This manual describes the policy Defence utilises to manage capability development and delivery and is effective forthwith.

The contents of this manual should be understood by all personnel with responsibilities associated with capability development and delivery.

The previous Capability Life Cycle Manual version 2.0 is hereby cancelled.

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Vice Admiral
Vice Chief of the Defence Force

Department of Defence
CANBERRA ACT 2600

14 October 2020
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FOREWORD

Introduction

This Manual forms part of the Defence Capability Policy Framework as the Tier 2 guidance document. It is subordinate to, and should be read in conjunction with, the Defence Capability Policy (the Tier 1 document). More detailed guidance will be found in the Tier 3 documents. This Manual should also be read in conjunction with other Defence policies developed in accordance with the Administrative Policy Framework.

The guidance contained in this Manual and related documents can also be found in the Capability Life Cycle Modelpedia.

Policy Statement

Defence will implement an integrated capability system that provides Government with a Joint Force aligned with strategic guidance and Government policy. The Joint Force will comprise capabilities derived from well-developed options to address strategic priorities. The integrated capability system will be delivered within available resources, and possess flexibility to adjust to meet emerging challenges. In developing capability, Defence considers how different capabilities can best support each other, how the Fundamental Inputs to Capability (FIC) can be best combined to generate the desired effects, and how opportunities for industry, specifically Australian industry, may be maximised.

Behaviours

Individuals are to be held accountable for demonstrating commitment to and application of the One Defence Leadership behaviours.

Capability outcomes are dependent on collaborative relationships, based on trust and transparency. Personnel acting within the system are to exhibit a sense of partnership, cooperation, and intellectual honesty focussed on government decisions.

Capability Principles

The procedures described in the Defence Capability Policy Framework are based on a set of principles that seek to ensure Defence has the right capabilities, delivered efficiently and effectively. Staff involved in capability issues should use these principles when they are interpreting the Framework documents (including this Manual). Work on capability requires staff to use their imagination and skills to craft solutions that achieve the best outcomes from Defence, even where this means going beyond the procedures described here. The principles will assist in determining where initiative is needed.


2. **An arms-length contestability function to improve quality of decision-making.** Arms-length contestability and a culture of strong consultation underpin capability decision-making. Proposals include analysis to allow decision-makers to understand the options presented, the proposed trade-offs between strategic priorities (including industry priorities), capability and resources and associated risks to lead to the right advice to Government and the right decision at the right time.

   a. Expected outcome: Capability proposals presented to government are robust and enable the right decision at the right time.

3. **Simplicity is the default position.** The aim of capability management is to provide the most effective force within the available resources, supported by robust information and decision-making. Consistent with that objective, processes should be simplified and tailored dependent on risk. Artefacts should be as succinct as possible, and government approval pathways tailored, with additional complexity only added in if and when absolutely necessary. The document set presented at each Gate are streamlined to the maximum extent.

   a. Expected outcome: Time and resources are not wasted.

4. **Centre-led force design.** Enduring, strategic centre-led, systemic force design processes to design the future force in accordance with Government direction. Force Design processes set the Joint Capability Effects, Force Packages, and the capability outcomes to be delivered through Domains, programs, projects and products.

   a. Expected outcome: The future force reduces strategic risk and optimises our response to threats.

5. **Risk based decision-making.** Decisions about capability inevitably involve uncertainty and risk as well as opportunities and innovation. Capability decisions are made in an environment of strategic uncertainty, to deal with future contingencies. Often we seek new assets or services from suppliers; the performance of both can be uncertain. Some risks can be mitigated at a reasonable cost while others may not. All decision-making needs to be aware of the potential uncertainty, management of risks, and taking advantage of opportunities.

   a. Expected outcome: Decision-makers and all staff working in Defence capability understand capability risks and treat or escalate risk as required.

6. **A joint and interoperable force.** Capabilities are more effective if used in combinations that support each other. Each capability involves effectively combining our people, major systems and other Fundamental Inputs to Capability. Decisions, actions and processes are to reflect Australian Defence Force (ADF) aims to be “Joint by design”, addressing interoperability requirements.

   a. Expected outcome: Greater synergies between capabilities deliver maximum warfighting effect.

7. **Programmatic focus.** The Defence Capability Program Architecture has been instituted to manage capability complexity and interconnectedness. The greater clarity provided by the Capability Program Architecture supports both decision-making integral to Defence and engagement with Government. The Capability
Program Architecture supports delivery of Joint Capability Effects, through Capability Target States, and trade-offs within and between programs, in an environment of constrained resources. The architecture aligns accountabilities and resourcing and provides more logical links between capability decisions and strategic guidance. The architecture improves decision-making and optimise the balance between centralised direction and devolved execution.

a. Expected outcome: Resource efficiencies and greater warfighting effect is achieved, through improved analysis and advice to Government.

8. **Good governance.** Central governance mechanisms ensure capability decisions are linked to strategy, evidence-based, made by the right people at the right time, and supported by trusted data, from enterprise tools. Strong centrally-led governance builds Government’s confidence that Defence business processes, capability proposals, and performance are aligned to strategy, policy and legislative requirements.

a. Expected outcome: Increased Government confidence that Defence business processes, capability proposals, and performance are traceable to strategy, policy and legislative requirements.

9. **Becoming a smart buyer across the Capability Life Cycle.** Capability decisions are supported by early engagement and strong relationships with all relevant stakeholders, including industry. In particular, Defence employs the Smart Buyer framework to ensure that project strategies reflect the full range of strategic drivers and integrate stakeholder perspectives.

a. Expected outcome: Industry and Defence work in partnership to deliver capability outcomes.

10. **Innovation and Science & Technology.** Capability outcomes are supported by innovation, science and technology. Embedding innovation at all stages of the capability life cycle strengthens capability outcomes, leverages collaborations with international partners, and realises investments in innovation, science and technology conducted by industry, scientific institutions, universities, Defence-sponsored or led initiatives and Defence Science and Technology.

a. Expected outcome: Capability outcomes are strengthened through uptake of innovation, science and technology.
CHAPTER 1
MANAGING CAPABILITY

Key Concepts

1.1 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 (see the Australian Defence Glossary). Thus, capability is about having the power to achieve an objective or create some other operational effect in a particular environment at a time. Capability is generated through combining inputs known as Fundamental Inputs to Capability (described later in this chapter).

1.2 The objective of Defence’s capability processes is to provide Government with a set of capabilities that include the most appropriate options to address its strategic priorities within the available resources, and the flexibility to adjust over time to meet emerging challenges. In developing capability, Defence considers how different capabilities can best support each other, and how the various inputs to capability, including Australian industry, can be best combined to generate the desired effects.

1.3 Providing the right capability involves addressing a complex and dynamic set of issues. To achieve an optimal outcome, Defence relies on three broad sets of processes:

a. A centralised planning process. The core of this is the Force Design process which translates Government’s strategic and resource priorities into a coherent force that can evolve from now into the future. This centralised process also addresses the opportunities provided by alternative warfighting concepts, the desirable levels of interoperability and the expected level of preparedness that could be required now and into the future. A rolling budget known as the Integrated Investment Program (IIP) will ensure that force structure and associated investment plans are affordable.

b. Devolved execution. The realisation of capability will be achieved within the Services and Groups, organised into Domains and Capability Programs, and managed within their own structures. This devolved execution will be guided by the centralised planning, and need to respond to preparedness and interoperability objectives, as well as specific guidance on outcomes for Capability Programs.

(1) Domains and Capability Programs are the key structures for managing capability in Defence and reporting performance to Government.

c. Specific processes for major capital acquisitions. Major capital acquisitions (equipment, facilities and ICT) can provide a step-change in capability. However, the capability significance, cost, risk and potential industry implications mean that these acquisitions need to be presented to Government for approval. This process allows for greater scrutiny of initiatives that can provide a step-change in capability and also can have significant cost and potential risk.

(1) Major capital acquisitions are managed with a view to the whole life of the asset, from inception to disposal, known as the Capability Life Cycle.

1.4 In order to ensure that capability is developed and managed in an orderly way, these processes are underpinned by a Capability Governance Framework.
Fundamental Inputs to Capability

1.5 Capability is generated by combining equipment, workforce, organisation, estate, logistics and other systems. In Defence, the standard list of these inputs is known as the Fundamental Inputs to Capability. An important objective of planning is to ensure that all of these inputs are delivered in the quantities, characteristics and timescales to generate and sustain the capability, combined in an optimum way to deliver a joint force by design. 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; and

i. **Industry** includes the consideration of the resilience and capacity of industry, such as the reliability and health of supply chains.

Capability Program Architecture

1.6 Defence has introduced a Capability Program Architecture to analyse, manage and report on capability (shown in Figure 1.1). The Capability Program Architecture consists of:

a. **Five Domains** – Maritime, Land, Air, Space, and Information and Cyber;

b. **35 Capability Programs** – 26 of these reside in a single Domain, while nine span all of the Domains; from January 2021 when the Joint Intelligence Capability Program
is stood up, there will be 36 Capability Programs, with ten spanning all of the Domains; and

c. 11 Multi-Domain Programs (MDP); 12 from January 2021 – the MDP is a capability management construct which groups a number of Capability Programs together to promote their coordinated development.

Figure 1.1 – Domain and Capability Program Architecture

### Capability Life Cycle

1.7 The Capability Life Cycle is the process of linking strategic direction, developing concepts, defining requirements, acquisition, introduction into service, sustainment, upgrade and disposal of major capital assets (equipment, facilities and ICT). The phases and decision gates of the Capability Life Cycle are presented in Figure 1.2. The phases are detailed in the following chapters:
Strategy and Concepts. The purpose of the Strategy and Concepts Phase is to identify capability needs, through the force design process, that are informed by assessments of our ability to meet the Strategic Effects set out in strategic guidance, within the broad funding guidance provided for Defence. The Strategy and Concepts Phase concludes with Investment Committee consideration of the Gate 0 Business Case.

Risk Mitigation and Requirement Setting. The Risk Mitigation and Requirement Setting Phase involves the development and progression of capability options through the investment approval process. The outcome of this phase leads to a Government approval of acquisition. The phase commences when the Gate 0 business case is approved by the Investment Committee and concludes with Second Pass government approval.

Acquisition. The Acquisition Phase involves each Group undertaking relevant design, development and delivery of their allocated FIC elements or sub-elements, including contracting with industry. The integration of these FIC elements and sub-elements creates the high level product that is introduced into service as a new or enhanced capability. The phase commences with Second Pass government approval and concludes with Acceptance into Service.

In-Service and Disposal. The In-Service phase involves sustaining the product through its life. Disposal involves withdrawing the product from service, managing the transition to a replacement (if required) and final disposal of the product. The phase commences with Acceptance into Service and concludes with final disposal of the product.

The Relationship with Government

1.8 Consistent with the Westminster principles, Defence is responsible to the Executive Government, in the form of the Ministers and Cabinet. The most significant Cabinet committee dealing with 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 a sub-committee, the National Security Investment Committee of Cabinet (NSIC), chaired by the Minister for Finance with the Minister for Defence serving as the deputy chair. NSIC decisions need endorsement by the NSC.

1.9 NSC is supported by the Secretaries Committee on National Security (SCNS), the peak officials-level committee chaired by the Secretary of the Department of Prime Minister and Cabinet. SCNS is also attended by 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 National Naval Shipbuilding Enterprise (SCNNSE)
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.

1.10 The NSC sets the higher-level strategic guidance. The Defence White Paper is the
public expression of the Government’s Defence policy, while the Defence Planning
Guidance presents a classified version of Defence strategic guidance and is updated more
regularly, most recently by the Strategic Update 2020. The force design process translates
this policy guidance into a vision of the future force structure that can be considered by
Government. The most recent force design process presented to Government is Force

1.11 The Government sets financial guidance for Defence through the whole-of-
government budget process. The Budget Process Operational Rules (endorsed by Cabinet)
and Estimates Memorandums issued by the Department of Finance provide guidance on the
government approval processes. This includes requirements for cost estimate quality and
other submission requirements. As resources are limited, achieving value-for-money is a
necessity as well as a requirement of government policy (notably in the Commonwealth
Procurement Rules).

1.12 The Integrated Investment Program provides a rolling program of planned capability
expenditure incorporating planned spending on major capital equipment, information and
communications technology, and facilities and infrastructure that form the basis for the future
force structure. Updates are presented to Government twice a year for approval in line with
the Budget cycle. (Further Information on this process can be found at paragraph 2.28.)

1.13 The Government is the ultimate decision maker on Defence major capability
proposals. These proposals are typically brought to Government for one or two passes
(corresponding to the decision gates inside Defence), although strategic and complex
projects may require multiple passes. The most significant decisions are made by NSC,
while others are delegated to the Defence Minister and Finance Minister jointly, known as
Two Minister Approval (see Figure 1.3).
1.14 Over time, Defence aims to transition to considering capability on a programmatic basis, while ensuring that Government transparency is maintained. This will see the submission of Capability Programs and Program Tranches to Government as an alternative to submitting individual projects and project phases to Government. Defence will be working with central agencies to develop this approach.

The Capability Governance Framework

Role of Capability Governance Framework

1.15 The Capability Governance Framework is intended to ensure that capability proposals are developed in an orderly and comprehensive fashion. It includes:

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; and
e. testing of judgements through an internal contestability function.

Committees

1.16 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 Services Committee.** The Chiefs of Services 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 Integrated Investment Program, 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.

1.17 Further details on Committees and descriptions of the roles of other Committees (including the Defence Financing and Resourcing Committee and the Joint Warfare Committee) can be found on the Senior Committees webpage.

**Decision-making Roles**

1.18 Detailed descriptions of the roles are found at the conclusion of each chapter and summarised in Annex B. Figure 1.4 provides a high-level summary of the key roles.

![Figure 1.4 – High Level Accountabilities](image)

1.19 The Vice Chief of the Defence Force (VCDF) has been designated the Joint Force Authority (JFA) and 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:
a. accountable for the Force Design process including management of the Integrated Investment Program;

b. accountable for the Preparedness and Mobilisation process;

c. accountable for the Interoperability process as Command and Control, Computing, Communications, Intelligence, Surveillance and Reconnaissance (C4ISR) Design Authority; and

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

1.20 The **Capability Managers** (certain three star and Band 3 officers) have an overall responsibility to raise, train and sustain capabilities within their organisation. Specifically, they are:

a. accountable for Program Management within their organisation, including the development and implementation of Program Strategies;

b. accountable for the development, introduction and sustainment of major assets through the Capability Life Cycle, taking an end-to-end view; and

c. responsible for generating prepared forces in accordance with the CDF’s Preparedness Directive.

1.21 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.

1.22 Capability Managers delegate responsibilities to **Program, Project and Product Sponsors** as appropriate. These staff 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.

1.23 VCDF will appoint Capability Managers to be responsible for each Multi-Domain Program (MDP). In turn these Capability Managers will appoint the **MDP Leads**. The MDP Leads will ensure coordination of related Capability Programs across Domain boundaries, to realise Joint outcomes.

1.24 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 Leads, and ensure that capability work in the Group is coordinated.

**Performance Monitoring and Reporting**

1.25 Performance monitoring and reporting on Defence’s delivery of government requirements is conducted within the wider enterprise level performance reporting framework. The purpose of this monitoring and reporting is to provide assurance to the senior Defence leadership and relevant Ministers that Defence is delivering on government requirements, making the most effective and efficient use of resources and to identify the need for any corrective action.
1.26 Independent reviews, such as the CASG Independent Assurance Reviews, can give decision-makers confidence that the desired outcomes will be achieved while identifying opportunities for improvements. These can be conducted on programs and projects as they approach key milestones and periodically on the sustainment of the delivered product, or when a known problem arises. Ministers may also initiate reviews of particular issues where they have concerns.

**Governance and Decision Documents**

1.27 Documentation plays a key governance role, 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.

**Contestability**

1.28 Contestability is an integral part of the Capability Life Cycle 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. While all areas can contribute to contestability, Contestability Division provides arms-length, evidence-based advice to the VCDF (as Chair of the Investment Committee), the Secretary and CDF that Defence’s capability needs and requirements are aligned with strategy and resources and can be delivered in accordance with Government direction. Further information can be found in the Contestability Division Handbook.

1.29 Contestability activity is proportionate to the risk presented. Contestability Division provides:

a. **Strategic contestability** – ensuring the force structure, portfolio of capability investments and individual proposals and projects deliver government policy objectives and the strategic needs as directed by Government in the Defence White Paper 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 proposal process.

c. **Commercial and contracting strategy contestability** – examining the evidence and claims relevant to supplier selection (such as the choice between sole sourcing or a competitive tender) and acquisition approaches (including leases, outright ownership, or potential public-private partnerships (PPPs)).

1.30 Other areas contribute to the contestability of advice. Defence Finance Group provides further support to this through independent contestability of cost models, budgets and financial management approaches. Defence Science and Technology Group (DSTG) provides technology risk assurance; while Defence People Group (DPG) provides Workforce Risk Assessments at key decision gates.
Specific Issues affecting the Capability Life Cycle

Financial Considerations and Clearances

1.31 Financial issues affecting capability are managed by Investment Portfolio Management Branch (IPMB) and Defence Finance Group (DFG). IPMB manages funding of projects through the Integrated Investment Program (IIP) and preparation of the Bi-annual updates of the IIP to Government. Its role is discussed further in Chapter 2.

1.32 DFG is responsible for maintaining all unapproved and approved project capital and future sustainment provisions in Defence’s financial system, BORIS. This includes maintaining a project’s financial programming across financial years, contingency provision, and foreign exchange currency mix. Project provisions are updated on BORIS for the unapproved capital program when Government approves the Bi-Annual Update of the Integrated Investment Program, or for the approved capital program as part of the Budget or Additional Estimates project budget update.

1.33 DFG will provide financial input and contestable financial analysis, assurance and advice, on all submissions with a financial impact, including on:

a. the Government financial framework and the Budget Process Operational Rules (BPORs);
b. IIP unapproved and approved capital and sustainment provisions (in consultation with Investment Portfolio Management Branch);
c. affordability and programmatic options;
d. the total cost of ownership;
e. cost modelling;
f. net present value;
g. options analysis;
h. budget milestones; and
i. identification of financial risks and opportunities.

1.34 DFG clearance must be obtained through the relevant Assistant Secretary Finance for all financial tables within sponsor papers being submitted for Investment Committee consideration, or within submissions for Government consideration. Financial tables should include Integrated Investment Program unapproved capital and future sustainment provisions in accordance with BORIS, proposed project offsets or cross-levelling required for any in-year or overall funding shortfalls, and any variations. DFG must complete the ‘Financial Impacts’ section of all Ministerial Submissions, with clearance to be provided by First Assistant Secretary Financial Performance and Management.

1.35 DFG is responsible for presenting the financial position of all Defence’s assets (both acquisition and sustainment funded) in Defence’s Annual Financial Statements. Program Delivery Managers have a critical role in assisting DFG undertake Financial Asset Management throughout the capability life cycle. In accordance with relevant accounting standards, activities to support this includes:

a. stocktakes to validate the existence of assets recorded on the Balance Sheet;
b. asset revaluations;
c. assessment of asset life and indicators for impairment; and

d. rolling out Assets Under Construction.

