nominated environment within a specified time and to sustain that effect for a designated period.

**Capability Manager.** A senior Defence officer (typically 3-star or SES Band 3) accountable for management of subordinate Capability Programs and oversight of any assigned Multi-Domain Programs, including the development, delivery, introduction, preparedness and withdrawal of capabilities, in accordance with Defence policy and directions.

The Capability Managers are:

- Vice Chief of the Defence Force – Asymmetric Warfighting;
- Associate Secretary – Defence Business Enterprise Architecture and Transformation;
- Chief of Joint Capabilities – Joint capability;
- Chief of Defence Intelligence – Joint Intelligence, and Geospatial Information and Intelligence;
- Chief of Navy – Maritime capability;
- Chief of Army – Land capability;
- Chief of Air Force – Air and Space capability;
- Chief Information Officer – Enterprise ICT;

- Deputy Secretary Security and Estate – Enterprise Estate and Infrastructure; and
- Chief Defence Scientist – Innovation and Science and Technology.

Note: Director General Australian Signals Directorate is a statutory appointment directly responsible to the Minister for Defence, but exercises the capability manager role for Strategic Intelligence and Cyber.

**Capability Program.** An organisational construct created to manage capability aligned with strategic priorities and operational effects.

**Capability Program Directive.** A document raised within Force Design Division as enduring program-level direction. It is a distillation of program concepts and requirements that provide the Capability Manager with a synopsis of the operational environment, joint force needs and constraints specific to a program, including governance arrangements where relevant. The Capability Program Directive distils strategic and conceptual guidance into actionable deliverable terms and is used to determine the capability 'what' and 'why', while the Program Strategy, developed by the Program Sponsor is a response to this document and determines the 'how.'

**Capability Program Management Plan.** The Capability Program Management Plan provides the link between Capability Program Strategy and program delivery. It describes the coordinated efforts needed for individual projects, products, FIC and enablers to culminate in achieving the objectives and target states described in the Capability Program Strategy.

**Capability Proposal.** A proposal to expend funds on a project or program to introduce or enhance a capability or set of capabilities.

**Capability Realisation.** The process of planning and delivering Fundamental Inputs to Capability in a way that satisfies the introduction into service requirements of users.

**Capability System.** A specific combination of the Fundamental Inputs to Capability, used as the primary management framework for the development and delivery of an endorsed level of operational capability.

**Combined Pass.** Where Defence brings forward a proposal seeking single consideration for project approval by Government, rather than in two or more passes. Note: This typically applies to less complex or low risk projects.

**Concept.** An agreed notion or idea, normally set out in a document that provides guidance for different working domains and which may lead to the development of a policy.

**Contestability.** A mechanism that supports Defence decision-makers by providing independent review of capability proposals to ensure they are aligned with strategy and resources and can be delivered in accordance with Government direction.

**Contractor.** A company, firm, organisation or any person, other than a Defence employee, contracted to provide goods and services to Defence.

**Control.** (1) The authority exercised by a commander over part of the activities of subordinate organisations, or other organisations not normally under their command, which encompasses the responsibility for implementing orders or directives. Note: All or part of this authority may be transferred or delegated. (2). Maintain physical influence over a specified area or group to prevent its use by an adversary. (3). A measure to modify risk. Controls include any policy, process, device, practice or other actions designed to modify risk.

**Coordination.** Organising the activities of two or more groups so that they work together efficiently and know what the others are doing.

**Defence.** The Department of Defence.

**Defence Capability Policy Framework.** The set of policy and guidance documents that explains how the capability system and its component processes work.

**Defence personnel.** All Australian Public Service employees in the Department of Defence (Defence APS employees), Defence members, Defence locally engaged employees, Defence civilians and foreign personnel on exchange to Defence.

**Delivery Group.** An organisation responsible to deliver capability to an agreed scope, budget and schedule. Note: The Delivery Group head assigns the Integrated Project/Product Manager and support resources to realise delivery and sustainment of a capability.

**Design Authority.** Person or organisation who has the responsibility for developing a design.

**Doctrine.** Fundamental principles by which the military forces guide their actions in support of objectives.

**Domain.** Within the operational environment, a medium with discrete characteristics in which, or through which, military activity takes place. Note: Domains are physical (maritime, land, air and space) and non-physical (information, including cyberspace and the electromagnetic spectrum, and human).

