



**Australian Government**

**Department of Defence**

**ANNUAL  
REPORT  
20–21**





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# Defence at a glance

## Our Purpose and Mission

To defend Australia and its national interests in order to advance Australia's security and prosperity.

## Strategy

Our region is in the midst of the most consequential strategic realignment since the Second World War. Military modernisation, technological disruption and the growing risk of state-on-state conflict are further complicating our strategic circumstances.

Through the *2020 Defence Strategic Update*, the Government has directed Defence to implement a new strategic policy framework that signals Australia's ability and willingness to project military capability to deter actions against us.

The *2020 Defence Strategic Update* sets out Defence's strategic objectives to deploy military power to **shape** Australia's strategic environment; **deter** actions against our interests; and, when required, **respond** with credible military force.

Defence's implementation of the *2020 Defence Strategic Update* is set out in the Defence Corporate Plan.

## Portfolio structure

As at 30 June 2021, the Defence portfolio consisted of:

- the Department of Defence (including the Australian Defence Force);
- the Australian Signals Directorate;
- trusts and companies;
- statutory offices created by the *Defence Force Discipline Act 1982* and the *Defence Act 1903*;
- the Department of Veterans' Affairs and its associated bodies.

## Responsible ministers

As at 30 June 2021, the Defence portfolio had four ministers:

- The Hon Peter Dutton MP, Minister for Defence;
- The Hon Melissa Price MP, Minister for Defence Industry;
- The Hon Darren Chester MP, Minister for Veterans' Affairs and Minister for Defence Personnel;
- The Hon Andrew Hastie MP, Assistant Minister for Defence.

## Funding and assets

For 2020–21, Defence reported a small net cash surplus of \$270 million against total funding available of over \$42 billion. Defence's asset base is valued at over \$119 billion, and includes over \$74 billion of specialist military equipment.

## Our people

As at 30 June 2021, the ADF actual strength including Reserves (Service Categories 5, 4 and 3) was 89,309 members and the APS actual full-time equivalent workforce was 17,108.

## Our projects

As at 30 June 2021, Defence's Capability Acquisition and Sustainment Group was managing 161 major and 13 minor acquisition projects, worth a cost of \$121.6 billion.

## Where we work

Defence has the most extensive land and property holdings in Australia, with over \$31 billion of buildings and infrastructure including large training areas and bases. Defence has environmental stewardship for around 2.5 million hectares of land in Australia and also operates a number of operational bases around the globe.

# DEFENCE BASE LOCATIONS

The map displays the following defence base locations across Australia:

- DARWIN:** RAAF Darwin, Larakeyah Defence Precinct (Larakeyah Barracks & HMAS Coonawarra), Robertson Barracks, Defence Establishment Berrimah.
- RAAF Curtin**
- RAAF Tindal**
- RAAF Scherger**
- CAIRNS:** HMAS Cairns
- TOWNSVILLE:** RAAF Townsville, Lavarack Barracks
- BRISBANE:** Borneo Barracks, Army Aviation Centre Oakey, Kokoda Barracks, Victoria Barracks, HMAS Moreton, Gallipoli Barracks.
- RAAF Amberley**
- RAAF Williamtown**
- Lone Pine Barracks (Singleton Military Area)**
- SYDNEY:** Garden Island Defence Precinct (inc HMAS Kuttabul), HMAS Penguin, HMAS Waterhen, HMAS Watson, Liverpool Military Area, Randwick Barracks, Victoria Barracks, Defence Establishment Orchard Hills, RAAF Richmond, RAAF Glenbrook.
- CANBERRA:** Puckapunyal, RAAF East Sale.
- MELBOURNE:** RAAF Williamstown, RAAF Woomera.
- ADELAIDE:** Edinburgh Defence Precinct, Keswick Barracks, Woodside Barracks, Blamey Barracks, RAAF Wagga, Albury Wodonga Military Area.
- PERTH:** RAAF Learmonth, Campbell Barracks, Irwin Barracks, Leeuwin Barracks, RAAF Pearce, HMAS Stirling.
- HOBART:** HMAS Cerberus, RAAF Williams, Simpson Barracks, Victoria Barracks, DSTG Fishermans Bend, Anglesea Barracks.
- Other locations:** HMAS Creswell, HMAS Albatross, Defence Headquarters Russell Offices, HQ JOC, HMAS Harman, Royal Military College Duntroon / Australian Defence Force Academy, Australian Defence College.