Workforce Considerations

1.36 Workforce is integral to achievement of a capability and informs financial considerations and decisions in relation to most if not all FIC elements. Projects’ workforce considerations commence at the Strategy and Concepts phase and become more robust over the Capability Life Cycle; with a Workforce Plan (WFP) required at key decision gates. The WFP should be a product of early consultation by projects with all Services and Groups to confirm the capability’s workforce requirements and anticipated availability, to ensure that the cumulative impacts of force modernisation are not overlooked. Defence People Group (DPG) and the Service/Group future workforce planning cells provide workforce planning guidance and workforce modelling to assist projects/programs develop their respective WFPs. A project's WFP informs the formal Workforce Risk Assessment prepared by DPG and required by the IC.

Test and Evaluation

1.37 Test and Evaluation is an essential element for informing decision-making and is complementary to the many design and integration activities necessary in realising a future joint force. The Capability Manager retains and manages Domain specific test and evaluation functions throughout the Capability Life Cycle working within a standardised environment set by the Strategic Centre in a performance assured framework.

1.38 Test and evaluation is planned, conducted and reported to produce objective, cost effective, reliable and timely information, supporting decision-making at all levels. Test and evaluation is generated through Defence activities or through access to allied test and evaluation support. The results inform Capability Manager decision-making through essential, practical and real information about safety, effectiveness and suitability at all levels. Refer Defence Test and Evaluation Policy.

1.39 Test and evaluation is used for all Defence acquisition strategies. Test and evaluation is best utilised within the Capability Life Cycle when:

a. developing proposal information evidence and records;

b. informing and mitigating risk in investment proposals during their development, solicitation and contract prior to Gate 2;

c. making informed decisions at critical milestones during any Phase of acquisition. Verification and validation will shape the quality of outcome achieved during introduction into service of new or upgraded capability;

d. validating operational effectiveness and suitability of a product, including the Fundamental Inputs to Capability, during introduction into service;

e. informing the Capability Manager at initial and final operational capability that the product and the Fundamental Inputs to Capability have been delivered as agreed; and

f. exploring capability gaps during the In-Service and Disposal Phase.

1.40 The Capability Manager is responsible for:

a. providing test and evaluation policy and plans for their programs, products and projects;
b. ensuring that there is a Program Test and Evaluation Master Plan aligned to the Program Strategy;
c. ensuring that test and evaluation activities are conducted throughout the Capability Life Cycle;
d. providing necessary and appropriate resources in support of test and evaluation;
e. ensuring that the outcomes of test and evaluation activities are used to inform decision-making in the Capability Life Cycle; and
f. appointing a test and evaluation representative.

Security
1.41 The Defence Security Principles Framework (DSPF) sets out Defence requirements for complying with whole-of-government security policy and the application of security controls to protect Defence capabilities and enablers. Under the DSPF, Assistant Secretary Investment Portfolio is designated as the Control Owner for Security Capability Planning, and has overarching responsibility for ensuring that security requirements are integrated into the Capability Life Cycle.

1.42 Security considerations influence decisions relating to: strategy and concepts; risk mitigation and requirement setting; acquisition; in-service and disposal. Implementing security controls to mitigate security risk is recognised as a significant cost driver; however, failure to adequately assess security costs and risks can have enduring flow-on effects for Defence capabilities and resources.

1.43 To ensure that security risks are understood and managed effectively at all stages of the Capability Life Cycle, Capability Managers, as well as Delivery Groups, are to maintain security risk registers and supporting security risk assessment documentation for all Capability Programs and projects within their scope of control.

1.44 It is important that security is considered throughout the life cycle for the following reasons:

a. the cost of security controls throughout the full life cycle of the project are understood and accurately estimated;

b. security risks are treated with controls that are both feasible and affordable; and

1.45 Cyber Security. Chief of Joint Capabilities (CJC) is accountable to the JFA as the ADF Cyberworthiness Authority (see VCDF (Joint Force Authority) Directive 01/2018 ADF Cyberworthiness). With much of the current security and cyber security focus on the delivered materiel, the processes Defence employ and industry relationships needed to deliver and sustain materiel are often at greater and more frequent risk due to a rapidly evolving and complex cyber threat environment. DSPF Controls exist for capability planning, program management, defence industry, procurement and projects in addition to numerous Information Communication Technology (ICT) and data management Controls. Compliance with these Controls relative to the assessed cyber threat that can affect the stages within the Capability Management System and the operational environment the capability will be employed, is the lens through which cyberworthiness is to be applied. Cyber Testing and Evaluation (T&E) guidance is embedded within the Defence T&E Policy and designed to aid
Capability Managers and Delivery Agencies to identify cyber vulnerabilities and risks throughout Design, Acceptance and Operational testing.

**Work Health and Safety**

1.46  Defence Work Health and Safety (WHS) Policy requires duty holders to ensure that risks to the health and safety of all workers and the public are eliminated or minimised so far as is reasonably practicable.

1.47  Defence integrates WHS requirements into the Capability Life Cycle through the allocation of primary duty holders for each phase of the Capability Life Cycle. Duty holders are accountable for ensuring that Defence’s WHS due diligence obligations are met.

1.48  Further information on WHS in the Capability Life Cycle and due diligence can be found in the *Defence Safety Manual (SafetyMan)*.

**Systems Engineering**

1.49  Systems engineering approaches to design are used across Defence in the development of capability. Systems Engineering considers the entire lifecycle of a capability in design, bringing together varied stakeholders into a cohesive team effort. Many different systems engineering approaches are used across Defence, including traditional waterfall and document-centric approaches, and more modern agile or model-based approaches that are increasingly favoured by Industry. At the portfolio level, the System-of-Systems design of the Joint Force is largely considered by Force Design Division and Force Integration Division. At the program and project levels, Systems Engineering approaches are used by Capability Managers and Delivery Groups in the development of capability.

**Information Management**

1.50  Information related to the management of the Integrated Investment Program across the Capability Life Cycle is captured and managed in CapabilityOne. CapabilityOne is developed and maintained by Investment Portfolio Management Branch. Capability Managers are to ensure that program and project entries in Capability One are both current and correct.

1.51  CapabilityOne information is used to provide reports to the Investment Committee and Government on capability domain and program performance, Capability Life Cycle performance, and for Government approvals. Programs / projects should ensure that this information is current.
CHAPTER 2
FORCE DESIGN, INTEROPERABILITY AND INVESTMENT PORTFOLIO MANAGEMENT

Introduction

2.1 This chapter describes the Force Design, Interoperability and Portfolio Management functions which collectively ensure that Defence is joint by design. While these activities form part of the Strategy and Concepts phase, they shape the development of capability across the Capability Life Cycle.

2.2 Effective Force Design, Interoperability and Investment Portfolio Management is promoted by:

a. early, considered and transparent direction setting that enables efficient and effective development and delivery of joint capability;

b. capability decisions based on purposeful, evidence-based analysis, aligned to strategic intent;

c. robust information management that is underpinned by contestability, transparent options development and prioritisation activities, decision support and advice to Government;

d. engagement with stakeholders including other government agencies;

e. consideration of opportunities for Australian industry participation, particularly in relation to Sovereign Industrial Capability Priorities; and

f. a portfolio and program management approach which enables a level of completeness in the design, integration, development and delivery of the joint force.

Force Design

Force Design Process

2.3 The Force Design process translates strategic direction into a future force structure. This process is achieved within a structure that includes the Capability Program Architecture (Capability Programs and Domains), Joint Capability Effects and Force Packages, and supporting Concepts. Firstly, Joint Capability Effects required to deliver the Government-directed strategic outcomes are determined, and then the force packages needed to deliver these effects are identified. In turn, the Capability Programs deliver the various elements that collectively make up the Force Packages. This is depicted in the Figure 2.1 below.

2.4 Joint Concepts enable the ADF to test alternative theoretical models of capability and measure their effectiveness in supporting the Strategic Defence Objectives and Strategic Effects. The role of Joint Concepts is to describe potential models of Joint Force capability that, following testing through experimentation, will provide the justified confidence that enables investment decisions.
Defence Capability Assessment Program

2.5 The key process by which Force Design activities are accomplished is the Defence Capability Assessment Program (DCAP) which is conducted at about a two-year cadence. While supporting Bi-Annual Updates of the Integrated Investment Program (IIP), the two-year DCAP cycle concludes with an update to Government aligned with the Defence Budget submission in year two. Within a four year cycle there are two DCAP cycles of which the second cycle will deliver the more ‘fundamental’ quadrennial Force Structure Plan update (see Figure 2.2). This update includes the development or update of the 20 year plans for Workforce, Defence Information Communications Technology (ICT); and the Future Defence Estate Profile.

2.6 Each DCAP cycle commences in the third quarter of the start year, with final decisions sought from the Investment Committee in the fourth quarter (December) of the following year, ahead of consideration by Government in the following first quarter (March). Consideration by Government occurs as part of the Bi-annual Update submission on the Integrated Investment Program or as a standalone submission.

2.7 The DCAP consists of eight interdependent steps. Each activity requires: preparation for; Group and Service input or commitment to; and concludes with updates or decisions presented to the Investment Committee and / or Chiefs of Service Committee (COSC). Analysis is focussed on a small number of key points of time in the future, known as epochs. The process and roles and responsibilities are summarised below.

a. **Step 1 – Identify Change.** The DCAP will be holistically informed by a wide array of inputs covering factors internal and external to Defence, including changes to
strategic direction, supporting Concepts, updates to the Defence Workforce Plan and developments in industry capability. Inputs will be mapped to individual Force Packages across the epochs.

b. **Step 2: Qualify Risk.** Risks to the Force will be qualified by mapping change affected Force Packages to Joint Capability Effects. This step involves a many to many mapping exercise. By doing so it will enable Defence to understand the sources and accumulation of risk, and / or the opportunity to offset risk in one force package with another. A risk statement for each Joint Capability Effect for each of the epochs will be developed using the Defence’s risk matrix framework based on likelihood and consequence.

c. **Step 3: Prioritise Risk.** A series of workshops will prioritise risks in each of the five warfighting domains. The outputs of these one-star / Band 1 and two-star / Band 2 working groups will be presented to the Investment Committee for consideration and direction.

**Figure 2.3 – The Defence Capability Assessment Program process**

d. **Step 4: Develop Options.** The evolved output of the prior three steps will be collated options for divestment and offsetting, and manipulated to develop a range of options for capability investment, divestment and offsets. Options development will be conducted through four broad avenues: adjusting resourcing levels within a Force Package (commensurate with budget guidance across the portfolio); adding new capabilities to a Force Package; substituting Force Packages mapped to the Joint Capability Effects; and / or building new Force Packages. Importantly, cost analysis and estimates will be included. An estimate of the cost of each option will be essential in enabling an assessment of comparative value for money.
e. **Step 5: Test Options.** This step will include a baseline assessment of the Objective Force (looking out 20 years) factoring in the changes identified in Step 1 to confirm the criticality of risks. Additionally, the costed options will be subjected to experimentation to assess how each option would of itself address the prioritised risks. This experimentation will be informed by the relevant Concepts. The assessment will verify / validate the number of risks addressed; and the criticality of these risks inform the value element of value for money judgements.

f. **Step 6: Identify Offsets.** Where new investments or changes to existing investment profiles are involved, offsets will be necessary to ensure that the new or additional investments can be accommodated within the existing budget profile. The identification of offset funding will also include the identification of risk imposed on the Joint Force should the offset be implemented. The output of this activity is an agreed offsets artefact for use in Step 7.

g. **Step 7: Test Portfolio Options.** Using validated options developed in Step 5 and the offsets identified in Step 6, a final set of testing will be conducted to identify the net effect of proposed new investments vice proposed offsets. This testing will take into account the mapping of different Force Packages to Joint Capability Effects, in turn mapped to Strategic Effects and Objectives.

h. **Step 8: Decision.** A selected set of options to address prioritised risk will be presented to the Investment Committee and COSC for consideration and to recommend options for Government decision. These options will be made affordable through selected offsets and presented with a net benefit / residual risk statements. Funding provisions in the Integrated Investment Program would be identified for the recommended options in this step. The capability effects to be achieved by the preferred option will be provided as a Capability Target State for each epoch.

**Interoperability**

**Overview**

2.8 Interoperability is a fundamental consideration throughout the Force Design process. Interoperability is 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. The ADF always operates as a joint force, whether leading or being part of a whole of government or coalition force. This is the way, through being interoperable, a relatively modest force generates a competitive advantage.

2.9 There are three levels of interoperability: Integrated, Compatible and De-conflicted. The level of interoperability has significant operational, budget, commercial and security consequences. To that end, although many will, not all elements of the ADF need to be interoperable with each other.

2.10 Further, Defence considers there to be three dimensions to interoperability: technical, procedural and human. Traditionally much focus has been on achieving technical interoperability. However, the ADF now understands that supporting aspects such as doctrine, procedures, common terminology and language are equally as important to combat effectiveness.

2.11 The interoperability that underpins joint and coalition operations needs to be considered and deliberately designed into platforms and systems early in the Capability Life Cycle, and assured throughout their life.
Multi-layered approach to interoperability design

Force Level

2.12 Plan AURORA is Defence’s approach to optimising joint force interoperability at the whole of force level. Its purpose is to ensure the joint force is sufficiently interoperable to meet strategic guidance set by government.

2.13 Plan AURORA sets interoperability targets and articulates prioritised joint force interoperability needs derived from strategy. Joint force interoperability needs consider interoperability with the joint force, whole of government and multi-national partners.

2.14 The process, defined within Plan AURORA, establishes a direct link between interoperability needs and the strategy framework, concepts and experimentation, and the Defence collective training cycle. The primary output of the process is a set of Critical Operational Issues (COI) which are described in the Interoperability Operational Concept Document (IOCD).

2.15 The IOCD provides functional design guidance. Programs must ensure compliance with this guidance through their own design artefacts. Deviation from the IOCD may introduce risk to achieving the required level of interoperability, and needs to be justified through the committee process.

Program level

2.16 At the program level, the Program Strategy and the operational concept outline how the program intends to achieve the interoperability needs from the IOCD.

2.17 The Program Strategy includes an Operational View 1 (OV-1 operational concept graphic) for the program, developed in consultation with Force Integration Division and Force Design Division. The OV-1 and other architectural views as part of the Australian Defence Architectural Framework (AUSDAF) situate the capabilities, tasks, activities performed, and information that must be exchanged between them in a graphical representation.

Project level

2.18 The Joint Capability Needs Statement (JCNS) is fundamental to ensuring that project-level interoperability requirements are derived from program artefacts. As the project execution strategy and JCNS are developed, confidence in Defence’s plan to achieve interoperability increases, helping account for and trade-off levels of interoperability where agreed.

2.19 **Joint Force Integrators.** Projects that are novel, high risk, ill-defined or involve immature capabilities may have a Joint Force Integrator appointed to coordinate the development of the project. For further details see VCDF (Joint Force Authority) Directive 08/2018. Interoperability issues for other projects are coordinated through the Domain, Multi-Domain Program and Capability Program mechanisms.

Investment Portfolio Management

Overview

2.20 Defence maintains a rolling budget for its planned major capital acquisitions. Over time, capabilities will mature and be delivered. Changed strategic circumstances, emerging technologies and new analysis mean that new capabilities or modifications to planned capabilities may be required. Changes to the Integrated Investment Program are made in a
disciplined and systematic way that supports evolving policy development and continues to provide Government with options to best manage changing circumstances.

**Integrated Investment Program**

2.21 The Integrated Investment Program is a rolling program of planned capability expenditure and brings together the consolidated program of investment in major equipment, information and communications technology and facilities, and associated sustainment funding that form the basis for the future force structure. Updates are presented to Government twice a year for approval in line with the budget cycle and is formally approved by Government biannually.

2.22 VCDF is responsible for the development and oversight of the Investment Portfolio, assisted by Investment Portfolio Management Branch and Force Design Division. Priorities for the Investment Portfolio reflect Government’s strategic and resource priorities, as developed through the Force Design process.

2.23 The Government considers adjustments to the Integrated Investment Program as part of the annual budget cycle, based on advice from Defence, developed in consultation with other key stakeholders, in particular the Department of the Prime Minister and Cabinet and the Department of Finance. The Investment Committee develop the advice on proposed adjustments to the Integrated Investment Program, a process undertaken bi-annually.

**Prioritisation of Defence Investment**

2.24 Prioritisation activities within the Integrated Investment Program can be triggered by the identification of capability gaps, emerging needs, or threats, including within capital projects and sustainment, through the conduct of cyclic review activities, through budget changes or direction from Government. Commencement of a prioritisation activity, in response to a trigger, is led by Force Design Division supported by Investment Portfolio Management Branch. Prioritisation aims align the planned delivery of projects with the force design identified through the DCAP.

2.25 The Investment Committee provides advice on the further development of the Integrated Investment Program to ensure that prioritisation across the Domains reflects a joint approach. During times of budgetary stress, Domain Leads will have to re-prioritise Domain resources.

2.26 The Domain Lead and Program Sponsor uses the Capability Program Architecture construct to achieve optimal capability and future project and product outcomes within allocated resources. Domain Leads, Capability Managers and Program Sponsors are empowered to suggest or make efficiency trade-offs as authorised by the Investment Committee consistent with commitments to Government.

2.27 Prioritisation cascades as indicated in Figure 2.4. The Program Sponsor develops options to meet the guidance that in turn progresses through delegation and approval levels, until the final re-optimised Integrated Investment Program can be endorsed at the Defence Committee.
2.28 Bi-Annual Integrated Investment Program Updates to Government provide a review mechanism that can also be linked with the budget cycle. At these points Defence will:


b. provide advice on the submissions that are coming forward over the next six months and other key issues being considered in the pre-Gate 0 deliberations;

c. provide advice on Defence’s budget position including any changes to in-year expenditures as a result of project delays or other events, and Defence’s strategy for addressing this;

d. seek approval to the Forward Work Program, showing when proposals are due to be considered by Government;

e. seek approval for projects to access IIP funding ahead of Second Pass consideration; and

f. seek approval for any project and program changes, including changes in the risk profiles.

2.29 Investment Portfolio Management Branch maintains oversight of the progress of Integrated Investment Program proposals through Government.

**Portfolio Reporting**

2.30 At the Portfolio level, performance measurement and reporting is focused on:

a. clearly capturing Defence’s performance against the approved Integrated Investment Program;
b. providing an accurate view of the health of the overall Capability Life Cycle system, including trend analysis;

c. identifying areas in the system that require Portfolio level intervention, ideally through the use of lead indicators;

d. providing data to support appropriate analysis and decision-making; and

e. benchmarking to support continuous improvement initiatives.

2.31 Capability performance measurement and reporting is underpinned by three key principles:

a. data must be analysed to support decision-making;

b. reporting must generate necessary action by the accountable person; and

c. variation is expected, but must be controlled.

**Force Design, Interoperability and Investment Portfolio Management – Key Roles**

2.32 **Government** provides strategic direction through the Defence White Paper, and other policy direction such as the Defence Industry Policy Statement, Defence Industry Capability Plan and Defence Policy for Industry Participation. The role of these higher policy documents is described in the Defence Strategy Framework. The Government considers the Integrated Investment Program through the Bi-Annual Updates and through individual capability submissions.