**Domain Lead.** A Capability Manager who is responsible to the Joint Force Authority (ie VCDF), and manages prioritisation proposals for capital investment and sustainment decisions and any variations to budgets within that Domain agreed as part of the formal Investment Committee budget process.

**Enabler Group.** A Group within Defence, which provides assets, resources or guidance to the Delivery Group and the Capability Manager as necessary for the delivery and/or sustainment of capability.

**Enterprise Business Committee.** A subsidiary committee of the Defence Committee. The Enterprise Business Committee is responsible for the effective running of the day-to-day operations of Defence. Note: The Enterprise Business Committee is chaired by the Associate Secretary.

**Final Operational Capability.** The capability state relating to the in-service realisation of the final subset of a capability system that can be employed operationally.

**First Pass.** The first formal consideration of a capability proposal by the Government. This provides the opportunity to consider the business case, including narrowing the range of options under consideration and the further work required before final approval.

**Force Design Division.** A division in the Vice Chief of the Defence Force Executive which analyses and tests the force-in-being, provides preparedness assurance, designs and guides the development of a balanced and affordable future force.

**Force-in-Being.** The standing prepared force that provides options to Government for future operations.

**Force Integration Division.** A division in the Vice Chief of the Defence Force Executive which performs Command and Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) Design Authority, Joint Test and Evaluation, and Interoperability assurance roles.

**Fundamental Inputs to Capability.** A standardised checklist of nine inputs, designed to enable the effective generation of Defence capabilities. Notes 1: The

nine Fundamental Inputs to Capability are: organisation, command and management, personnel, collective training, major systems, facilities and training areas, supplies, support and industry. 2. In line with the generic definition of Defence capability, the Fundamental Inputs to Capability can be used as an aid to management at all levels of Defence.

**Future Force.** The Joint Force under design consideration that has not yet entered the Integrated Investment Program.

**Gate 0.** The decision point at which the Investment Committee considers a capability proposal developed by a Capability Manager and recommends to Government that it be included in the Integrated Investment Program.

**Gate 1.** The decision point in Defence that approves the First Pass submission to Government and selects a specific option or options to present to Government.

**Gate 2.** The decision point in Defence that approves the Second Pass submission to Government and recommends a specific capability be acquired.

**Health check.** The forum to report on significant project issues, including exception reports, key performance indicators and the coordination / resolution of project issues within a program. Note: Enables reallocation of resources as necessary and issues that cannot be resolved are escalated to the appropriate level.

**Information Environment Control Board (IECB).** A shared governance board that jointly considers warfighting and corporate ICT requirements, escalating warfighting issues to the Defence Joint Warfare Committee (JWC), corporate issues to the Defence Communication and Information Systems Capability Committee (DCISCC), and escalating conflicts to the Enterprise Business Committee (EBC) or Investment Committee (IC) for resolution.

**Initial Operational Capability.** The capability state relating to the in-service realisation of the first subset of a capability system that can be employed operationally.

**Innovation.** For the purposes of capability management, a process by which Defence identifies and creates opportunities to improve capability outcomes or achieve a capability edge, by exploring and developing new concepts, processes techniques, or ideas. Innovation can be applied to domains, capabilities, products, and a services. A core part of Innovation is the application of the national research and industrial ecosystem to transition science and technology into enduring Defence

capabilities within meaningful timeframes and across the spectrum from high-payoff scientific research to incremental evolution of existing systems.

**In-Service and Disposal phase.** The phase of the One Defence Capability System starting at the introduction into service and concluding with product disposal.

**Integrated Investment Program.** A ten year expenditure plan covering activities and projects that have been approved for inclusion in the Program by Government.

**Integrated Product Management Plan.** A product level document that describes the activities required to sustain a product.

**Integrated Product Manager.** The product level management appointment who has responsibility to plan and deliver the industry support necessary to sustain the product.

**Integrated Product Team.** A team comprised of representatives from all relevant stakeholders and ensures product performance, availability, readiness and preparedness outcomes in accordance with the Product Delivery Agreement.

**Integrated Project Manager.** The person who has responsibility to plan and deliver the project, inclusive of all agreed Fundamental Inputs to Capability to the specified scope, schedule and budget.

**Integrated Project Management Plan.** A project document that describes the activities required to deliver (and subsequently sustain) the products to be delivered by the project.

**Integrated Project Management Team.** The organisational entity established within the primary Delivery Group which performs project functions.

