



# DEFENCE BUDGET



The Government is investing an additional **\$5.7 billion** over the next four years and **\$50.3 billion** over the next decade, which will see Defence funding as a proportion of Gross Domestic Product rise to around **2.4 per cent** by 2033-34.<sup>1</sup>



## DEFENCE BUDGET REFORMS

The Government has implemented a range of reforms and changes to Defence's funding model. These budget reforms will accelerate the speed of capability delivery and increase oversight, assurance and governance.

Improving Defence's funding model and management of the Integrated Investment Program (IIP) will lift the quality of spending, improve planning and deliver the capabilities we need with the urgency called for by the 2024 National Defence Strategy (NDS).

### Greater assurance and transparency of Defence's budget and the IIP

Defence will improve project assurance and delivery approval through:

- ▶ An Independent Performance and Project Management Office
- ▶ A new biannual Health of the Defence Capability System report to Government
- ▶ Once established, a new Joint Statutory Committee on Defence to provide greater parliamentary oversight and scrutiny of major projects
- ▶ Imposing fiscal discipline on Defence and strengthening over-programming controls
- ▶ Faster decision making without compromising oversight
- ▶ Strengthening assurance processes to minimise cost and schedule blowouts

### A reduction of over-programming

- ▶ Unsustainable over-programming levels prevent effective planning, expenditure and delivery
- ▶ The Defence Strategic Review (DSR) reaffirmed that, in line with the 2016 Defence White Paper, the recommended over-programming level is 20 per cent
- ▶ The DSR revealed the Defence budget had reached historically high levels of over-programming – it was estimated to reach over 40 per cent in some years over the forward estimates
- ▶ In rebuilding the IIP, the Government has reduced over-programming and implemented a glide path to return the IIP to the recommended level
- ▶ The Government has also implemented new caps to over-programming to ensure it remains within reasonable and affordable levels moving forward

### What is over-programming?

Over-programming is a budget management tool often used for complex, long-term funding programs such as Defence's IIP. It describes the level Defence over-allocates its annual acquisition budget to provide flexibility and accommodate unplanned contingencies or project slippage.

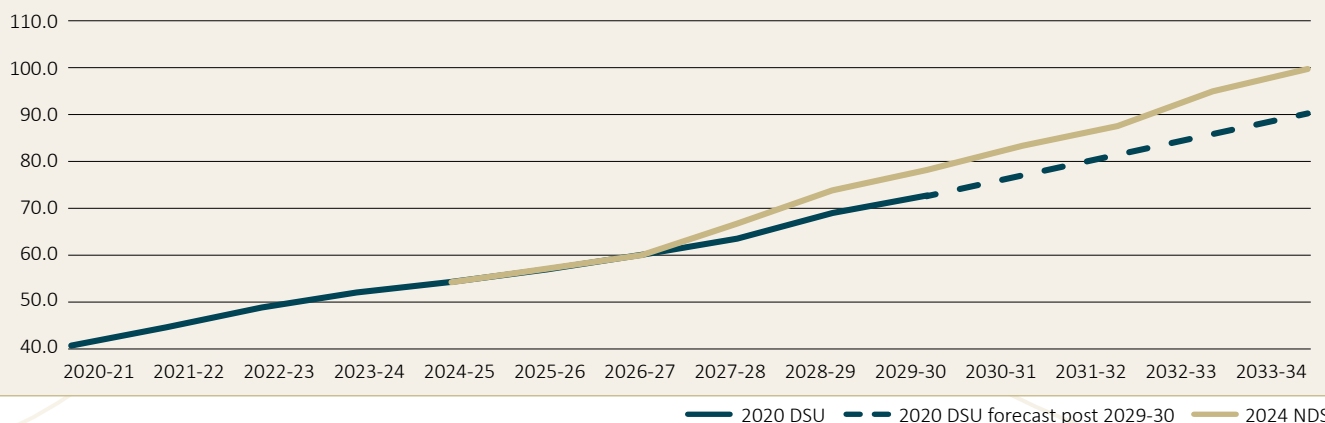


- ▶ Since the release of the DSR, the Government has injected an additional \$50.3 billion over the decade to 2033-34 to uplift Defence’s capabilities and deliver the NDS
- ▶ This additional \$50.3 billion will lift funding in Defence’s IIP to \$330 billion and investment in the whole Defence portfolio – including Defence, the Australian Signals Directorate and the Australian Submarine Agency – will increase to \$765 billion over the decade to 2033-34
- ▶ In rebuilding Defence’s 10-year IIP, the Government has increased funding and reduced historic high levels of over-programming to enable a more ordered, affordable and effective approach to capability acquisition

### DEFENCE BUDGET CATEGORIES

Categories	2024-25 \$'b	2027-28 \$'b	2033-34 \$'b
Acquisition	17.6	23.5	42.1
Sustainment	17.8	21.1	29.1
Workforce	17.1	20.0	25.2
Operating and Operations	3.0	3.3	4.0
<b>Total Funding<sup>1</sup></b>	<b>55.5</b>	<b>67.9</b>	<b>100.4</b>
<b>Percentage of GDP<sup>1</sup></b>	<b>2.1%</b>	<b>2.2%</b>	<b>2.4%</b>

Comparison of 2024 NDS Budget to 2020 DSU/FSP Budget (in \$'b)



Note:

1. Figures for Gross Domestic Product and Defence Funding (including the Australian Signals Directorate and the Australian Submarine Agency) are provided on a 2023-24 Mid-Year Economic and Fiscal Outlook out-turned price and exchange basis. This price basis will be regularly adjusted in line with the Commonwealth Budget process.