2.33 The **Portfolio Ministers** are responsible for administering the Department of Defence and sponsoring Cabinet Submissions. The Minister for Defence is responsible for overseeing all aspects of the Defence portfolio and has prime responsibility for strategic, capability and resource issues. The other ministers will need to be engaged on topics related to their portfolio responsibilities (eg defence industry, personnel, Indo-Pacific Step-Up). The Ministers endorse the strategic guidance to be considered by Government and the annual Integrated Investment Program update. The Ministers also endorse the intended tailored approval pathways. The Ministers are informed of progress against the Integrated Investment Program through active, ongoing engagement and Bi-Annual Updates, including updates on industry engagement.

2.34 **Central agencies** are informed through active, ongoing engagement and their role in Investment Committee, force design processes and the management of the Integrated Investment Program.

2.35 The **Secretary and CDF** provide advice to the Ministers through a range of submissions, including the Bi-Annual Integrated Investment Program Updates.

2.36 The **Defence Committee**:  

a. considers strategic guidance and Integrated Investment Program updates prior to submission to Government;

b. request early access to Integrated Investment Program provisions to progress proposals to First and / or Second Pass;
c. sets and monitors top level resource allocations, including balance of resources between capital, operating and personnel costs;
d. ensures decisions are made by the appropriate delegated authorities and are aligned with the Defence budget and the Integrated Investment Program;
e. makes decisions where significant policy, strategic or financial decisions are involved; and
f. considers annual Integrated Investment Program updates and Bi-Annual Updates prior to submission to Government.

2.37 The **Investment Committee**:

a. oversees the implementation and integrity of the Integrated Investment Program;
b. oversees the Capability Life Cycle management process; and
c. endorses annual Integrated Investment Program updates (including proposed tailoring of approval pathways and authorities) for the Defence Committee and government approval.

2.38 The **VCDF** is:

a. the Chair of the Investment Committee and the Joint Warfare Committee and a member on the Defence Committee, the Chiefs of Service Committee, the Defence Strategic Policy Committee and the Enterprise Business Committee;
b. responsible, as the **Joint Force Authority** (JFA), for ensuring that the current and future joint force meets the capability requirements directed by Government and preparedness requirements directed by CDF;
c. authorised by CDF to make decisions on:
   1. developing future capability requirements;
   2. developing preparedness requirements (on behalf of CDF); and
   3. assuring joint force interoperability;
d. responsible for sponsoring the development of Concepts;
e. the decision authority, through the Investment Committee to the Secretary and CDF, for seeking government approval to reallocate resources within and between programs; and
f. accountable as the C4ISR Design Authority, for the definition and assurance of the joint war-fighting environment, architecture and setting military interoperability requirements. This role is delegated to Head Force Integration (HFI).

2.39 The **Chief Technology Officer** in the Chief Information Officer Group is the C4ISR Technical Authority. The C4ISR Technical Authority sets the enterprise information management frameworks, including architecture, standards, policy and master data management.
2.40 **Contestability Division:**

a. engages closely with Force Design Division and Force Integration Division to ensure a greater appreciation of force design and interoperability activities and documents.

b. assures that force design activities and processes produce outcomes that align with strategic guidance, particularly the strategic fit of the Capability Program Directive, as well as relevant joint concepts.

2.41 The **Domain Leads** are:

a. assigned programs by the JFA, on behalf of Secretary and CDF, for the purpose of managing risk and optimising collective capability outcomes;

b. in addition to Capability Manager functions, the Domain Lead is responsible for:

1. developing capability requirements within assigned programs in response to directed preparedness, capability development and joint force interoperability requirements;

2. exercising control to the extent required to deliver the directed outcomes for the Domain;

3. in collaboration with the other Capability Managers, recommending resource reprioritisation between assigned programs within their Domain to the JFA;

4. providing advice on Domain programs for Government;

5. generating Joint integrated and interoperable capabilities across their Domains that meet the C4ISR design direction;

6. coordinating with partners and allies, within their areas of responsibility. Note that this does not include agreements or arrangements that are the responsibility of DGASD;

7. reporting to Government through a Domain report; and

8. developing a Domain-level Program of Actions and Milestones (POAM), which is reported through the Joint Warfare Committee (JWC) and reported to Government through IIP Bi-Annual submissions.

2.42 **Head Force Design** (HFD) is the delegated Joint Force Design Authority. Force Design Division develops the ‘joint force by design’ on behalf of JFA, and engages ADO stakeholder to capture and address implications, including workforce and preparedness considerations that may impact Force Design planning activities and outcomes.

a. HFD is responsible for (within the guidance and direction of approved strategic policy):

1. leading, designing, directing and assuring the Defence Force Design process (the Defence Capability Assurance Program);

2. developing and articulating the Defence Centre-approved Force Design for the Objective Joint Force;
(3) coordinating the development of preparedness and mobilisation direction to
guide the management and development of the force-in-being and the
objective force;

(4) developing the submissions for the biannual reporting to Government,
including the Defence Integrated Investment Program; and

(5) maintaining policy related to the Capability Life Cycle as the administrative
policy owner.

b. As the delegated Force Design Authority, HFD is to:

(1) develop the MDP and Capability Program Directives for JFA approval;

(2) develop the CDF Preparedness Directive for CDF approval;

(3) maintain the ‘master’ Capability Program and MDP summaries that identify
the scope of each MDP and program, and which also include direction on
how the program should change into the future to deliver the approved
Objective Force;

(4) review the program and MDP strategies developed in response to the
program and MDP Directives for JFA consideration;

(5) consolidate the program strategies into a ‘Force Design’ for the Joint Force;

(6) assure that capability proposals being progressed to higher committee are
compliant with the approved Force Design, and provide advice to the
Investment Committee on areas where they may deviate from the approved
design;

(7) lead international engagement relevant to Joint Force Design to keep
informed of Joint Force Design initiatives by Allies and partners; and

(8) be the responsible officer for the Capability Program Architecture and the
Chair of the CPA Implementation Governance Board.

2.43 **Head Force Integration** (HFI) is the delegated C4ISR Design Authority. Force
Integration Division develops and maintains the C4ISR Design, and provides cross-ADO
stakeholder advice and clearance of integration issues.

a. HFI is responsible for:

(1) setting criteria to be used to determine capabilities that meet a Joint Force
Integrator (JFI) threshold;

(2) leading, designing, directing and assuring the implementation of integrated
joint force capability outcomes and structure to achieve Government
objectives through collaboration with the Capability Managers, and informed
by operational design guidance from DCJOPs (force-in-being) and HFD
(objective force); and

(3) co-chairing the Joint Capability Coordination Committee (JCCC) with the
Deputy Chief of Joint Operations.

b. As the delegated C4ISR Design Authority is to:
(1) act as the C4ISR force integrator across all phases of the Capability Life Cycle, with specific focus on the Design and Concepts; and the Risk Mitigation and Requirements Setting phases of the Capability Life Cycle;

(2) provide Joint Force C4ISR Design Guidance through collaboration with the Capability Managers, and informed by operational design guidance from DCJOPs (force-in-being) and HFD (objective force);

(3) lead international engagement to keep informed of joint force C4ISR direction, technology standards, and interoperability decisions made by Allies and partners;

(4) lead development of Plan AURORA to validate the progressive realisation of the Joint Force, in particular C4ISR Design; and

(5) establish and Chair the Information Environment Control Board, with the Chief Technology Officer as Deputy Chair.

2.44 The Chief Finance Officer is responsible for:

a. overall budget management across Defence of which the Investment Portfolio is a key component; and

b. financial performance reporting on the Integrated Investment Program, including acquisition and sustainment activity.

2.45 Joint Force Integrators are responsible to JFA (through HFI) for:

a. coordinating the individual and collective efforts of all stakeholders to achieve efficient and effective alignment of effort toward functional goals;

b. identifying interoperability gaps and opportunities for consideration through the appropriate process;

c. international engagement, as it pertains to interoperability, to maintain awareness of capability technologies, standards, and interoperability decisions that may impact their assigned function;

d. identifying opportunities for increasing the level of coordination across the stakeholders and progressing actions to increase effectiveness;

e. chair and/or co-chair a one-star Interoperability Working Group for their assigned function; and

f. reporting to the JCCC and JWC as required/directed for guidance, direction and to gain resolution on conflicting needs affecting one or more Capability Manager.

2.46 Investment Portfolio Management Branch supports the Investment Committee and the VCDF. The branch coordinates the day-to-day work necessary to support the Integrated Investment Program. Investment Portfolio Management Branch:

a. manages and maintains the integrity of the Integrated Investment Program and Portfolio on behalf of the VCDF;

b. lead the development of Bi-Annual Integrated Investment Program submissions to Government;
c. central point of engagement with Central Agencies on capability matters;

d. reports on the overall health of the Capability Life Cycle at a Portfolio level;

e. provides centralised and standardised governance and policy, including Capability Life Cycle training policy and management of the continuous improvement of the Capability Life Cycle;

f. works with the other branches in Force Design Division and Force Integration Division, and other entities to ensure that Integrated Investment Program is aligned with capability priorities and assigned resources; and

g. works with Contestability Division and Central Agencies to achieve tailored approval pathways;

h. development of the forward work program for government approvals; and

i. development and maintenance of CapabilityOne.

2.47 The Other Groups and Services provide subject matter expertise to Force Design Division, Contestability Division and the Delivery Group, and contribute to the Force Design processes.
CHAPTER 3

DOMAIN AND CAPABILITY PROGRAM MANAGEMENT

Introduction

3.1 This chapter describes the management of Defence capability at the Domain and Capability Program level. Domains and Capability Programs are ongoing structures and exist in all phases of the Capability Life Cycle.

3.2 Analysis of Defence capabilities is complicated due to the relationships that capabilities have with each other. Modern warfare has increasingly become joint, interagency and multinational, and a greater degree of interoperability is required, with capabilities and equipment of the different Services frequently used together. The pressure for greater efficiency has seen more use of multi-role assets, capable of delivering a range of different warfighting effects while also achieving efficiencies in sustainment and maintenance of these capabilities. Each capability in turn is generated by multiple or all Fundamental Inputs to Capability.

3.3 Dividing Defence capability into more manageable components for analysis and reporting involves grouping the most strongly related assets and their support systems together. Thus, as much as possible related systems of assets are kept together, as are their potential substitutes. Moreover, aligning responsibilities for developing force requirements and generating the force can serve to strengthen accountabilities.

Capability Program Architecture

3.4 The Capability Program Architecture consists of:

a. Five Domains – Maritime, Land, Air, Space, and Information and Cyber;

b. 35 Capability Programs (36 from January 2021); and

c. 11 Multi-Domain Programs (12 from January 2021).

Domains

3.5 Domains are defined as ‘an environment through which, or within which, activities and operations are conducted to achieve objectives.’

3.6 The Domains and Domain Leads are Maritime (Chief of Navy), Land (Chief of Army), Air (Chief of Air Force), Space (Chief of Air Force) and Information and Cyber (Chief of Joint Capabilities). This structure provides Service Chiefs and Chief Joint Capabilities with the ability to shape the Joint Force by providing expert input to the centre-led Force Design process under the JFA. The Domain leads will lead the requirements setting for the programs that fall within their Domain responsibilities.

3.7 Domain Leads have a key role in setting high level requirements in the Defence Capability Assessment Program (DCAP). Domain Leads will provide reporting to Government through Secretary/CDF on the ability to deliver military capability effects within their Domain and any residual risks.
Capability Programs

3.8 Capability Programs group related capabilities together, at a lower level than the Domain. Often these represent sets of activities that create similar effects within a Domain. Some Capability Programs gather related capabilities across multiple Domains – when they may have a Capability Manager who is not a Service Chief.

3.9 A Capability Program consists of:

a. **Products.** A product is defined as a group of related assets to which coordinated acquisition and sustainment activities are applied. 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. Products are delivered by projects.

b. **Major Projects.** A major project is an activity to acquire new major capital asset, or update and assurance of existing asset and will require consideration by Government. The processes related to major projects are described in chapters 4, 5 and 6 of this Manual.

c. **Minor Projects.** A minor project is a project that does not require government approval, has a total acquisition cost of no more than $20 million and can be managed within the discretionary budget of a Capability Manager.¹ The Capability Manager is responsible for management of the capability approvals process for minor projects. The main features of Defence minor projects are:

   (1) decisions are supported by a business case, addressing whole-of-life cost, benefit and risks;

   (2) the Capability Manager should be aware of the potential for duplication or dependencies with other projects, particularly in the Integrated Investment Program, and manage them appropriately;

   (3) where minor projects exceed approval limits, approval would be sought at the appropriate level, up to and including Government approval if required. Proposals are not to be split artificially;

   (4) the Capability Manager is accountable for the governance and reporting of minor projects;

   (5) Defence Finance Group will provide advice on costing and the management of minors budgets; and

   (6) the Delivery Groups will support the Capability Manager in the delivery of minor projects.

d. **Urgent Operational Requirements.** Acquisition of a product to meet urgent unplanned operational requirements follows the processes established for projects.

To meet urgent operational needs, the capability approvals process will sometimes be expedited with Government approval.

e. **Other Fundamental Inputs to Capability.** Capability Programs typically include a range of Fundamental Inputs to Capability.

f. **Sub-Programs.** A sub-program, where established, groups related capabilities together at a lower level than the Capability Program. Grouping a set of activities at a sub-program level may be suitable in effectively communicating capability outcomes, managing risks more effectively, or obtaining synergies between activities.

3.10 The projects, activities and initiatives contained in each Capability Program will be grouped into Program Tranches. Each Tranche will deliver the set of capabilities required to achieve the Capability Target State at each epoch, as identified through the DCAP. Where agreed by Government, Program Tranches will be presented to Government for approval rather than the traditional projects and project phases. The aim is to provide more coherent and strategically focussed packages of capability for decision.

3.11 The continuum of program, products and projects is illustrated at Figure 3.1.

![Figure 3.1 – Continuum of Program, Product and Projects](image)

**Multi-Domain Programs**

3.12 Organising capabilities by Capability Programs and grouping them by Domains allows for related capability issues to be considered together, but there are some issues that would benefit from coordination across Capability Program and Domain boundaries.
3.13 To manage issues spanning different domains, the Joint Force Authority (VCDF) has established Multi-Domain Programs (MDPs) to optimise capability outcomes. Typically, these will address the key enablers and integrating capabilities. The issues considered by the MDPs are Program-level and above. The MDPs are an internal Defence capability management construct that is not expected to delve into sub-program and project level issues which are the responsibility of the Program Sponsor. As at June 2020, there are 11 MDPs with the Defence Intelligence MDP to be established in January 2021. JFA will establish others or disestablish any that are no longer required. The current list of MDPs are:

a. Space Services MDP (the responsible Capability Manager is CJC);
b. Space Control MDP (the responsible Capability Manager is CAF);
c. Joint Intelligence Surveillance and Reconnaissance MDP (the responsible Capability Manager is CJC);
d. Joint Electronic Warfare MDP (the responsible Capability Manager is CJC);
e. Joint Cyber MDP (the responsible Capability Manager is CJC);
f. Joint Command, Control, Communications and Computers MDP (the responsible Capability Manager is CJC);
g. Integrated Air and Missile Defence MDP (the responsible Capability Manager is CAF);
h. Enterprise Information and Communications Technology MDP (the responsible Capability Manager is CIO);
i. Defence Logistics MDP (the responsible Capability Manager is CJC); and
j. Defence Enterprise Business Architecture and Transformation MDP (the responsible Capability Manager is Associate Secretary);
k. Defence Intelligence MDP (the responsible Capability Manager is Chief of Defence Intelligence or CDI) from January 2021 – note that in the longer term, CDI can evaluate whether the Geospatial Intelligence and the Defence Intelligence MDPs might be combined; and
l. Geospatial Intelligence MDP (the responsible Capability Manager is CDI).

3.14 The Capability Programs within an MDP will necessarily receive a higher level of joint oversight and consultation. VCDF will appoint capability managers (CM) to be responsible for each MDP. In turn, these CMs will appoint the MDP leads. Aand assign responsibility for the federated joint outcome of the MDP. The MDP Lead will have accountability for MDP outputs coordinated through a MDP Steering Group. The intent is that the MDP Lead will work to realise a collective outcome that is greater than the sum of the individual program outcomes, while working with relevant delivery agencies to realise efficient outcomes. Individual Program Sponsors within the MDP will remain accountable for resource decisions within their programs but these will be coordinated with the MDP.
Domain and Capability Program Management

Program Coordination

3.15 Capability Programs are managed within the resources, thresholds and priorities set by the Investment Committee and articulated by the Capability Manager and Domain Leads.

3.16 Program Sponsors, through Capability Managers, are responsible for reporting performance of their programs against agreed performance indicators. To ensure Capability Programs are effectively balanced, Program Sponsors should coordinate activities across other Capability Programs both within their Domain and with related Capability Programs in other Domains. Multi-Domain Programs are established to better coordinate development of closely related Capability Programs across different Domains.

3.17 Program-level documents include:

a. **Capability Program Summary**, which provides a master description of each Capability Program, including the scope, resource requirements, and description of projects/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.

b. **Capability Program Directive**, which articulates the JFA’s objectives for the program, including preparedness, force design, and interoperability outcomes, as well as metrics and reporting requirements.

c. **Program Strategy**, which describes the approach the relevant Capability Manager intends to deliver the JFA required outcomes for the Capability Program.

Program Strategy

3.18 The Program Strategy is developed by the Program Sponsor on behalf of the Capability Manager. 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 (the ‘how’) within the program in alignment with Defence strategic objectives as articulated in the Capability Program Directive (the ‘what’ and ‘why’). The Program Strategy bounds the program by articulating a coordinated plan to manage existing, transitioning and emerging capabilities, including Fundamental Inputs to Capability, over time.

3.19 The Program Strategy will:

a. detail how a program is aligned to Capability Program Directive, Domain requirements and Defence strategic direction and relevant Joint and Service Concepts;

b. provide an integrated planning view of the projects and products within the program, including the Fundamental Inputs to Capability;

c. detail how the program will develop, deliver, transition and sustain agreed capabilities;

d. coordinate sustainment of all products to maximise the aggregate of capability output across the program;
e. detail program level industry opportunities and constraints, including opportunities to maximise Australian industry participation, particularly in relation to Sovereign Industrial Capability Priorities;

f. maintain a pipeline of proposals, projects and activities, as required to support programs, for consideration by Force Design Division; and

g. ensure that known program gaps and opportunities are managed and prioritised to meet program capability outcomes and preparedness objectives.

Multi-Domain Program Strategy
3.20 The MDP Strategy is developed and issued by the MDP Lead in consultation with other relevant stakeholders in response to MDP JFA Directives.

Governance Agreements between the Capability Manager organisation and the Delivery Groups
3.21 A Program Delivery Agreement, or equivalent Memorandum of Understanding (MOU), will be incorporated into the Program Management Plan which will be agreed between the Capability Manager’s representative and Delivery Group’s representative 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, which will be outlined in the MOU.

Program Management Functions
3.22 **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, members of the program Steering Group and other key stakeholders, typically on a tri-annual basis. This reporting methodology is standardised across the Integrated Investment Program to minimise or eliminate the need for additional performance reporting.

3.23 **Review Panels.** The reporting framework can be supplemented by independent reviews of the health of a program.

3.24 **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 can potentially be better managed by taking the program, rather than an individual project or product, to the Investment Committee.