**Interoperability.** The ability of systems, units or forces to act together, to provide services to or from, or exchange information with partner systems, units or forces. Note: The three levels of interoperability are integrated, compatible and deconflicted.

**Introduction into service.** The process by which a capability system, comprising the Fundamental Inputs to Capability is proven to meet endorsed capability requirements and assembled so that in all respects the capability has been realised and is accepted into service.

**Investment Committee.** The senior committee, chaired by the VCDF, which exercises strategic control over the investment portfolio, bringing the future joint force

and supporting enablers into being in accordance with Government requirements and the Chief of Defence Force's Preparedness Directive.

**Investment Portfolio.** The aggregation of expenditure proposals and projects going through the investment approval process, including the Integrated Investment Program.

**Joint Capability Needs Statement.** A document which expresses the Capability Manager's plan to meet the problem posed by the Capability Program Directive.

**Joint Force Authority.** The authority for strategic-level development and generation of Joint Forces including platform and systems, essential enablers and integrating elements. Note: Vice Chief of the Defence Force is the Joint Force Authority.

**Joint Force Integrator.** Responsible for coordinating the individual and collective efforts of all stakeholders to achieve efficient and effective alignment of effort toward functional goals.

**Multi-Domain Program.** A grouping of a number of capability programs spanning across several Domains that have an appointed Lead to coordinate their development and ensure shared issues are addressed.

**Objective Force.** The Planned Force as set out in the Integrated Investment Program, along with those elements of the Force-in-Being that will remain in service.

**One Defence Capability System.** The activities, processes and systems used as an integrated system to develop and manage capability within Defence. Note: the One Defence Capability System can be described as occurring over four phases, identical to the phases of the product life cycle.

**Performance Needs Analysis Report.** A detailed report identifying the gap between desired job performance and actual performance.

**Planned Force.** The funded Force in the Integrated Investment Program, which is not yet the Force-in-Being.

**Product.** A group of related assets to which coordinated acquisition and sustainment activities are applied. Note: Product lines can be formed along platform, equipment or commodity lines, or in a way that allow the capability manager and delivery group to manage products in a coordinated way to optimise the capability outcome within allocated resources.



**Product Delivery Agreement.** The agreement between the Project or Product Sponsor (or if not appointed, then the Program Sponsor) and lead Delivery Group which specifies the scope, resourcing, priorities and performance and preparedness requirements for support of a capability system throughout its life, to support performance measurement.

**Product Life Cycle.** A capability system's whole of life, from initial identification of a need to its disposal. Note: The product life cycle comprises four phases: Strategy and Concepts, Risk Mitigation and Requirement Setting, Acquisition, In-Service and Disposal.

**Product Management.** The sustainment of Defence capability systems and services including the Fundamental Inputs to Capability, so as to meet prescribed capability performance and preparedness requirements.

**Product Sponsor.** The primary representative of the Capability Manager and the Program Sponsor liaising directly with the Integrated Product Manager. Once the project transitions into product sustainment, the Product Sponsor inherits accountability. The Product Sponsor is accountable to the Capability Manager and Program Sponsor for product outcomes and preparedness levels in alignment with strategic priorities.

**Program Delivery Manager.** The person appointed within the Delivery or Enabler Group to conduct program management functions in support of acquisition and sustainment activities.

**Program Sponsor.** The person responsible for ensuring that the outcomes of all program activities are achieved and that these outcomes remain aligned with Defence strategic objectives. Note: The Program Sponsor is accountable to the Capability Manager for the management of capability.

**Program Strategy.** The document which outlines how the capability program narrative will be achieved, and acts as the primary artefact that defines the intent for managing and developing capabilities within the capability program.

**Project.** Finite, multidisciplinary and organised endeavour to realise agreed fundamental inputs to capability deliverables within pre-defined requirements and constraints.

**Project Execution Strategy.** The document describing the execution of the project which is used as a component of the business case, summarised in the commercial, financial and management cases.

**Project Sponsor** The primary representative of the capability manager and the program sponsor liaising directly with the integrated project manager. Note: The project sponsor is accountable to the capability manager and program sponsor for delivery of the product. The project sponsor sets direction for the project and ensures that activities and outputs are consistent with the capability needs and priorities of the capability user.

**Risk Mitigation and Requirement Setting phase.** The phase of the One Defence Capability System where capability options are developed to achieve government approval for acquisition.