3.25 **Program Coordination across the Portfolio.** The Capability Manager coordinates those capabilities that span multiple programs. The Program Sponsor uses the Program Strategy, Program Operational Concepts and MDP Strategy, as appropriate, to coordinate cross-program linkages.

Interoperability
3.26 Capability Programs can benefit from the development of a Program Operational Concept. The Program Operational Concept is a distillation of relevant high level Integrating Operational Concepts developed by the Program Sponsor 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;

b. program level operational architectures, such as those derived from joint war fighting architectures informed by C4ISR Design guidance; and

c. relevant non-materiel standards to be adopted across the program.

3.27 The Program Operational Concept is the foundation for a Program Sponsor to ensure alignment to the Strategic Framework. The Program Operational Concept may also provide projects from other programs across the portfolio with specific design guidance.

3.28 The Program Operational Concept requires endorsement from the Joint Force Authority. Guidance on the development of the Program Operational Concept is available from the Force Integration Division in the Vice Chief of the Defence Force Executive.

Program Level – Key Roles

Overview

3.29 The Capability Accountability Model is based on the relationship between the Program Sponsor (customer) and the Program Delivery Manager (supplier). This relationship is key to the successful development and delivery of capability. The development of future Defence capability is a collaborative process based on trust and transparency. The behavioural characteristics that underpin the Capability Life Cycle aim to:

a. ensure the best possible decision-making by considering the full range of factors and influences on those decisions;

b. ensure that decisions are agile and adapted to the environment in which the decisions are made;

c. ensure that all stakeholders are engaged in a way that reflects their accountability; and

d. occur on a personal basis at the appropriate level and are only escalated by exception.
Decision-Making Forums

3.30 Program Steering Groups can be convened to decide on key program issues, as required. The Capability Manager and Program Sponsor should conduct meetings with only relevant stakeholders.

Joint Force Authority

3.31 The VCDF is:

a. responsible for nominating a Capability Manager to be responsible for each Multi-Domain Program (MDP), who in turn will appoint an MDP Lead;

b. responsible for issuing Capability Program Directives and MDP Directives to Capability Managers to provide specific capability and preparedness requirements to Capability Programs. (Exception being DGASD, where JFA would request DGASD support to meet the JFA identified requirements relevant to ASD); and

c. responsible to review and approve program and MDP Strategies developed in response to the JFA Directives.

Domain Lead

3.32 The Domain Lead co-ordinates their respective Domains, in order to balance joint capability across the Defence portfolio, and is responsible for providing cross-program prioritisation advice to the Investment Committee for their respective Domain ensuring interoperability.
Capability Manager

3.33 The Capability Manager takes the lead in delivering the capabilities within their programs, ensuring industry input to their programs are considered and managed, and ensuring the necessary cross-program linkages. The Program Sponsor develops and delivers program components on behalf of the Capability Manager. The Capability Manager is accountable to the Secretary and CDF, through the Investment Committee, for the management of their programs.

3.34 The Capability Manager is accountable for:

a. optimising Joint outcomes, including working to Domain Leads, and with the Delivery and Enabling Groups, to optimise directed collective outcomes; and

b. coordinating through Domain Leads and the delivery of directed capabilities in response to directed capability development, preparedness direction and interoperability requirements.

3.35 The Capability Manager is responsible for:

a. recommending, in consultation with the Domain Leads, the reprioritisation of resources within a program to mitigate risk;

b. managing allocated sustainment budgets to achieve directed preparedness outcomes;

c. appointing Program Sponsors;

d. planning and executing upgrades as required in close and consultative partnership with the relevant Delivery and Enabling Groups;

e. developing Program Strategies that articulate how they will deliver the required capability with the resources allocated and how the Delivery and Enabling Groups will support the delivery and sustainment of capabilities within the respective program;

f. planning of withdrawal dates and the disposal strategies;

g. planning for replacement capabilities;

h. identifying and raising gaps in Future Force capabilities;

i. generating Joint integrated and interoperable capabilities that meet C4ISR direction;

j. providing direction to the relevant Program Sponsors, through the IC when relevant, on balancing resources and risks between in-service and planned future capabilities within a program(s);

k. providing advice on preparedness requirements and capability risks to Domain and Multi-Domain Program Leads;

l. managing international arrangements and agreements that are relevant to their responsibilities, consulting as required with all relevant Defence stakeholders;

m. introducing and withdrawing capability to and from service;
n. identifying, reporting, managing and escalating risks and issues associated with relevant programs;

o. executing budgets and financial delegations for relevant program activities; and

p. reporting program performance through Domain Leads to the IC, the Defence Committee and Government.

Program Sponsor

3.36 The Program Sponsor is accountable to the Capability Manager for end to end program outcomes across the Capability Life Cycle. The Program Sponsor integrates and manages resources to achieve defined capability outcomes. The Program Sponsor is empowered by the Capability Manager to control products and capital projects within a program through the Capability Life Cycle. In order to coordinate cross-program capabilities, the Program Sponsor works in partnership with other Program Sponsors, as outlined in the Program Strategy and associated Program Operational Concept.

3.37 Specifically, the Program Sponsor is responsible for:

a. delivering directed joint force preparedness and capability outcomes as well as balancing resources and risks between in-service, planned and future capability within their program;

b. consulting, communicating, collaborating and coordinating with Multi-Domain Program Leads where their respective responsibilities overlap;

c. convening and chairing the Program Steering Group (PSG) which is the key oversight body for a program. The PSG provides advice to the Program Sponsor;

d. consulting, communicating, collaborating and coordinating with other Program Sponsors where there are interdependencies between programs;

e. developing the Program Strategy and monitoring and reporting progress to Capability Manager and Domain Lead and the JFA;

f. acting as, or working with, the appointed Joint Force Integrator, Program Design Authority and Program Technical Authority to achieve directed standards relating to the program;

g. managing resources to achieve directed capability and preparedness outcomes;

h. developing Joint Capability Needs Statements (JCNS), for JFA approval, in response to the Capability Program Directive and Program Strategies;

i. generating capabilities that meet the C4ISR Design Authority guidance;

j. coordinating transition of capability into service, in-service management and withdrawal of capability;

k. leading test and evaluation activities in coordination with Delivery Group;

l. providing information to the Capability Manager to support reporting of project and product milestone achievement through the Secretary and CDF to Government; and
m. delegating authority to the Product/Project Sponsor to ensure day-to-day business is conducted at the Project Sponsor and Integrated Product/Project Manager level, escalating issues by exception.

3.38 Capability Managers will determine how the Program Sponsor responsibilities will be performed, and whether they are shared across a number of positions.

**Program Delivery Manager**

3.39 The Program Delivery Manager is appointed by the Head of the responsible Delivery Group.

3.40 The Program Delivery Manager is responsible for:

a. delivering directed capability outcomes in partnership with program sponsors;

b. providing the primary source of expertise for engagement with industry. This includes identifying opportunities to maximise Australian industry participation, particularly in relation to Sovereign Industrial Capability Priorities;

c. providing input into the development of the Program Strategies;

d. developing and delivering to a Program Plan aligned to the Program Strategy;

e. planning and coordinating FIC implications and changes associated with acquisition;

f. managing relationships with other delivery agencies on behalf of the Program Sponsor/Capability Manager; and

g. liaising with user community representatives to ensure that capability benefits are realised.

**Multi-Domain Program (MDP) Lead**

3.41 MDP Leads are responsible for:

a. communicating, collaborating, consulting and coordinating with/between single-Domain Program Sponsors;

b. exercising control to the extent required to deliver the directed outcomes of an MDP. This does not include the reallocation of resources across programs that constitute the MDP unless specified;

c. coordinating the contributions of MDP Programs from separate Domains to realise Joint outcomes;

d. where required and in conjunction with Domain Leads, escalate to the Investment Committee risk and resource prioritisation proposals required to realise directed Joint outcomes;

e. acting as, or working with, the appointed Joint Force Integrator, Program Design Authority and Program Technical Authority to achieve directed standards relating to the program;

f. convening Multi-Domain Steering Group to ensure optimised capability outcomes across the MDP Programs. MDP control will be exercised through the MDP Steering Group. Where consensus cannot be achieved referring these issues to the JFA for decision; and
g. issuing a MDP Strategy in response to MDP JFA Directives to support the delivery of JFA-directed capability outcomes for the Future Force relevant to that MDP.

3.42 Capability Managers of single Domain programs within the MDP retain normal Capability Manager accountabilities and responsibilities over their programs, and will generate a Program Strategy in response to a Capability Program Directive that also aligns with and supports the MDP Strategy.

**Contestability**

3.43 Program level contestability provides assurance to government and senior stakeholders that programs are aligned with strategic guidance, Joint and Service Concepts and 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.
CHAPTER 4
PROJECT INITIATION

Introduction

4.1 This chapter describes the activities and responsibilities associated with project initiation within the Strategy and Concepts phase of the Capability Life Cycle. This phase starts when a potential capability gap or opportunity to enhance the force is identified as a priority in the Force Design process, and development of a capability proposal commences. It ends with Investment Committee approval of the Gate 0 business case, which gives approval for the proposal to be progressed for Government approval and establishment of the Integrated Project Team.

Project Initiation

Overview

4.2 Project initiation is based on the results of the Force Design process which identifies a consolidated and prioritised list of gaps or opportunities requiring capability options development. Direction to develop a capability proposal is contained in the Capability Program Directive, issued by the Joint Force Authority to the Capability Manager. The Capability Manager then develops the Gate 0 Business Case for the proposal. The Gate 0 Business Case comprises:

a. **Business Case Overview**, which is developed by the Capability Manager to summarise the key aspects of the Joint Capability Needs Statement and the Project Execution Strategy.

b. **Joint Capability Needs Statement** (JCNS), which is developed by the Capability Manager; and

c. **Project Execution Strategy**, developed by the Integrated Project Management Team on behalf of the Program Sponsor and Program Delivery Manager.

4.3 A summary of the project initiation process is at Figure 4.1.

Figure 4.1 – The Capability Needs Identification Process
Capability Program Directive

4.4 When an emerging capability or enabling gap or opportunity is identified through the Force Design process, the need for a potential new capability will be identified in the Capability Program Directive. It is bounded by time, resource and strategic considerations and presents decision-makers with broad options that could have implications on the potential shape, size, composition, capability mix or preparedness level of the Force-in-Being, Planned or Future Force. It directs the Capability Manager to nominate a Program Sponsor for the purpose of developing a Joint Capability Needs Statement.

4.5 For more complex or high-risk programs, the VCDF may review the Capability Program Directive at the Joint Warfare Committee, to which representatives from Contestability Division and the Delivery Group are invited.

Joint Capability Needs Statement

4.6 The Joint Capability Needs Statement articulates the Capability Manager’s capability gap and the need to address that gap. The system need is described as a hierarchical structure of objectives including interoperability and Fundamental Inputs to Capability considerations to deal with the gaps and opportunities bounded by the Capability Program Directive and informed by the Program Strategy. In this context, the capability need then represents a defined and bounded description of the solution space and the benefits of doing something to address risk, as opposed to doing nothing. The JCNS should also identify the applicable Sovereign Industrial Capability Priorities (that is those capabilities that are critical to Defence and must be developed or supported by Australian industry). This information can be sought from Defence Industry Policy Division.

4.7 Once drafted, the JCNS needs to be considered by Head Force Design (HFD) and Head Force Integration (HFI) to ensure that it is aligned with force design and interoperability priorities. If the JCNS is considered to be of a sufficient standard, it will be approved by HFD on behalf of VCDF.

Project Execution Strategy

4.8 The Project Execution Strategy is the high-level strategy for the execution of the project. It is developed for each project as part of the Gate 0 approval process and is reviewed and revalidated at each subsequent approval point in the Capability Life Cycle. The Project Execution Strategy includes four strategies, developed using the Smart Buyer Framework. These strategies articulate the intended project approval strategy, product realisation and management strategy, commercial strategy as well as management and governance activities.

4.9 The Project Execution Strategy, in concert with the JCNS, forms part of the business case. It articulates the strategy that will be implemented across the project life cycle to the extent possible at that point in time. Early in the project life cycle the Project Execution Strategy will include how the project will progress from the current Gate to the next Gate.

4.10 The Smart Buyer Framework (at Figure 4.2) is a collaborative approach based on a series of facilitated workshops, conducted sufficiently in advance of relevant decision points to influence strategy development. It starts with identification by relevant stakeholders of strategy drivers - assumptions, constraints, unknowns, threats, opportunities and issues. Strategy alternatives for management, approval and asset management are then analysed to respond to, or mitigate, the key drivers. Guidance for how to undertake the Smart Buyer process is in the separate Tier 3 Guidance document.
4.11 **Purpose.** The Gate 0 Business Case is considered by the Investment Committee with a focus on an early high-level review of the capability need, options development, risk and strategy. The purpose of the business case is to provide sufficient argument in support of the capability proposal and a strategy for its implementation. In some cases, it considers Capability Programs rather than product-level projects. A Gate 0 approval for a capability proposal to be further developed results in approval for the Capability Manager to develop further a range of options for government consideration with agreed timeframes, technical requirements and financial commitments.

4.12 In order to initiate a new project, there must be agreement to the priority and a source of funding will need to be identified. This is normally achieved through the DCAP process.

4.13 **Government consideration.** Government does not explicitly consider the Gate 0 Business Case, but Government considers updates to the Integrated Investment Program twice a year for agreement. This provides it with the opportunity to consider new capability proposals that have been included and recommendations for their associated approval pathways, along with other adjustments to proposals, their cost profiles and their milestones.
4.14 **The Gate 0 Business Case Development.** The Capability Manager is responsible for the preparation of the Gate 0 proposal in conjunction with the Delivery Group. The business case:

a. articulates the strategic case for the capability which clearly defines the gap or opportunity – effectively providing an early bounding of the problem to be solved by subsequent Capability Life Cycle activities;

b. identifies a set of feasible and achievable options for closing the gap or exploiting the opportunity. It also describes the priority, feasibility and achievability of different options and how the available option set, has been narrowed;

c. details how capability options fit within both the Domain and Capability Program. This highlights the strategic logic of specific options, as well as the risks to the Domain and Capability Program if capabilities are not developed. It also establishes explicit interoperability requirements.

d. includes a summary of the Project Execution Strategy, (which contains separate sections on the proposed approval, product realisation and management, commercial and management strategies through the Capability Life Cycle);

e. describes analysis, planning and actions to maximise opportunities for Australian industry participation, particularly in relation to Sovereign Industrial Capability Priorities, and, where applicable describes requirement to pursue foreign industry or government options to deliver the capability;

f. contains a preliminary assessment of the financial resources to acquire and sustain the capability; and

g. provides detailed cost and workforce requirements for the progression of the proposal through the approval process. The fidelity of cost estimation will depend on the level of risk and the approval pathway appropriate to the individual project.

4.15 The level of detail in the Gate 0 Business Case is determined by the level of complexity of the proposal. Where a proposal proceeds directly from Gate 0 to Gate 2, a greater level of detail is built into the Project Execution Strategy.

4.16 **Investment Portfolio Management Branch.** Early engagement with Investment Portfolio Management Branch will help assess the affordability of the project in the Integrated Investment Program and need for further offsets, the appropriate approval pathway and opportunity for inclusion in the Government’s forward work program.

4.17 **Contestability.** Early engagement with Contestability Division will assist with early identification and rectification of issues, so that most issues are resolved during the contestability process leading up to Gate 0.

4.18 **Integration.** Early engagement with Force Integration Division will assist with early consideration of interoperability requirements and alignment to Plan AURORA.

4.19 **Technology Risk Indicator.** DST will support the Gate 0 Business Case by preparing a Technology Risk Indicator (TRI) Report which identifies areas where technology risk may exist and provides an indicative overall project technology risk level.

4.20 **Industry Engagement.** Capability Managers maintain a two-way dialogue with industry through the Environmental Working Groups. Engagement of industry is facilitated by the Delivery Group to support analysis and promote innovation, procure industry
services and where required, to test concepts. Defence Industry Policy Division provides policy guidance to the Delivery Group on industry issues, including advising on strategies to maximise Australian industry involvement and identifying the Sovereign Industrial Capability Priorities applicable to the project. These activities commence in the Strategy and Concepts stage and persist throughout the Capability Life Cycle.

4.21 Information Environment Control Board. The Information Environment Control Board reviews project proposals for technical compliance with standards and authoritative guidance and to provide technical guidance on behalf of the Joint Force Authority.

4.22 Capability Manager Gate Review. The draft Gate 0 Business Case will be considered by the Capability Manager Gate Review (CMGR) to ensure that it is fit for purpose and to identify what outstanding issues need to be addressed prior to Investment Committee consideration. The Capability Manager may seek an exemption from this requirement from VCDF if the Capability Manager can demonstrate urgency and that sufficient consultation has occurred.

4.23 Investment Committee consideration. The Investment Committee reviews the Gate 0 proposal on behalf of the Secretary and CDF and either recommends approval for the resources (financial and workforce) required to progress the proposal to the next gate, or requires further work to be done and the proposal to be resubmitted, or rejects the proposal. In considering the Gate 0 proposal all submitted documents for the business case must be approved, following this, the Investment Committee tests the following issues, in particular:

a. Is the Joint Capability Needs Statement consistent with Defence policy and the Capability Program Directive?

b. Has the Project Execution Strategy been developed and tailored in accordance with the Smart Buyer Framework?

c. Is the plan to progress to the next gate coherent, time bounded, deliverable and fully resourced, and does it address the key program risks?

d. Is the proposed tailoring as simple as possible relative to the capability need and risk profile?

e. Is the proposed financial allocation affordable within the Integrated Investment Program and consistent with Defence priorities; and where offsets are proposed or agreed, have these been reviewed for feasibility by Investment Portfolio Management Branch?

f. Does the proposed Commercial Strategy include adequate opportunities to maximise Australian industry participation, particularly in cases where the Sovereign Industrial Capability Priorities apply?

4.24 Where the degree of risk and/or cost involved with a proposal outweighs its potential benefits, the Investment Committee would consider modifying or rejecting the proposal.

4.25 Defence Committee / Defence Strategic Policy Committee. For the most complex, politically sensitive, novel and/or high-risk proposals, especially where they might represent a significant divergence from established policy, the Defence Committee or the Defence Strategic Policy Committee when appropriate, reviews the Joint Capability Needs
Statement and endorses further development of selected options. This additional step is not a regular feature of the process.

4.26 **Gate 0 Outcome.** The Investment Committee outcomes for Gate 0 are captured under the Internal Committee directions listed in CapabilityOne. These directions set clear expectations around the timeframes for the proposal to proceed to the next gate, the resources allocated as well as key issues and risks to be addressed in the next business case. Gate 0 approval constitutes formal endorsement of the Project Execution Strategy and the elements contained within it.

**Budgeting**

4.27 Capability Managers are responsible for development of proposals for Gate 0 and subsequent Government consideration, including obtaining the necessary funding.

4.28 The Investment Committee may allocate funds from the Capability Development Investment Fund (CDIF) to progress proposals to the point of Government consideration. Details on the operations of the CDIF are in the separate Tier 3 Guidance.

4.29 In the case of large and complex proposals that require significant amounts of development funding, separate government submissions are developed so that formal government approval can be obtained.

**Considerations in Recommending an Approval Pathway**

4.30 Guidance on determining the appropriate approval pathway and approval authorities is found in the Budget Process Operational Rules.

4.31 Depending on the level of risk, Government may want to formally consider a project once, twice or more times. The approval pathway will need to be developed in consultation with Investment Portfolio Management Branch who will work with the Central Agencies. Consideration on the approval pathway should be included in the Approval Strategy (part of the Project Execution Strategy) and in the Gate 0 Business Case, with a recommended approach.

4.32 **Project Categories.** The projects in the Integrated Investment Program can generally be grouped into three categories:

a. **Non-complex projects:** Projects where the solution is generally straightforward. Non-complex projects could be considered to go straight to Second Pass (Gate 2). An assessment that only one pass is required will be based on consideration of the following criteria:

   (1) there is only one feasible supplier;

   (2) the proposal involves acquiring additional units of an existing capability;

   (3) there are mandatory interoperability requirements that dictate a certain platform choice;

   (4) operational urgency is more important than optimising cost/capability trade-offs; and

   (5) the proposal is simple and low risk and within existing operational policies.
b. **Complex projects:** Significant projects that may have several options available to meet the operational requirement, or where there are complex interface requirements that increase the complexity of the project, or where the technological solution has not yet been developed or is maturing. Complex projects should go through First Pass (requiring Gate 1 consideration with Defence) and Second Pass (requiring Gate 2 consideration). Examples include airborne early warning and control upgrades, battlefield communication systems, and upgrades to ship and submarine combat systems.

(1) In some instances, particularly where the technological solution is emerging or unknown, complex projects may be divided into multiple tranches, for the purposes of Government approvals. Different parts of the project would be under development concurrently, but at different levels of maturity. In these instances, Government could be considering a tranche with includes some parts that require First Pass approval at the same time it is considering other parts that require Second Pass approval.

c. **Strategically significant and complex:** projects that span several years to procure and cost multiple billions of dollars. Strategically significant and complex projects could potentially go through multiple project updates and interim gates, culminating in a Government decision at Second Pass. Government would be updated on the projects regularly. Examples could include the future submarine project and new combat aircraft.

4.33 **Proposing the Pathway.** The analysis conducted in the Strategy and Concepts Phase, and the Smart Buyer Framework, informs tailoring of the investment approval pathway and the level of contestability. Tailoring analysis must be conducted in conjunction with Investment Portfolio Management Branch and Contestability Division. Tailoring is based on the risks identified in early project management planning. Tailoring allows simpler capability investments to be expedited, freeing up capacity to ensure sufficient scrutiny, resources and work is applied to more complex initiatives. Tailoring includes consideration of proceeding directly to Gate 2 as well as potentially meeting the need by funding allocation or re-prioritisation within a program. Based on the identified risks, the pathway should be tailored to ensure:

a. **Simplicity:** Initiatives follow the simplest sensible investment approval pathway, only adding activities and decision points to treat risks to within tolerance levels.

b. **Alignment:** In some instances, it makes sense to seek approval of a project, in conjunction with the approval of another project, due to synergies, interdependencies and risk management. In this instance, for the purpose of government approvals, projects seek simultaneous approvals and be considered as a sub-program.

c. **Sufficiency:** Work is done to a sufficient level to enable a decision (ie the analysis is not overworked). The intent is not to artificially constrain value adding work, but to ensure appropriate use of Defence resources and outcome focused project planning and delivery.

d. **Delegation:** Investment approval pathway decisions should be delegated to the lowest practicable level.
e. Document Tailoring: Tailoring of the documentation suite based upon the key supporting documents with additional documents or data requirements only added when they are clearly required to treat a risk to bring it into acceptable tolerance.

f. Time Bounding: Appropriate time bounding by setting and committing to the time between gates based on the execution of the planned activities with the available resources. These timings are set at this point based on initial plans and benchmarks; to be confirmed by the Integrated Project Management Team after Gate 0. This approach allows progress to be tracked at intermediate points and provides transparency if major new risks are uncovered that require additional work.

4.34 Consultation between Investment Portfolio Management Branch representing Defence, the Department of the Prime Minister and Cabinet and the Department of Finance must be undertaken to propose suitable pathway and approval approaches to Government (reflective of risks and mitigation strategies).

4.35 If a project is made up of multiple scope elements at varying levels of maturity, it may be appropriate to present the project to Government for approval in tranches rather than a single first or second pass approval. A tranche is where decisions across the varying scope elements are consolidated into a single decision point. For example, tranche 1 of Project X could comprise first pass for capability element A, second pass for capability element B, and combined pass for capability element C.

Establishment of the Integrated Project Management Team

4.36 Prior to Gate 0 an interim Integrated Project Management Team may be established to support the Capability Manager in developing the proposal for Investment Committee consideration. After Investment Committee approval, the Integrated Project Management Team is formally established.

4.37 Integrated Project Management Team. The Integrated Project Management Team is comprised of representatives from key stakeholders who will participate in development of the proposal. The primary Delivery Group provides and sources subject matter experts from applicable disciplines. Some stakeholders may not be represented in the Team but will be important to development of the proposal, and hence strong external links will be needed (e.g., with Contestability Division, Investment Portfolio Management Branch and with enabler organisations not represented in the Team). An indicative structure for an Integrated Project Management Team is illustrated in Figure 4.3.
4.38 The Integrated Project Management Team should include subject matter experts in:

a. relevant Fundamental Inputs to Capability;
b. requirements facilitation and development;
c. acquisition;
d. contract management; and
e. industry.

4.39 **Project Sponsor.** The Project Sponsor is the Capability Manager’s primary representative in the Integrated Project Management Team and is accountable to the Capability Manager and Program Sponsor for delivery of the product through successful execution of the project. 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.

4.40 Within the Integrated Project Management Team, the Project Sponsor:

a. endorses the Integrated Project Management Plan;
b. is accountable for the development of capability needs across the Fundamental Inputs to Capability, including interoperability considerations articulated in the Capability Program Directive;

**Figure 4.3 – Capability Accountability Model showing Sponsor relationship with Delivery or Enabler Group (Delivery View)**
c. is accountable for the development and updating of the business case, incorporating the Joint Capability Needs Statement and the Project Execution Strategy, in consultation with the Enabler and Delivery Groups;

d. ensures the development of sufficient and fit for purpose capability requirements across all Fundamental Inputs to Capability;

e. is accountable for approving the overall risk profile, developing the risk appetite statement and setting tolerances; and

f. facilitates the Integrated Project Manager’s delivery of the project.

4.41 The **Integrated Project Manager**. The Integrated Project Manager, appointed within the Delivery Group and supported by the Integrated Project Management Team, is responsible for project execution and leading the Integrated Project Management Team in developing and/or furthering options and/or solutions. Specifically, the Integrated Project Manager is responsible for:

a. the planning, coordination and integration of the delivery of the Fundamental Inputs to Capability described in Integrated Project Management Plan;

b. managing projects to deliver products, supporting the Capability Manager in meeting directed preparedness levels and to minimise the total cost of ownership;

c. managing complexity by integrating across multiple project disciplines, drawing on expertise from centres of expertise where necessary;

d. managing the technical, operational and project interdependencies by identifying opportunities to collaborate with other products;

e. undertaking the overall risk assessment and managing risk;

f. developing requirements encompassing all Fundamental Inputs to Capability which:

   (1) can be commercially contracted, where industry will be providing the solution;

   (2) provides a clear basis for generation of workforce and internal development of any other FIC; and

   (3) address interoperability considerations;


g. delivering the product to the specified scope, schedule and budget;

h. developing and managing the Integrated Project Management Plan;

i. contributing to the business case in order to support the Project Sponsor’s submission(s) to the Investment Committee and Government;

j. working directly with industry as part of contract management, tendering and identifying opportunities to maximise Australian industry participation, particularly in relation to Sovereign Industrial Capability Priorities; and

k. reporting on project performance in conjunction with the Project Sponsor.

4.42 The work of the Integrated Project Management Team is guided by the:
a. **Product Delivery Agreements** which is the agreement between 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;

b. **Project Execution Strategy** which is the high-level strategy for the execution of the project; and

c. **Integrated Project Management Plan** which is the detailed plan to introduce the capability into service. The Integrated Project Management Plan evolves into an Integrated Product Management Plan as the capability approaches introduction into service and transitions into product management under the appropriate program.

4.43 **Project Management Functions.** In the Capability Life Cycle there are a number of core project management functions that must be performed:

a. **Project management.** The Integrated Project Management Team is responsible for the management of the acquisition, upgrade and/or modification of one or more of a capability’s constituent parts to achieve project objectives. Project management included integration of the Fundamental Inputs of Capability and planning for the sustainment of the capability for its remaining life and eventual disposal. For further information see the **CASG Project Management Policy**.

b. **Development of the Project Execution Strategy.** The Project Execution Strategy is the proposed high-level strategy for the execution of the project. For further information see the **CASG PES Guide** and the **CASG IPMP Guide**.

c. **Requirements Development.** Requirements are developed from capability gaps identified in the Joint Capability Needs Statement and are informed by existing architectures and concepts and developed only to the level of detail that is sufficient for the purposes of decision-making, solicitation and acceptance.

d. **Business Case Development.** The business case is the primary decision document in the Capability Life Cycle and is used to seek approval for the proposal to progress to the next gate. The business case is produced by the Project Sponsor in conjunction with the Integrated Project Management Team and is endorsed by the Capability Manager at each gate. Prior to Gate 0, the Program Sponsor in collaboration with the Delivery Group develops the business case. The business case is a high-level summary of the Integrated Project Management Team’s work and is an evolving document which increases in depth and information certainty as a proposal proceeds from Gate 0 to Gate 2.

e. **Documentation Development.** Documentation is tailored sufficient for decision-making, continuity and recording of evidence.

f. **Cost Estimation.** Cost estimates are required at each gate covering the acquisition cost and the Through-Life Cost. The confidence level of the cost estimate is Gate dependent. Seek Investment Committee advice if there is doubt. – refer **Total Cost of Ownership Model**.

g. **Workforce Planning.** Workforce planning should commence from Gate 0 and the IPMT is responsible for developing a robust Workforce Plan (WFP) prior to Gates 1
and 2. Guidance regarding workforce planning is provided in a separate guidance document (TBD).

4.44 **Sources of expertise and advice.** The Integrated Project Manager and the Project Sponsor may access specialist support from across Defence to support the Integrated Project Management Team.

**Project Initiation – Key Roles**

4.45 **Government** considers new projects in the context of Bi-annual Updates to the Integrated Investment Program. The Government approves any tailored approval pathways.

4.46 The **Portfolio Ministers** endorse the intended tailored approval pathways. The Ministers are informed of progress against the Integrated Investment Program through active, ongoing engagement and Bi-Annual Updates, including updates on industry engagement.

4.47 **Central agencies** are engaged through regular briefings and meetings and their role in Investment Committee and force design processes, particularly regarding approval mechanisms based on risk and complexity.

4.48 The **Secretary and CDF** provide advice to the Ministers through bi-annual Integrated Investment Program Updates.

4.49 The **Defence Committee:**

a. makes decisions where significant policy, strategic or financial decisions are involved; and

b. considers annual Integrated Investment Program updates and Bi-Annual Updates prior to submission to Government.

4.50 The **Investment Committee:**

a. endorses annual Integrated Investment Program updates (including proposed tailoring of approval pathways and authorities) for the Defence Committee and government approval; and

b. approves Gate 0 proposals including project scope, resources, accountabilities, responsibilities and decision-making rights, and endorses tailoring of the approval pathway and authorities.

4.51 The **VCDF** is the Joint Force Authority, accountable for joint force interoperability supported by HFI. The VCDF, supported by the Investment Portfolio Management Branch, is responsible for the development and integrity of the Integrated Investment Program including work flow planning, policy and governance. The VCDF is also the Chair of the Investment Committee and a member on the Defence Committee and Enterprise Business Committee.

4.52 **Contestability Division**—following review of the Capability Program Directive (produced by Force Design Division) by stakeholders—considers key joint concepts which influence the narrative. At all Gates, Contestability Division reviews the business case, the Project Execution Strategy and the Program Strategy to ensure alignment with strategic guidance and that the relevant strategic risks have been considered.
4.53 The **Capability Manager**:

a. develops the Program Strategy through the Program Sponsor;

b. develops the Joint Capability Needs Statements as tasked by the VCDF;

c. closely supports the Delivery Group’s development of the Project Execution Strategy;

d. ensures industry inputs are considered and managed;

e. develops the Business Case, supported by the Delivery Group, and manages its progression to the Investment Committee through Capability Manager Gate Review; and

f. makes funding available to the Delivery Group, but only where CDIF are agreed and/or approved.

4.54 The **Delivery Group**:

a. nominates the interim Integrated Project Manager and project support staff;

b. develops the Project Execution Strategy in close consultation with the Capability Manager;

c. undertakes initial project planning and coordination; and

d. coordinates early industry involvement and facilitates strategies to maximise Australian industry participation, particularly in relation to Sovereign Industrial Capability Priorities.

4.55 The **Enabler Groups** provide subject matter expertise resources to support initial project planning.
CHAPTER 5
RISK MITIGATION AND REQUIREMENT SETTING

Introduction

5.1 This chapter describes the activities and responsibilities in the Requirements and Risk Management phase of the Capability Life Cycle.

5.2 The Risk Mitigation and Requirement Setting Phase commences after the Investment Committee approves the Gate 0 Business Case. The Risk Mitigation and Requirement Setting Phase involves the development and progression of capability options through the investment approval process leading to a government decision to proceed to acquisition (Second Pass approval).

Risk Mitigation and Requirement Setting Phase

Overview

5.3 During the Risk Mitigation and Requirement Setting Phase, Defence undertakes the detailed planning required for converting the capability identified at Gate 0 into an integrated set of changes in each of the FIC. These changes will be implemented in the Acquisition Phase to deliver the new or enhanced capability.

5.4 The Project Sponsor, acting on behalf of the Capability Manager and working in close conjunction with the Delivery Group and in consultation with other groups, develops a requirement statement based on the agreed statement of military need and developing the business case and submission for Government approval. This can serve as the basis to identify the required Fundamental Inputs to Capability and allow the launch of a competitive tendering process (if required) or initiation of sole-source solicitation.

5.5 The fundamental activities during this phase are:

a. converting the Joint Capability Needs Statement into requirement statements and preparing for release of tender documentation (whether this be for competition or sole source);

b. mitigating key risks identified in the risk profile which cannot sensibly be transferred to the supply chain;

c. developing plans to deliver the full scope of the proposal, addressing the Fundamental Inputs to Capability, identifying any risks and ensuring budgets, resources and timescales are properly aligned; and

d. securing government approval to proceed with acquisition.

Government Approval

5.6 Capability-related Defence investment projects are approved by the Government. Depending on the level of risk, the approval authority and pathway may vary. Usually proposals are approved by NSC or the Minister for Finance and the Minister for Defence acting jointly (Two Ministers). Note that NSIC decisions require NSC endorsement. The
Prime Minister, in the capacity as the chair of the National Security Committee of Cabinet, can elect to approve proposals. Defence would only consider seeking the Prime Minister’s approval of proposals in cases of urgency.

5.7 Government may consider a project a number of times, each time referred to as a ‘Pass’. The number of passes and the level at which decisions are made is agreed with Government, typically in the context of the Bi-annual Update of the Integrated Investment Program. Guidance on determining the appropriate approval pathway can be found at paragraph 4.30ff.

5.8 Each Pass through Government corresponds to a decision Gate in Defence, thus:

a. A First Pass submission to Government is preceded by a Gate 1 approval by the Investment Committee – this pass may be omitted for non-complex projects, with the agreement of Government.

b. A Second Pass submission to Government is preceded by a Gate 2 approval by the Investment Committee. If there has been no First Pass consideration, this is referred to as a Combined Pass. This Pass is the point where final Government approval is obtained.

c. For strategically significant and complex proposals, there may be additional passes (and corresponding gates) between First and Second Pass, in a multi-pass decision process.

5.9 The key document presented to Government is the Cabinet Submission which will have attached the business case. These are prepared by the Project Sponsor on behalf of the Capability Manager and will need to address:

a. What the recommended option is and why it represents value for money, compared to any alternatives considered. In particular, how does the capability relate to the Government’s strategic priorities and any other relevant whole-of-government priorities (eg industry, employment and regional policy, homeland security). And in contrast, what is the cost and demand on other resources (eg workforce and estate).

b. What is the level of confidence Defence has in effective implementation of the recommended option. This will include the maturity of the acquisition and sustainment plans, the degree to which all the fundamental inputs to capability have been incorporated, and the assessment of risks and mitigation strategies.

c. For First Pass, what further work is required and what funding (if any) is being sought at this stage to complete that work. This should be explained in terms of improving the maturity of the proposal and reducing uncertainties.

5.10 This chapter outlines in more detail the issues that will need to be developed to support the Cabinet Submission.

5.11 Additional guidance on the processes for dealing with Government are found in the Cabinet Handbook, the Budget Process Operational Rules and Estimates Memorandums issued by the Department of Finance. These should be read in conjunction with this Manual.
First Pass / Gate 1

Overview

5.12 First Pass consideration provides Government with the opportunity to provide strategic direction to the project at an early stage. This guidance can include confirming the priority of the proposal, identifying the preferred option(s), approving approaches to industry and approving any development funding. Government may agree that First Pass approval is not required for simpler and more straightforward proposals. Strategically significant and complex proposals may require several passes. See the section in Chapter 4 “Considerations in Recommending an Approval Pathway” (paragraph 4.30ff).

Gate 1 Activities

5.13 The Capability Manager is responsible for producing the Gate 1 submission, which should primarily focus on the risk treatment activities that have taken place since Gate 0, describe progress in reducing options and refining the requirements statement, and outlining the plan and risk mitigation activities required to progress to Gate 2.

5.14 Requirements Definition. Focuses on converting the Joint Capability Needs Statement into a requirement statement that can, when required, be developed as a contract; as well as preparing for release of tender documentation. Requirements need to conform to Commonwealth legislation and regulation, be standardised, fit for purpose, complete, and account for all Fundamental Inputs to Capability. Requirements need to be developed to a sufficient level of specificity to support industry engagements, capability acceptance, and detailed analysis (particularly of implications for the Fundamental Inputs to Capability) to understand the full scope and broad feasibility and risks of the proposal.

5.15 Options Development. A key early decision is on the range of options that will be presented to Government. These can include options for generating the desired capability effect (ie different platforms), different acquisition options (eg Australian build, off the shelf), or different financing options (eg lease, public-private partnership). Early consultation with ministers or the central agencies will help clarify the choice. The Capability Manager completes any further streamlining of options and then works closely with the newly established Integrated Project Management Team, who will take the lead in refining and executing the acquisition and sustainment strategies developed at Gate 0. This includes developing the requirement statement which acts as the basis for the tender.

5.16 Workforce Plan Development. Each capability is to develop a Workforce Plan (WFP) detailing the workforce and associated training and resourcing required to develop, acquire, introduce into service, operate, sustain and dispose of the capability. The WFP must be endorsed by Service/Group stakeholders who are responsible for workforce allocation. The WFP is to include considerations of workforce risk and proposed mitigation strategies; and is the primary document informing the Workforce Risk Assessment (WRA) prepared by DPG for advice of CMGR and IC at Gates 1 and 2 (see the separate guidance). The WFP also informs Cost Estimation.