**Requirements.** These define functions to be performed by the system, performance measures of the system and its functions, and constraints that are imposed on the system. Note: Requirements are defined for all Fundamental Inputs to Capability as necessary.

**Responsible.** Having the authority or control over a task. Those who do the work to complete the task.

**Second Pass.** A final milestone in the Risk Mitigation and Requirement Setting and Planning Phase at which point Government endorses a specific capability solution and approves funding for the Acquisition and In-Service and Disposal Phases.

**Sovereign Industrial Capability Priorities.** Those Australian industrial capabilities that are critical to Defence and must be developed or supported by Australian industry. Therefore Australia must have access to, or control over the essential skills, technology, intellectual property, financial resources and infrastructure as and when required.

**Strategy and Concepts phase.** Phase of the One Defence Capability System to identify capability needs that are informed by assessments of the ability to meet the Defence missions set out in strategic guidance, within the broad funding guidance provided for Defence.

**Test and Evaluation.** A process to obtain information to support the objective assessment of a capability system with known confidence, and to confirm whether or not a risk is contained within acceptable boundaries across all facets of a system's life cycle.

**Total Cost of Ownership.** The total cost uniquely attributable to a capability system/system of systems over its entire life cycle. The Total Cost of Ownership is

important in comparing capability options – a capability that is inexpensive to acquire may be expensive to sustain or vice versa.

**Workforce Plan.** A plan detailing the workforce and associated training required to develop, acquire, introduce into service, operate and sustain a capability.

**Workforce Risk Assessment.** A document identifying the workforce risks facing a capability proposal, their likelihood, potential impact, and mitigation options.

**ACRONYMS AND ABBREVIATIONS**

<b>Item</b>	<b>Description</b>
ACCS	Australian Capability Context Scenarios
ADF	Australian Defence Force
AJOC	Australian Joint Operating Concept
AssocSec	Associate Secretary
ASD	Australian Signals Directorate
CASG	Capability Acquisition and Sustainment Group
CDS	Chief Defence Scientist
CIO	Chief Information Officer
CIOG	Chief Information Officer Group
CJC	Chief Joint Capabilities
CAF	Chief of Air Force
CA	Chief of Army
CDF	Chief of the Defence Force
CDI	Chief of Defence Intelligence
CDSpC	Commander Defence Space Command
CJLOG	Commander Joint Logistics
CMGR	Capability Manager Gate Review
CN	Chief of Navy
COSC	Chiefs of Service Committee
CTO	Chief Technology Officer
C4	Command and control, communications and computers
DCAP	Defence Capability Assessment Program
DFG	Defence Finance Group
DIG	Defence Intelligence Group
DPG	Defence People Group
DSTG	Defence Science and Technology Group
DSPF	Defence Security Principles Framework
DepSec	Deputy Secretary
DepSec SE	Deputy Secretary Security and Estate
DGASD	Director-General Australian Signals Directorate
EW	Electronic warfare
EO	Explosive Ordnance
FAS ET&G	First Assistant Secretary Enterprise Transformation and Governance Division

Item	Description
FIC	Fundamental Inputs to Capability
HAC	Head of Air Force Capability
HIC	Head Intelligence Capability Division
HIW	Head Information Warfare Division
HFD	Head Force Design Division
HFI	Head Force Integration Division
ICT	Information and communications technology
IAMD	Integrated air and missile defence
IIP	Integrated Investment Program
ISR	Intelligence, surveillance and reconnaissance
ISREW	Intelligence, surveillance, reconnaissance and electronic warfare
JCG	Joint Capabilities Group
JCE	Joint Capability Effects
JCNS	Joint Capability Needs Statement
JOC	Joint Operations Command
MDP	Multi-Domain Program
NSC	National Security Committee of Cabinet
NSEGC	Naval Shipbuilding Enterprise Governance Committee
NSIC	National Security Investment Committee
ODCS	One Defence Capability System
PPP	public-private partnership
PWC	Public Works Committee; Parliamentary Standing Committee on Public Works
RCI	real cost increase
SEG	Security and Estate Group
S&T	Science and technology
SCANNSE	Secretaries' Committee on Australian National Naval Shipbuilding Enterprise
SCNS	Secretaries Committee on National Security
SDO	Strategic Defence Objective
SICP	Sovereign Industry Capability Priorities
SP&I	Strategy, Policy and Industry Group
VCDF	Vice Chief of the Defence Force