5.17 Cost Estimation. During this phase, the Integrated Project Management Team develops an initial through life cost estimate and schedule for the project, which is subject to independent review by Contestability Division. In the event that either cost or schedule are out of step with the allocated budget and/or required timelines, iterative work between the Capability Manager and the Integrated Project Manager is required to identify the optimum balance of performance, time and cost. Defence Finance Group will review the financial
information and its presentation in Cabinet Submissions and associated documents prior to it being provided to the Department of Finance.

5.18 **Engagement with Industry.** Engagement with industry is a critical consideration at this stage, both to obtain its input to the tender documentation and also to shortlist (if necessary via a formal pre-qualification process) credible potential suppliers for any contract(s). This also provides an opportunity to gauge Australian industry capability and capacity, and to maximise opportunities for Australian industry participation, particularly in relation to Sovereign Industrial Capability Priorities. Industry Engagement is an enduring activity throughout the Capability Life Cycle.

5.19 **Technology Risk Assessment.** A Gate 1 Technology Risk Assessment (TRA) is prepared by the Project Science and Technology Adviser (PSTA) to identify the potential technology risks and issues and to allow the project to develop appropriate treatment strategies for each identified risk and resolution strategies for any significant issues that have been identified. The TRA is approved by the Lead Chief of Division and forms the basis of the Chief Defence Scientist’s Technology Risk Certification to Government for First Pass consideration. Further information can found in the [DSTG Technical Risk Assessment Handbook](#).

5.20 **Risk Management.** Targeted risk mitigation for those risks identified in the risk profile and WRA.

**Gate 1 Proposal**

5.21 **Gate 1 Submission.** The First Pass Government Submission is the key document considered by the Investment Committee at Gate 1. The submission is prepared by the Capability Manager and summarises the business case which is focused on the risk treatment activities that have taken place since Gate 0, and describes progress in refining options, defining the requirements statement, describing opportunities to maximise Australian industry participation, and outlining the plan and risk mitigation activities to progress to Gate 2.

5.22 The draft submission to Government and accompanying business case, would be supported by the following products (all submitted documents must be approved and would be available to Investment Committee members and to Government on request). The key findings of these documents should be addressed in the Submission:

a. an assessment of risk;
b. initial estimates of cost and schedule, including proposed offsets reviewed by Contestability Division;
c. initial Workforce Plan, and DPG-developed Workforce Risk Assessment;
d. Gate 1 DSTG Technology Risk Assessment;
e. a test and evaluation master plan (TEMP); and
f. the Project Execution Strategy, an Integrated Project Management Plan and stage plan to progress to Gate 2.

5.23 The draft submission to Government is reviewed by Contestability Division, and any contestability advice on outstanding issues is embedded into the submission.
5.24 The draft Gate 1 Submission will be considered by the Capability Manager Gate Review (CMGR) to ensure that it is fit for purpose and to identify what outstanding issues need to be addressed prior to Investment Committee consideration. The Capability Manager may seek an exemption from this requirement from VCDF if the Capability Manager can demonstrate urgency and that sufficient consultation has occurred.

Gate 1 Decision

5.25 The Investment Committee reviews the Gate 1 submission on behalf of the Secretary and CDF and either recommends approval for the submission to proceed to Government for consideration, with the resources required to progress the proposal to the next Gate; or the Investment Committee directs that further work to be done. This will require the business case to be resubmitted. In considering the Gate 1 submission, the Investment Committee tests the following issues in particular:

a. Has anything changed since the Gate 0 approval to warrant a fundamental reassessment of the validity, priority and relevance of the Joint Capability Needs Statement?

b. Are there any risks preventing progress to the next gate?

c. Is the plan to progress to the next gate robust, time bounded and adequately resourced?

5.26 In the event that the gap between the Capability Manager’s need and the initial cost and schedule estimates is insurmountable, the Investment Committee may reject the business case. Options open to the Capability Manager in consultation with the VCDF are to:

a. seek a restatement (further bounding) of the scope and cost that still provides viable and valuable capability, within the budget and schedule; or

b. return to the force design process to assess relative priority of the capability and whether the additional budget or time are warranted.

5.27 The level of involvement of the Defence Committee and the Secretary and CDF in the lead up to First Pass submissions is articulated in the Investment Committee annual work plan, which is endorsed by the Defence Committee. How each proposal is dealt with depends on its complexity, risks and strategic significance. The Secretary and CDF jointly sign the submissions to Ministers.

Gate 1 Outcome – First Pass approval by Government

5.28 Gate 1 is not a commitment to acquire a new capability. Internal advancement of a proposal by Defence beyond Gate 1 is based on government agreement. Such agreement will only be given at First Pass if Government is confident there has been sufficient investigation into all proposed options. Government First Pass approval allows Defence and relevant agencies to conduct the work necessary to progress to Gate 2.

5.29 The decisions made at First Pass generate a number of outcomes:

a. prioritisation of the project within the Integrated Investment Program;

b. selection of realistic options for further development to Gate 2;

c. agreement to the risk appetite, risk tolerance, and risk treatment plan that informs the tailored pathway;
d. assignment and bounding of reasonable time and resources for the proposal to Gate 2 and a timeframe and budget for the proposal; and

e. permission for the conduct of industry solicitation, or where necessary, to conduct the examination of specific options.

5.30 Once First Pass approval is received, the business case and its associated schedule, along with any additional direction from Government, becomes the direction to Defence to proceed with the approved scoped, scheduled and costed activities within the agreed risk profile to reach Gate 2.

Second Pass / Gate 2

Overview

5.31 Second Pass approval represents the Government approval to acquire the capability, including the major capital asset and associated support and sustainment.

Gate 2 Activities

5.32 The purpose is to develop the Gate 2 submission, supported by industry-informed, evidence, to obtain government approval and resources necessary to acquire and sustain a new, or upgrade an existing, capability. Detailed planning is conducted that is necessary for the capability to be introduced, achieving initial operational capability and final operational capability as approved by Government.

5.33 Update the Program Strategy. If the investment approval pathway proceeds directly from Gate 0 to Gate 2, a review of the Program Strategy may be required to ensure that it reflects and is aligned with guidance from Gate 0.

5.34 Requirement Setting. The Project Sponsor finalises requirements analysis supported by the Integrated Project Management Team, and informed by industry solicitation. A complete set of requirements is needed, including all Fundamental Inputs to Capability, across the Capability Life Cycle, for each option presented. The level of detail in the requirements for each option is sufficient to allow direct comparison (such as cost and capability trade-offs) between options and identification of the key performance parameters for each requirement. The requirements set for each option is sufficient to support cost estimation and capability realisation planning.

5.35 Options Refinement. The options are specific alternative capability solutions, including any particular procurement as tendered from industry. Each option is assessed to confirm feasibility, acceptability and suitability. The evidence underpinning these assessments is based on valid and verified information from the relevant suppliers or capability operators. Development of a particular option(s), as per the Gate 0 or Gate 1 decision, ensures the necessary degree of definition, planning, and risk mitigation is completed for the capability solution to be acquired. Each option must be a feasible solution that specifically identifies:

a. materiel from identified sources;

b. workforce requirements;

c. other Fundamental Inputs to Capability requirements;

d. the expected quality, type, and level of Australian industry participation, particularly in relation to Sovereign Industrial Capability Priorities;
e. basis of provisioning; capability realisation timeframes;
f. product realisation and asset management planning;
g. preparedness considerations; and
h. any provision for capability upgrades/life of type extensions.

5.36 **Performance Needs Analysis Report** (PNAR) and related studies are developed by the Project Sponsor to inform training plans for the capability’s workforce over its life.

5.37 **Refine the Workforce Plan.** By Gate 2, the WFP is expected to contain robust estimations and planning for future workforce requirements and availability, through to disposal of the capability. An executive summary of the capability’s training plans should also be included. A Workforce Risk Assessment will be developed by DPG for Gate 2.

5.38 **Australian Industry considerations.** The project will need to demonstrate that it has engaged with Australian industry to determine its capability to participate in the project, and provide evidence of this to inform Government decisions. Defence capability decisions will continue to seek to achieve the best value for money, based on the Commonwealth Procurement Rules, and include explicit consideration of:

a. the Sovereign Industrial Capability Priorities; and
b. opportunities to maximise Australian industry participation.

5.39 **Technology Risk Assessment.** The TRA prepared for Gate 1 is updated by the PSTA to reflect the options to be put to Government and risk treatments that have been completed. The TRA is approved by the Lead Chief of Division and forms the basis of the Chief Defence Scientist’s Technology Risk Certification to Government for Second Pass consideration. Further information can found in the [DSTG Technical Risk Assessment Handbook](#).

5.40 **Risk Management.** The risk-based approach to tailoring focuses effort on detailed project planning, conducting risk assessments, and implementing the risk treatment plan. Risk management between Gate 1 and Gate 2 has an emphasis on monitoring the risk treatment plan, clarifying who owns the risk (Defence or the supply chain), and assessing risk treatments to determine if there is any residual risk and if this risk is acceptable and within the set tolerance.

5.41 **Cost Estimation.** Costs are estimated for each option to be presented to Government. The cost estimates allow decision-makers to understand and directly compare the whole-of-life costs associated with each option. The financial implications of all Cabinet Submissions must be reviewed and endorsed by DFG before lodgement. The Department of Finance provides advice on the presentation of cost information and reviews costings prior to their submission to Government.

5.42 For most projects costs will be based on high quality evidence, drawn from tenders and other high quality sources and complete cost breakdown structures. Facilities and infrastructure, which require consideration by the Parliamentary Joint Standing Committee on Public Works prior to a Request for Tender being issued, require cost estimates at a P80 confidence level.

5.43 The total cost of ownership approach seeks to estimate the full cost of ownership throughout the life of a capability. Under this approach, Defence is able to estimate and measure costs for capability proposals, and give Government transparent information about
whole-of-life costs. The model includes specific guidance on estimating costs against key expense areas, including capital acquisition, bringing equipment into service, operating costs, sustainment, disposal and (when relevant) financing costs. This is consistent with the definition of whole-of-life costs used by key areas of government including the Department of Finance and the Australian National Audit Office.

5.44 **Final Project Execution Strategy.** The strategy may need to be revised and updated since Gate 1 or re-shaped in response to significant new information becoming available.

5.45 **Industry Solicitation and Evaluation.** Defence can formally conduct industry solicitation in order to obtain tender quality information around cost, scope, schedule and Australian Industry Capability. This includes any formal request that invites a manufacturer, distributor or service provider to provide a response to a specific request. This may take the form of: Request for Tender; Request for Information; Request for Proposal; Request for Quotation; Initial Design Activity; or other solicitation mechanisms. Once Gate 1 approval is received, the Integrated Project Manager initiates formal engagement with industry, in accordance with the agreed delivery strategy. If the proposal is proceeding directly to Gate 2, government approval will be sought for industry solicitation approval. Further pre-qualification may be required to eliminate those suppliers who are not capable of meeting the requirement.

5.46 **Project Management Planning.** The Integrated Project Management Plan is finalised in the Risk Mitigation and Requirement Setting Phase. This incorporates the capability realisation, project delivery, asset management and Fundamental Inputs to Capability for the life of the capability. Project management planning produces a finalised plan which provides the basis for all stakeholders to agree to their commitment of resources against defined timelines to reach the proposed final operational capability and sustain the capability in service.

5.47 **Preliminary Establishment of Product-Level Management.** The Program Sponsor may establish, or at least plan the establishment of, the arrangements for the ongoing asset management of products that are introduced into service by the project. This could include the appointment of a Product Sponsor (from the Capability Manager’s group), appointment of an Integrated Product Manager (from the Delivery Group) and organisation of an Integrated Product Team.

**Gate 2 Proposal**

5.48 **Gate 2 Submission.** Decision-making at Gate 2 is based around the Gate 2 submission, which forms the basis of the proposal to Government for approval at Second Pass.

5.49 The Capability Manager is responsible for producing the Gate 2 submission, which is informed by the business case, signed off jointly by the Capability Manager and the Delivery Group.

5.50 The submission is reviewed by Contestability Division and any contestability advice on outstanding issues is embedded into what becomes a formal submission, the Second Pass document suite. It summarises the results of industry solicitation and evaluation, with an evidence-based recommendation for the preferred bidder, or details the conclusions of sole source negotiations. The submission should include a high-level summary of the proposed contractual terms for visibility to the Investment Committee.
5.51 The business case includes a detailed performance, schedule, whole-of-life costing and approval limit, within which the Integrated Project Management Team is authorised to negotiate a contract post Second Pass approval by Government.

5.52 The final submission and business case will be supported by the following documents (all submitted documents must be approved). The key findings of these documents should be addressed in the Submission:

a. residual risk and mitigation plans;

b. updated analysis to confirm that investment in the capability is consistent with Defence policy and priorities, and represents good value for money;

c. performance schedule, whole-of-life costing and approval limit that demonstrates in-year affordability;

d. an updated Gate 2 Workforce Plan (WFP); and Gate 2 Workforce Risk Assessment (from DPG);

e. Gate 2 DSTG Technology Risk Assessment;

f. an updated test and evaluation master plan (TEMP);

g. updated Project Execution Strategy and Integrated Project Management Plan; and

h. analysis of preferred contractor, including previous performance record, and summary of intended contractual terms, including the expected level of Australian Industry content, contract expenditure as well as any Australian industry activities to develop Australian Industry Capability or Sovereign Industrial Capability Priorities.

5.53 The draft Gate 2 Submission will also be considered by the CMGR to ensure that it is fit for purpose and to identify what outstanding issues need to be addressed prior to Investment Committee consideration. The Capability Manager may seek an exemption from this requirement from VCDF if the Capability Manager can demonstrate urgency and that sufficient consultation has occurred.

**Gate 2 Decision**

5.54 The Investment Committee either recommends that the proposal is progressed to Government for consideration and approval, or directs that further refinements are made to the proposal or additional issues addressed before the proposal is resubmitted to the Committee. In considering the submission going to Government, the Investment Committee tests the following issues, with particular emphasis on:

a. Has anything changed since Gate 0/1 approval to warrant a fundamental reassessment of the validity, priority and relevance of the Joint Capability Needs Statement?

b. Is the proposal affordable and does the investment represent value for money when tested against competing priorities elsewhere in Defence?

c. Have the capability, schedule, risk, cost and Australian Industry Capability trade-offs been managed and optimised in accordance with Government’s priorities?

d. Are the plans to deliver the Fundamental Inputs to Capability robust, achievable and coherent?
e. In the event that the Investment Committee concludes that the proposal is not acceptable, the proposal is cancelled, modified or re-solicited.

**Gate 2 Outcome – Second Pass Decision by Government**

5.55 Advancement past Second Pass is based on agreement from Government that the proposal has sufficient priority to warrant acquisition and is sufficiently mature, including documentation is suitably developed and that appropriate assurance has been conducted.

5.56 Government decision is advised at Second Pass and provides:

a. confirmation of the priority of the project within the Integrated Investment Program;
b. acceptance of the risk appetite, key risks and proposed treatment of risks;
c. authorisation to conduct activities, including any required procurement of materiel support (acquisition and sustainment), necessary to execute a specific option;
d. assignment of budget and timeframes to complete these activities; and
e. any specific guidance relevant to the acquisition, sustainment, preparedness, operation and/or administration of the product.

5.57 As a result of the Second Pass decision made by Government, Defence has the policy approval to acquire a selected product. Government approval allows commencement of the Acquisition Phase. Funding for the project comes formally through Parliamentary appropriations. In some cases, enabling legislation may be required. For larger estate capital works projects, Parliamentary approval is needed and this will normally follow an inquiry by the Parliamentary Standing Committee on Public Works (PWC).

5.58 Parliamentary Standing Committee on Public Works is a Parliamentary Committee that conducts inquiries into matters referred to it by the House of Representatives or Ministers. All Defence capital works projects valued between $15 million and $75 million must be notified to the Committee. Projects valued above $75 million must be referred to the Committee for a hearing. These activities can only occur after Gate 2 approval whether for an estate sustainment project or in support of a capability project. Consequently, commitment of funds and contract commencement for capital works will only occur after the projects have been reviewed by the Committee and approved by Parliament. These approvals align with Parliamentary sitting periods and will typically occur some months after Second Pass approval.

**Risk Mitigation and Requirement Setting Phase – Key Roles**

5.59 Government, depending on risk and complexity, most often through the NSC, approves Gate decisions, and any intermediate decisions for multi-Gate proposals.

5.60 Ministers, depending on risk and complexity, the Minister/s approve or endorse Gate decisions.

5.61 Central agencies, review and advise their principal's intent on formal submissions for Gate decisions that will translate into submissions that will go on to seek First or Second Pass approval from Government, as well as engaging throughout the span of Investment Portfolio activities. Central Agencies also provide support in reviewing and commenting on the text of Submissions.
5.62 The Secretary and CDF submit Gate decisions and updates to Government, seeking from Government First or Second Pass approval.

5.63 The Defence Committee considers Gate decisions and update submissions prior to government consideration for the most complex and/or strategically significant proposals.

5.64 The Investment Committee clears Gate and update submissions to the Secretary and CDF for submission to Government and considers and provides direction on steps to remediate projects that have breached tolerance thresholds and require help, re-baselining or cancellation.

5.65 The VCDF is the C4ISR Design Authority. The VCDF Executive Divisions provide design guidance and ensure proposals address directed interoperability requirements of the Joint Force, where necessary leading test and evaluation standardisation and updating policy.

5.66 Contestability Division staff:

a. provide an independent review of cost and schedule estimates;

b. conduct independent project and program reviews as required/directed;

c. ensure that the requirements documentation is fit for purpose and remains consistent with Defence and government priorities;

d. review Gate submissions; and

e. assist, where agreed, in the development of the project or program Cabinet Submission and support engagement with central agencies and Government.

5.67 Strategy, Policy and Industry Group (Defence Industry Policy Division) staff:

a. provide an industry assessment of capability proposals;

b. participate in gate reviews as required;

c. ensure that the requirements documentation considers industry inputs and impacts; and

d. review gate submissions for industry inputs and impacts.

5.68 The Capability Manager is accountable for project execution decisions as the chair of the Program Steering Group. The Program Sponsor is accountable for requirement setting, including all Fundamental Inputs to Capability, and interoperability considerations and contributes to planning in partnership with the Delivery Group. The Capability Manager supported by the Delivery Group develops the business case and submissions for Gate decisions and develops and refines program strategies and supporting documents supported by Delivery Group.

5.69 The Delivery Group is responsible for:

a. establishing Integrated Project Management Teams and Product Teams and contributing to initial program and project strategic considerations, planning and coordination across the Capability Life Cycle;

b. developing the plans for management and costings of projects, as well as the sustainment of products, under the sponsorship of the assigned Capability Manager.
this includes the provision of advice on trade-off or program optimisation opportunities;

c. planning for, and coordinating, the agreed Fundamental Inputs to Capability, including industry engagement activities;

d. coordinating the early engagement of industry to implement Smart Buyer principles and to deliver the required outcomes on behalf of the Capability Manager;

e. planning for, and facilitating, the capability’s introduction into service, in support of the Capability Manager;

f. disposal of products and related assets as directed by the Capability Manager; and

g. providing timely advice to Capability Managers and/or the VCDF on delivery status and emerging capability risks and issues throughout the Capability Life Cycle.

5.70 The Enabler Groups support new and extant Defence capabilities by providing subject matter expertise to support the Capability Life Cycle, and by delivering Fundamental Inputs to Capability and other enabler elements, as coordinated by the Delivery Group.
CHAPTER 6

ACQUISITION

Introduction

6.1 This chapter describes the activities and responsibilities in the Acquisition phase of the Capability Life Cycle. The Acquisition Phase commences with government approval to commence acquisition activities and concludes when the products have been delivered and introduced into service.

Acquisition Phase

Overview

6.2 The Acquisition phase acquires elements of the capability (usually products, but sometimes also services), and manages its introduction into service. This includes appropriate testing and evaluation to ensure the system's safety and suitability for service and that the system addresses the endorsed need. Key activities for Defence during this phase are:

a. robust management of the supply chain;

b. effective change management involving the Capability Manager and the Integrated Project Manager, which ensures that the project continues to optimise performance, schedule and cost;

c. regular, accurate and consistent reporting to the Capability Manager and other Defence stakeholders;

d. maintaining Government-agreed capability output/availability during transition into service; and

e. maintaining the Government-agreed level of Australian industry content, delivery of activities to develop Australian Industry Capability, particularly in relation to Sovereign Industrial Capability Priorities.

Planning

6.3 Planning for the Acquisition phase is undertaken in the Requirements and Risk Mitigation phase. During the Acquisition Phase, projects deliver products by applying the Fundamental Inputs to Capability in accordance with the Integrated Project Management Plan and Workforce Plan and to the agreed scope, cost and schedule as defined in the Project Execution Strategy and Product Delivery Agreement. Planning documents may need to be refined and updated to reflect new developments after project approval.

Project Execution

6.4 Once Second Pass approval has been obtained, the VCDF delegates authority to Capability Managers and Delivery Agencies to execute the project as agreed by Government.

6.5 During the Acquisition Phase, the Delivery Group facilitates the introduction into service of the new capability on behalf of the Capability Manager. This process includes:
Coordination of stakeholders across Defence to ensure delivery of all the Fundamental Inputs to Capability, as set out in the Integrated Project Management Plan.

The conduct of appropriate test and evaluation under the lead of the Capability Manager to ensure the system addresses the defined requirements, and meets appropriate safety and suitability for service standards.

6.6 The Acquisition Phase involves engaging a supplier to acquire a capability, executing mechanisms (normally contracts) that will see the capability introduced into service. In the event contractual terms cannot be agreed, the project returns to the Investment Committee, with a recommendation on whether Government agreement should be sought to terminate the project or expand the performance/time/cost envelope.

6.7 The project is managed in accordance with asset management principles and project management discipline and within the performance, schedule and cost envelope agreed by Government. The Capability Manager shall retain oversight of the project through the Project Governance Board.

6.8 Once a contract is in place, the Delivery Group is responsible for monitoring and reporting progress to the Investment Committee, using standard project and product controls and processes.

6.9 **Risk Management.** Risk management in the Acquisition Phase focuses on risks associated with acquisition, procurement, capability realisation and sustainment, as well as monitoring risk treatment plans.

**Introduction into Service**

6.10 Introduction into service occurs during the Acquisition Phase and is the formal acceptance process, where the delivery and integration of the Fundamental Inputs to Capability comprising a capability system are evaluated, tested and approved.

6.11 The Program Sponsor (or Integrated Product Manager, if appointed), supported by the Delivery Group, is responsible for transition coordination between the new product (noting that several products may constitute a new capability) and, where required, withdrawal of the existing product(s).

6.12 **Change management.** Effective change management is a key aspect of the transition process between new and superseded capability during the Acquisition Phase. As soon as significant change is identified, the Program Steering Group reviews the potential impacts and revalidates the capability/schedule/cost trade-offs, ensuring that the full (both direct and indirect) cost of delay is factored into the decision-making process. The Integrated Project Manager (or Integrated Product Manager, if appointed) provides the Capability Manager with a robust set of options for dealing with change and the Capability Manager then determines the optimum way ahead.

6.13 **Operational Test and Evaluation.** The results of the test and evaluation are fundamental for the Capability Manager’s decision-making because test and evaluation provides essential, practical and real information about safety, effectiveness and suitability at all levels. Refer [Defence Test and Evaluation Policy](#).

6.14 **Program Coordination.** Program level oversight includes balancing the project with other program activities, including extant products and other projects, to optimise the
provision of program level resources and to identify issues that can be resolved or efficiencies that can be gained at the program level.

6.15 **Establishment of Product Level Management.** If not established in the Risk Mitigation and Requirement Setting Phase, the Program Sponsor establishes the arrangements for the ongoing sustainment of products being introduced into service. This includes the appointment of a Product Sponsor (from the Capability Manager’s group), the appointment of an Integrated Product Manager (from the Delivery Group) and the formation of an Integrated Product Team, if required.

6.16 **Initial Operational Capability (IOC).** Declaration of initial operational capability is made by the Capability Manager, supported by the results of operational test and evaluation and declaration by the Delivery Group that Fundamental Inputs to Capability have been delivered by the responsible organisations, in accordance with agreements.

6.17 **Final Operational Capability (FOC).** Declaration of final operational capability is made by the Capability Manager, supported by the results of operational test and evaluation and confirmation by the Delivery Group that Fundamental Inputs to Capability have been delivered by the responsible organisations, in accordance with agreements. This marks the conclusion of the Acquisition Phase and of the introduction into service process. After completion of administrative and financial processes, the project is closed and the Integrated Project Management Team stood down. The Integrated Product Manager assumes responsibility for the In-Service and Disposal Phase.

**Project Variations**

6.18 Where there is a material change to project outcomes after approval (e.g., a real cost increase (RCI), workforce change, scope change or change to IOC or FOC dates) then the Government is to be advised. A project variation submission to Government may be required to agree to the new cost, workforce, scope or project milestones. The Investment Committee is the main Defence committee vehicle for the development and endorsement of any proposal for Government.

**Financial Management**

6.19 **Project Budget Updates.** All approved capital projects, in consultation with Capability Managers where applicable, are required to update their budgets twice annually, as part of the Government’s Portfolio Budget and Additional Estimates milestones. Revised project delivery schedules and associated budget estimates need to take into account life-to-date expenditure and emerging risks around contractor delivery performance, and take a risk managed approach to budget estimate by avoiding being overly ambitious in forecasting project delivery timeframes and expenditure forecasts.

6.20 Integrated Project Managers are to ensure that the financial aspects of their projects are accurately recorded. In particular, the value of assets under construction needs to be captured systematically, and in accordance with DFG instructions.

6.21 To meet overall Defence budget requirements it may be necessary for projects to speed up or defer activity and associated expenditure.

6.22 **Contingency.** Within the unapproved Integrated Investment Program, each capital project has been allocated a contingency provision within its overall acquisition provision. The amount of the contingency provision varies between projects depending on the complexity and risk of the activities it will undertake. All calls on project contingency must be in accordance with the DFG policy on the [Management of Contingency Budgets in](#)
Defence Acquisition Projects’. The policy indicates that projects are to take a tiered approach to accessing contingency funding, as follows:

a. projects are first encouraged to meet contingency funding requirements from within their currently programmed cash funding;

b. if this cannot be achieved, a project then proposes to meet its funding requirements from within the relevant Capability program;

c. if this cannot be achieved, a project then proposes to access contingency funding from the relevant capital program (Approved Major Capital Investment Program (AMCIP), Facilities and Infrastructure Program (FIP), or ICT Capital Program); and

d. if this cannot be achieved, then the contingency call will be presented to the Investment Committee by the relevant Capability Manager which if agreed will potentially be met from budget offsets across the whole Integrated Investment Program (including the potential slippage of unapproved projects).

Acquisition Phase – Key Roles

6.23 Government, depending on risk and complexity of the project, may approve any project variation decisions should the project vary beyond tolerances. Government is to be advised of attainment of key project milestones described in the Second Pass submission.

6.24 The Portfolio Ministers, depending on risk and complexity of the project, approves or endorses any project variation decisions should the project vary beyond tolerances. The Ministers are advised of attainment of key project milestones.

6.25 The Secretary and CDF provide advice to the Ministers regarding key milestones.

6.26 The Defence Committee clears project variation submissions for government consideration should project vary beyond tolerances, especially when involving price increases or significant variations to capability.

6.27 The Investment Committee clears project variation submissions to the Secretary and CDF submission to Government for consideration should the project vary beyond tolerances.

6.28 The Enterprise Business Committee monitors overall financial performance and makes recommendations to the Defence Committee on budget changes across key categories which may impact on investment budgets.

6.29 The VCDF leads joint assurance testing and evaluation and coordinates support for cross-domain requirements for Capability Manager led testing and evaluation activities. The VCDF also appoints the lead Capability Manager responsible for planning, conduct and reporting of the test and evaluation activities in support of Defence Trials.

6.30 Contestability Division conducts activities on project variation decisions. Contestability occurs for selected programs as they set and change strategies and where issues are identified through reporting processes.

6.31 The Capability Manager is accountable for project execution and coordinates capability transition into service and withdrawal of capability. The Capability Manager leads the test and evaluation effort in coordination with the Delivery Group, reports project
milestone achievement through the Secretary and CDF to Government, and evolves the Program Strategy supported by the Delivery Group.

6.32 The **Delivery Group** is accountable for execution and coordination of the Integrated Project Management Plan on behalf of the Capability Manager and responsible for facilitating the capability introduction into service resourced by and on behalf of the Capability Manager. The Delivery Group develops sustainment contracts and conducts program/project quality reviews as required by the Delivery Group Head and Capability Manager.

6.33 The **Enabler Groups** deliver the Fundamental Inputs to Capability and enabler elements as required by the Integrated Project Management Plan.

6.34 **Integrated Project Management Team** is responsible for the delivery of the product including all Fundamental Inputs to Capability in accordance with the Integrated Project Management Plan.

6.35 The **Integrated Product Team** is established by the Program Sponsor before the end of the Acquisition Phase, if not already established in the Risk Mitigation and Requirement Setting Phase. This team conducts asset management activities after the initial set of products have been accepted into service. Once established, the Integrated Product Team operates in accordance with the Product Delivery Agreement.
CHAPTER 7
IN-SERVICE AND DISPOSAL

Introduction

7.1 This chapter describes the activities and responsibilities in the In-Service and Disposal Phase of the Capability Life Cycle. A characteristic of this phase is that the projects of the Acquisition phase are delivered products, and it is now products that have to be managed, sustained and ultimately disposed of.

In-Service and Disposal Phase

Overview

7.2 The In-Service and Disposal Phase involves supporting capability through its life. The In-Service and Disposal Phase commences at the point when the product or set of products are accepted into service. The commencement of the In-Service and Disposal Phase occurs just before or around the declaration of initial operational capability. In the case of estate projects, the In-Service and Disposal phase commences at the commissioning hand over and take over from the Integrated Project Manager.

7.3 During this phase:

a. a Product Sponsor will be appointed if justified by significant cost or risk, otherwise the role will be performed by the Program Sponsor;

b. the Program/Product Sponsor is responsible to the Capability Manager to satisfy the capability and preparedness outcomes of which products are a significant element;

c. product management outcomes are agreed between the Program/Product Sponsor and the Delivery Group through the Product Delivery Agreement, with subsidiary agreements made with other Groups as required; and

d. product management is led by an Integrated Product Manager appointed by the Delivery Group and supported by the Integrated Product Team.

7.4 Activities to support capabilities 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.

Planning

7.5 Program Strategy. Activities in the In-Service and Disposal Phase are conducted in accordance with the Program Strategy. Developments in this Phase may also form a basis to update the Program Strategy including sustainment activity and workforce and budget planning, external quality panels and life of type reviews.

7.6 The Capability Life Cycle adopts a whole-of-life view in which delivery and the sustainment and disposal functions exist on a continuum throughout the life of the product. Sustainment and disposal are the key drivers of the acquisition process and therefore must be considered in the earliest planning stages.
7.7 Transition to a new capability should be part of the early project planning developed by the Program Sponsor. It should also contain plans to manage transition effects such as maintaining preparedness levels and impact on interoperability requirements. In conjunction with the development of the detailed project delivery plans, the end-to-end planning responsibility of the Program Sponsor, requires them to plan the eventual disposal. Disposal planning would cover issues such as end-of-life maintenance needs, spares holding, contract changes and workforce requirements. The costs of disposal must be included in the whole-of-life cost estimate presented at Gate 2.

**Introduction into Service**

7.8 Introduction into service is a step in the realisation of capability. The Program Sponsor is responsible for transition coordination between the new capability and withdrawal of the existing capability in accordance with the Integrated Project Management Plan. The through life responsibility is then taken on by the Integrated Product Manager in the Delivery Group.

**Management and Sustainment in Service**

7.9 The Program Sponsors’ end to end responsibilities for capability extend throughout the In-Service and Disposal Phase. The Program Sponsor is accountable to the Capability Manager for capability outputs across their program within the resources and priorities set by the Investment Committee. The Program Sponsor is supported in this role by the Delivery Group which appoints an Integrated Product Manager to manage sustainment of the Fundamental Inputs to Capability as defined in the Product Delivery Agreement.

7.10 Where practical, off-ramps should be built into sustainment contracts, or they can be set up for ‘rolling wave’ approvals in order to ensure that industry have incentives. Contestability can play a key role in reviewing decisions at appropriate points in the contract to assure senior decision-makers in Defence that the optimum choice has been made.

7.11 Where sustainment contracts are renewed, Program Sponsors need to assess whether the capability and cost is still being delivered within the parameters originally agreed by Government. If they are not, the Investment Committee should be notified and, if the change is judged to be material then Government should be informed. Contracts valued at over $100 million are to be submitted to the Defence Finance and Resourcing Committee before they are finalised, and if they meet the requirement set in the Budget Process Operational Rules, notified to Government.

7.12 **Spiral Development.** Where sustainment includes a technology refresh or upgrade, the activity may need to be considered as a project in its own right. This judgement will be informed by the cost, risk and technical complexity of the activity. In these instances, the activity would be subject to the processes described in chapters 4, 5 and 6.

**Optimisation of Capability**

7.13 The Program Sponsor (on behalf of the Capability Manager) is responsible for optimising the capability, consistent with commitments to Government and as delegated by the Investment Committee, including upgrades, life extensions, alternative sustainment options or replacement capabilities. They should ensure visibility of any major changes by the Investment Committee and/or Enterprise Business Committee as appropriate.

7.14 These trade-offs could include when new capability will be required, life extensions or upgrades for existing platforms and sustainment options. Importantly, early project planning and cost estimates should include any technology refresh or upgrade activities needed to keep the capability relevant through its life. In the case where an upgrade is
planned, budgeted, and approved at Gate 2, it should be able to proceed based on internal approval pathways should it remain within the broad parameters originally agreed by Government.

7.15 In the cases where there is significant expenditure involved, high risks, or cross-Group impacts, then the upgrade will have a Gate 0 consideration by the Investment Committee to confirm the approach, its relative priority and any internal resources required. Should the upgrade be unplanned, or outside of government agreed parameters, then it would return to force design to have its priority considered along with other activities. Note that if the product requires a new project phase, an Integrated Project Manager and Project Sponsor are appointed, supported by a corresponding Integrated Project Management Team.

Disposal

7.16 At the end of the product's in-service life, 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. It may be necessary to participate in the transition to any replacement, in accordance with the approvals and plans for that new capability (including amendment of any training plans for personnel, changes to establishment and other impacts on broader workforce).

7.17 The Disposal Plan articulates the considerations for disposal of the product. Refer to Part 2 Volume 5 of the Defence Logistics Manual.

Financial and Workforce Management

7.18 On Government approval, the provisions in the Integrated Investment Program for sustainment are transferred to the relevant Capability Manager. During the In-Service and Disposal Phase, Portfolio level management oversees the budget and workforce, and communicates with Government where required.

7.19 Integrated Product Managers are to ensure that the financial aspects of their products are accurately recorded. In particular, stocktakes, assessment of asset life and impairment, revaluations and write-offs and disposals are undertaken systematically, and in accordance with DFG instructions.

Performance Measurement

7.20 The Program Sponsor or appropriate commander will report through the Capability Manager on preparedness levels.

7.21 The Delivery Group will be responsible for monitoring and reporting progress, using the standard project and product controls and processes. Given the long-term nature of much sustainment activity, it is essential that frequent and regular performance reviews take place to ensure that the contract arrangements continue to deliver best value for money and that the contractor is genuinely incentivised to deliver continuous improvement.

7.22 A program dashboard, which clearly shows capability performance (eg availability rates, sustainment costs etc), is maintained at the program level. The Capability Manager is responsible for assigning accountability for this function.
In-Service and Disposal Phase - Key Roles

7.23 The accountabilities for products are shown at Figure 7.1 and are aligned to support the continuum approach and are based upon:

a. a strong partnership between the Program Sponsor and the Delivery Group;
b. a clear customer-supplier relationship between the Capability Manager and the Integrated Product Manager; and
c. the integration of relevant subject matter expertise into the Integrated Product Team and where appropriate the Integrated Project Management Team.

7.24 Program Sponsor. In the context of product management, the Program Sponsor, or Product Sponsor if appointed, is responsible to the Capability Manager for capability performance and availability outcomes and is required to do the following:

a. translate Defence preparedness and capability performance requirements into specific product performance metrics for use in the Product Delivery Agreement;
b. assign a representative to the Integrated Product Team to work in partnership with the Integrated Product Manager;
c. report the status of the products to the Capability Manager including the impact of changes to expected performance, availability, preparedness and cost as a result of product operation; and
d. prescribe priorities for both projects and products within their programs.

7.25 The Integrated Product Team supports the Product Sponsor and is responsible for capability performance, availability, readiness and preparedness outcomes of the product. The team comprises representatives from all relevant stakeholders, in addition to an Industry advisory representative, membership is established in accordance with relevant guidance. Further explanation is provided in the CASG Product Management Manual. Typically, the Integrated Product Team includes subject matter experts and delivery coordination representatives skilled in:

a. Fundamental Inputs to Capability;
b. Sustainment;
c. Contract Management; and
d. Industry.

7.26 The Integrated Product Manager may also:

a. provide specialist services both through Defence experts and through the use of approved contractor panels; and
b. maintain Defence policy and guidance which reflects best practice.
Figure 7.1 – Capability Accountability Model showing Sponsor relationship with Delivery or Enabler Group (Sustainment View)

7.27 The Integrated Product Manager (IPM) is appointed by the Delivery Group. The majority of functions of an Integrated Product Manager are described in the CASG Product Management Manual (however, further specialist product manager advice may be required where the delivery agency is Estate, CIOG or another delivery element). Typically, the IPM:

a. leads the Integrated Product Team and manages resource, delivery and performance agreements with other Groups, users and industry;
b. conducts Integrated Product Management through deliberate planning and coordinated management of all applicable Fundamental Inputs to Capability;
c. reports to the Program Sponsor the status of the products including the impact of changes to expected performance, availability, preparedness and cost as a result of product operation;
d. informs the Product/Program Sponsor of capability deficiencies, anticipated capability degradation and opportunities for enhancement; and
e. cooperates with independent Assurance Reviews as required by the Delivery Group Head and/or Capability Manager.

7.28 The Delivery Group:
a. sustains capability to the level as directed and funded by the Capability Manager;
b. seeks opportunities to optimise sustainment outcomes for the Capability Manager;
c. addresses workforce issues as identified in the Workforce Plan; and

d. disposes of materiel elements of the capability.

7.29 Other stakeholder roles in the In-Service and Disposal phase include:

a. **Government.** Advised of changes to significant sustainment contracts and approve major in-service capability upgrades.

b. **Ministers.** Advised of changes to significant sustainment contracts or other large changes to capabilities and approve disposal plans.

c. **Secretary and CDF.** Provide advice to the Ministers regarding key milestones.

d. The **Enterprise Business Committee** monitors overall financial performance and makes recommendations to the Defence Committee on budget changes across key categories which may impact on investment budgets.

e. **Force Design Division.** Work with the Capability Manager to determine future capability requirements due to life of type, capability performance, or obsolescence issues.

f. **Force Integration Division.** Work with the Capability Manager to determine future interoperability requirements and to ensure that interoperability is maintained through the life of the capability.

g. **Contestability Division.** Review selected sustainment strategy changes and contract renewals and rolling-wave decisions and where risk is identified through reporting, conduct contestability activities on sustainment products or processes. Contestability Division reviews selected programs as they set and change strategies.

h. **Capability Manager.** Operates the capability to meet preparedness requirements and plans and execute upgrades as required in partnership with the Delivery Group and evolves the Program Strategy supported by Delivery Group. The Capability Manager approves planned withdrawal date and the disposal strategy.

i. The **Delivery Group.** Sustain capability to the level as directed and resourced by the Capability Manager. They provide the Capability Manager with advice on emerging life of type or obsolescence issues and seek opportunities to optimise sustainment outcomes for the Capability Manager. The Delivery Group conducts Independent Assurance Reviews as required by the Delivery Group Head and Capability Manager and disposes of capability. The Delivery Group ensures that financial information related to the product is accurately recorded.

j. **Enabler Groups.** Provide subject matter expertise and manage the Fundamental Inputs to Capability to support the capability throughout its service life and dispose of facilities and systems.

k. **Integrated Project Management Team.** Project management is disestablished on conclusion of the Acquisition Phase and does not play a role in the In-Service and Disposal Phase. However, an Integrated Project Management Team may be established to manage a life of type extension or capability upgrade project.
CHAPTER 8
PREPAREDNESS AND MOBILISATION

Placeholder
ANNEX A – CAPABILITY LIFE CYCLE 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 Capability Life Cycle 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 Pathway.** The steps required to secure Government approval for a project. 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 Capability is Australian industry’s ability to directly contribute to the acquisition and sustainment of current and future Defence capability. 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. This may include or refer to personnel, materiel and systems.

**Business Case.** A document that provides the justification for undertaking a project or undertaking. It evaluates the benefit, cost and risk of alternative options and provides a rationale for the preferred solution.

**Command and Control, Communications, Computing, 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 war-fighting 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 is generated by the Fundamental Inputs to Capability.

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

**Capability Manager.** Responsible for raising, training and sustaining capabilities as directed by the Secretary and CDF. The Capability Managers include:

- Vice Chief of the Defence Force – Asymmetric and Advanced Warfighting;
- Associate Secretary – Defence Business Enterprise Architecture and Transformation;
- Director General Australian Signals Directorate – Strategic Intelligence and Cyber;
- Chief Joint Capabilities – Joint Capability;
- Chief of Defence Intelligence – Geospatial Information and Intelligence;
- Chief of Navy – Maritime capability;
- Chief of Army – Land capability;
- Chief of Air Force – Aerospace capability;
- Chief Information Officer – Enterprise ICT;
- Deputy Secretary Estate and Infrastructure – Enterprise Estate and Infrastructure;
- Chief Defence Scientist – Innovation and Science and Technology.

**Capability Program** see Program.

**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 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. In the context of the Capability Life Cycle, the major system
component could be specialist military equipment, materiel, Information and Communications Technology or Estate and Infrastructure.

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

**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** is 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. 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.

**Domain.** An environment through, or within, which activities and operations are conducted to achieve objectives.

**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. 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.

**Financial asset management.** The accurate maintenance of financial records covering the number, condition and value of assets, including stocktakes to validate the existence of assets recorded on the balance sheet; asset revaluations; assessment of asset life and indicators for impairment; rolling out assets under construction and write-offs and disposals, conducted in accordance with relevant accounting standards.

**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.** The process to translate strategic policy into a proposed future force structure that can be realised within the available resources. It will typically identify priority areas for capability adjustments.

**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. The nine Fundamental Inputs to Capability are: organisation, command and management, personnel, collective training, major systems, facilities and training areas, supplies, support and industry. *Note:* 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 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 Checks.** The forum to report on significant project issues, including exception reports, key performance indicators and the coordination/resolution of project issues within a program. This enables reallocation of resources as necessary and issues that cannot be resolved are escalated to the appropriate level.

**Industry Engagement.** The process of engaging industry to ascertain capabilities, capacity, risks and opportunities for capability acquisition, realisation and sustainment.

**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.

**In-Service and Disposal Phase.** The phase of the Capability Life Cycle 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** is 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.** A senior committee, chaired by the VCDF, that ensures that resourcing (including capital investment and operating costs) is consistent with Defence's strategic priorities and resourcing strategy.

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

**Investment Portfolio Management Branch.** A branch in the Vice Chief of the Defence Force Executive which coordinates the day-to-day work necessary to support the Integrated Investment Program, including the provision of business analysis and decision support to the VCDF in his roles as the owner of the Investment Portfolio and chair of the Investment Committee.

**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.

**Management.** The process of planning, organising, directing and controlling organisational resources in the pursuit of organisational 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.

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

**Policy Owner.** A person appointed by an accountable officer to be responsible to that accountable officer for achieving effective policy outcomes for their particular business function and for effectively implementing policies contained in framework documents.

**Product.** A group of related assets to which coordinated acquisition and sustainment activities are applied. 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 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 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.** A group of related projects, products, and program activities that are managed in a coordinated way to optimise the capability outcome within allocated resources.

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

**Program Strategy.** Document which outlines how the Capability Program Directive will be achieved, and acts as the primary artefact that defines the intent for managing and developing capabilities within the program in alignment with Capability Program Directive and Defence Strategic Objectives and Force Design Division.

**Project.** A project is a unique, transient endeavour, undertaken to achieve planned objectives.
**Project Execution Strategy.** The proposed high level strategy for 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. 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.

**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. 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.

**Risk Mitigation and Requirement Setting Phase.** The phase of the Capability Life Cycle where capability options are developed to achieve government approval for acquisition.

**Second Pass.** The final milestone in the Requirements Phase, at which point Government endorses a specific capability solution and approves funding for the Acquisition Phase.

**Sovereign Industrial Capability Priorities.** Capabilities that are critical to Defence and must be developed or supported by Australian industry. This means Australia must have access to, or control over the skills, technology, intellectual property, financial resources or infrastructure that underpin the Priorities.

**Strategy and Concept Phase.** The first phase of the Capability Life Cycle in which potential new capability proposals are identified to Government for inclusion in the Integrated Investment Program.

**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 from the Strategy and Concept Phase through to the completion of the In-Service and Disposal phase. 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.
## ANNEX B – CAPABILITY MANAGEMENT ROLES AND RESPONSIBILITIES

<table>
<thead>
<tr>
<th>Strategy and Concepts</th>
<th>Risk Mitigation and Requirements Setting</th>
<th>Acquisition</th>
<th>In-Service and Disposal</th>
</tr>
</thead>
</table>
| **Government**        | • Approve strategic guidance – White Paper, etc  
                       • Approve Integrated Investment Program updates  
                       • Approve project tailored pathways and authorities | • Depending on risk and complexity, approve Gate decisions and any intermediate decisions (for multi-gate projects)  
                       • Advised of project performance | • Advised of changes to significant sustainment contracts  
                       • Approves major in-service capability upgrades |
| **Minister for Defence** | • Endorse strategic guidance to be considered by Government  
                             • Endorse annual Integrated Investment Program update  
                             • Advised of project tailored pathways, and endorses Direct to Gate 2 pathways  
                             • Informed of progress through active, ongoing engagement as well as the bi-annual update.  
                             • Advised of early industry engagement | • Depending on risk and complexity, approve or endorse Gate decisions  
                             • Advised of project performance | • Advised of changes to significant sustainment contracts or other large changes to capabilities  
                             • Approve disposal plans |
| **Central Agencies**  | • Informed of progress through active, ongoing engagement and role in Investment Committee and Force Design process, particularly regarding approval mechanisms based on risk and complexity | • Consider formal submissions for Gate decisions | |
| **Secretary and Chief of Defence Force** | • Submit strategic guidance for Government approval  
                                           • Submit Integrated Investment Program updates for Government approval  
                                           • Provide advice to Ministers as required | • Submission to Government of Gate decisions and updates  
                                           • Provide advice to the Ministers regarding program and project performance | • Provide advice to the Ministers regarding program performance |
| **Defence Committee** | • Consider strategic guidance and Integrated Investment Program updates prior to submission to Government  
                             • Set and monitor top level resource allocations, including balance of resources between capital, operating and personnel costs  
                             • Ensure decisions are made by the appropriate delegated authorities and are aligned with the Defence budget and the Integrated Investment Program  
                             • Make decisions where significant policy, strategic or financial decisions are involved (includes Gate 0 for the most complex or significant projects) | • Consider Gate and update submissions for Government consideration for the most complex and/or strategically significant proposals  
                             • Ensure decisions made by the appropriate delegated authorities are aligned with the Defence budget, and the Integrated Investment Program agreed by Government | • Clear project variation submissions for Government consideration should projects vary beyond tolerances, especially when involving price increases or significant variations to capability |
| **Investment Committee** | • Clear the implementation and integrity of the Integrated Investment Program  
                               • Oversee the Capability Life Cycle development and management processes  
                               • Consider Integrated Investment Program updates  
                               • Endorse Integrated Investment Program updates for Defence Committee and Government approval  
                               • Approve Gate 0 proposals including the Joint Capability Needs Statement, project scope, resources, accountabilities, responsibilities and decision-making rights, and endorses tailoring of the approval pathway and authority | • Clear Gate and update submissions to Secretary and Chief of Defence Force for submission to Government  
                               • Consider and provide direction on steps to remediate projects that have breached tolerance thresholds and require help, re-baselining or cancellation | • Clear project variation submissions to Secretary and Chief of Defence Force for submission to Government for consideration should projects vary beyond tolerances |
| **Enterprise Business Committee** | • Considers suitability of projects for Investment Committee consideration | | |
| **Capability Manager Gate Review** | • Considers suitability of projects for Investment Committee consideration | | |

**Strategy and Concepts:**
- Approve strategic guidance – White Paper, etc
- Approve Integrated Investment Program updates
- Approve project tailored pathways and authorities

**Risk Mitigation and Requirements Setting:**
- Depending on risk and complexity, approve Gate decisions and any intermediate decisions (for multi-gate projects)
- Advised of project performance

**Acquisition:**
- Depending on the risk and complexity of projects, approve any project variation decisions should projects vary beyond tolerances
- Advised of project performance

**In-Service and Disposal:**
- Advised of changes to significant sustainment contracts
- Approves major in-service capability upgrades
- Advised of changes to significant sustainment contracts or other large changes to capabilities
- Approve disposal plans
<table>
<thead>
<tr>
<th>Vice Chief of Defence Force</th>
<th>Capability Manager</th>
<th>Contestability</th>
<th>In-Service and Disposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Joint Force Authority accountable for joint force interoperability and designing the future force</td>
<td>- Establish appropriate governance to oversee capability programs</td>
<td>- Review Force Design output</td>
<td>- Delegated to Head Force Design</td>
</tr>
<tr>
<td>- Chair of Investment Committee</td>
<td>- If also a Domain Lead, support VCDF in requirement setting, prioritisation and budgeting for capabilities in the Domain; otherwise support the Domain Lead with these activities.</td>
<td>- Review Gate 0 business case, Project Execution Strategy and Program Strategy to ensure alignment with strategic guidance and that the relevant strategic risks have been considered</td>
<td>- Conduct contestability activities on project variation decisions</td>
</tr>
<tr>
<td>- Responsible for the development and integrity of the Integrated Investment Program</td>
<td>- Delegated to Program Sponsor</td>
<td>- Independently review project cost and schedule estimates</td>
<td>- Where identified through reporting processes, conduct contestability of projects with delivery risks or issues</td>
</tr>
<tr>
<td>- Manages the Investment Portfolio including work flow planning, policy and governance</td>
<td>- Develop Capability Program Strategy</td>
<td>- Participate in Project Gate reviews as required</td>
<td>- Review selected programs as they set and change strategies</td>
</tr>
<tr>
<td>- Issues Capability Program Directives to Capability Managers to provide specific capability, preparedness and interoperability requirements to Capability Programs</td>
<td>- Delegated to Program Sponsor / Product Sponsor (if established)</td>
<td>- Conduct Independent Project/Program reviews as required</td>
<td>- Review selected sustainment strategy changes and contract renewals/rolling wave decisions</td>
</tr>
<tr>
<td>- Approves Joint Capability Needs Statements</td>
<td>- Develop Joint Capability Needs Statements: as tasked by VCDF</td>
<td>- Ensure Requirements documentation is fit for purpose and remains consistent with Defence and Government priorities</td>
<td>- Where risk is identified through reporting, conduct contestability activities on sustainment products or processes</td>
</tr>
<tr>
<td>Delegated to Head Force Design</td>
<td>Delegated to Head Force Design</td>
<td>- Review Gate submissions</td>
<td>- Review selected programs as they set and change strategies</td>
</tr>
<tr>
<td>- Conduct the Defence Capability Assessment Program to identify desired characteristics of the future force and prioritised potential capability adjustments</td>
<td>Delegated to Head Force Integration</td>
<td>- Support Capability Manager in requirements development as required to address Needs conflicts or boundary issues</td>
<td>- Accountable to raise, train and sustain capabilities</td>
</tr>
<tr>
<td>- Develop Integrated Investment Program updates</td>
<td>Delegated to Head Force Integration</td>
<td>- As CASIR Design Authority provide design guidance to ensure proposals address directed interoperability requirements of the joint force</td>
<td>- Accountable to raise, train and sustain capabilities</td>
</tr>
<tr>
<td>Delegated to Head Force Integration</td>
<td>Delegated to Head Force Integration</td>
<td>- Lead test and evaluation standardisation and updating policy</td>
<td>- Delegated to Program Sponsor</td>
</tr>
<tr>
<td>- As CASIR Design Authority provides interoperability design guidance</td>
<td>Delegated to Multi-Domain Program (MDP) Lead</td>
<td>Delegated to Multi-Domain Program (MDP) Lead</td>
<td>Delegated to Program Sponsor</td>
</tr>
<tr>
<td>Delegated to Multi-Domain Program (MDP) Lead</td>
<td>- Develops MDP Strategy</td>
<td>- Coordinating the contributions of ‘federated’ programs from separate Domains to realise Joint outcomes</td>
<td>Delegated to Program Sponsor / Product Sponsor (if established)</td>
</tr>
<tr>
<td>- Review Force Design output</td>
<td></td>
<td>- Independently review project cost and schedule estimates</td>
<td>- Operate the capability to meet preparedness requirements</td>
</tr>
<tr>
<td>- Review Gate 0 business case, Project Execution Strategy and Program Strategy to ensure alignment with strategic guidance and that the relevant strategic risks have been considered</td>
<td></td>
<td>- Participate in Project Gate reviews as required</td>
<td>- Plan and execute upgrades as required in partnership with Delivery Group</td>
</tr>
<tr>
<td>- Establish appropriate governance to oversee capability programs</td>
<td></td>
<td>- Conduct Independent Project/Program reviews as required</td>
<td>- Approve Planned Withdrawal Date and disposal strategy</td>
</tr>
<tr>
<td>- If also a Domain Lead, support VCDF in requirement setting, prioritisation and budgeting for capabilities in the Domain; otherwise support the Domain Lead with these activities.</td>
<td></td>
<td>- Ensure Requirements documentation is fit for purpose and remains consistent with Defence and Government priorities</td>
<td>- Report Capability Program performance.</td>
</tr>
<tr>
<td>Delegated to Program Sponsor</td>
<td></td>
<td>- Review Gate submissions</td>
<td></td>
</tr>
</tbody>
</table>
### Strategy and Concepts

**Delegated to Interim Integrated Project Manager**
- Nominate interim Integrated Project Manager
- Develop initial project risk profile in conjunction with the Program Sponsor / Project Sponsor
- Develop Project Execution Strategy for Gate 0 based upon Smart Buyer principles and an asset management approach, in consultation with the Program Sponsor / Project Sponsor
- Undertake initial project planning and coordination
- Coordinate early Industry involvement as required

**Delegated to Integrated Project Manager**
- Nominate Integrated Project Manager
- Support the Program Sponsor in the delivery of the capability
- Develop a contractible description of capability requirements covering major system(s) and other Fundamental Inputs to Capability where applicable
- Conduct Independent Assurance Reviews as required by Delivery Group Head and Capability Manager

### Risk Mitigation and Requirements Setting

**Delegated to Integrated Project Manager**
- Responsible for project execution and leading the Integrated Project Management Team
- Develop the Integrated Project Management Plan.
- Update the Project Execution Strategy
- Develop project costings
- Conduct Independent Assurance Reviews as required by Delivery Group Head and Capability Manager

### Acquisition

**Delegated to Program Delivery Manager**
- Support the Program Sponsor in the delivery of the capability
- Execute and coordination of the Integrated Project Management Plan on behalf of the Capability Manager
- Facilitate the capability introduction into service resourced by, and on behalf of, the Capability Manager
- Develop sustainment contracts for execution
- Conduct Independent Assurance Reviews as required by Delivery Group Head and the Capability Manager

**Delegated to Integrated Product Manager**
- Sustain capability to the level as directed and resourced by the Capability Manager
- Provide Capability Manager advice on emerging life of type of obsolescence issues with capability
- Seek opportunities to optimise sustainment outcomes for the Capability Manager
- Dispose of material elements of capability
- Conduct Independent Assurance Reviews as required by Delivery Group Head and the Capability Manager

### In-Service and Disposal

**Delegated to Program Delivery Manager**
- Support the Program Sponsor in the delivery of the capability
- Manage/deliver the enabler/ Fundamental Inputs to Capability elements to support the capability throughout its service life
- Dispose of end-of-life facilities and systems

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**Deliver Group**
- Provide subject matter expertise to Force Design, Contestability, and Delivery Group as required
- Contribute to Capability Manager program strategies and initial project planning

**Enabler Group**
- Provide subject matter expertise input to Integrated Project Management Plan development through the integrated project team
- Develop Fundamental Inputs to Capability and enable components projects as coordinated by Delivery Group

**Deliver Fundamental Inputs to Capability and enabler elements as required by the Integrated Project Management Plan**
- Manage/deliver the enabler/ Fundamental Inputs to Capability elements to support the capability throughout its service life
- Dispose of end-of-life facilities and systems