This is the Secretary of Defence and Chief of the Defence Force's performance report to the Minister for Defence, the Parliament of Australia and the Australian public for the 2020–21 financial year. The report addresses the purpose and outcomes of the Department of Defence and the Australian Defence Force – collectively known as Defence.

## Online content

The *Defence Annual Report 2020–21* is also published on [www.transparency.gov.au](http://www.transparency.gov.au).



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

The Hon Peter Dutton MP  
Minister for Defence  
Parliament House  
Canberra ACT 2600

Dear Minister,

We present the Department of *Defence Annual Report 2020–21* for the year ended 30 June 2021. The report has been prepared for the purposes of section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). Subsection 46(1) of the PGPA Act requires that an annual report be provided to the responsible Minister for presentation to the Parliament.

The report reflects the mandatory requirements as prescribed by the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule). It includes Defence's audited financial statements, as required by subsection 43(4) of the PGPA Act, and Defence's annual performance statements, as required by section 39 of the PGPA Act.

Consistent with the requirements set out in Section 10 of the PGPA Rule, we certify that Defence has conducted whole-of-Defence fraud risk assessments as part of its biennial fraud and corruption control planning cycle. We also certify that Defence has in place reasonable and appropriate measures, mechanisms and programs to prevent, detect, investigate, record and confidentially report suspected fraud and corruption.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Greg Moriarty'.

**Greg Moriarty**  
Secretary  
21 September 2021

A handwritten signature in dark ink, appearing to read 'Angus Campbell'.

**Angus Campbell AO DSC**  
General  
Chief of the Defence Force  
21 September 2021

cc the Hon Melissa Price MP, the Hon Andrew Gee MP, the Hon Andrew Hastie MP

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Commander Joint Task Force 633, Rear Admiral Michael Rothwell AM RAN, delivers a speech at the ceremony for the lowering of the Australian National Flag at Hamid Karzai International Airport, Kabul, Afghanistan.







A group of approximately 15 Australian soldiers in camouflage uniforms and hats are standing in a line outdoors, facing away from the camera. They are positioned in front of a concrete wall and a metal fence. The soldiers are standing on a paved surface, and their shadows are cast on the ground. The scene is brightly lit, suggesting a sunny day.

# Secretary's review

Defence has worked hard over the past 12 months to give effect to the strategic defence objectives that the Prime Minister set out when he launched the *Defence Strategic Update* on 1 July 2020: to shape Australia's strategic environment to our advantage; to deter actions against our nation's interests; and to respond with credible military force, when required.

As I reflect upon the 2020–21 reporting year, I am impressed by the dedication and professionalism of the Australian Defence Force (ADF), Defence Australian Public Service (APS), and our contractor workforce in pursuing our goals. Their achievements are all the more meaningful given the COVID-19 pandemic has continued to afflict Australia, our immediate region, and the world.

Our people have not flagged. Time and again they have stepped up to the challenge, and I am grateful for their service and commitment. Defence has many assets, but the past year has shown clearly that our people are the most valuable of these.



Mr Greg Moriarty, Secretary of Defence.

## Helping at home

Defence personnel have continued to assist civil authorities with the impact of the pandemic upon our communities. They have provided front-line medical assistance; they have helped manage and monitor quarantine requirements; and they have rallied to staff service centres that have been dispensing financial and other assistance to those in need.

I am proud that Defence was also able to support businesses through this most recent challenging period. We accelerated payments to suppliers, increased grants available to help defence industry sustain its workforce, and established a dedicated Industry Support Cell as the single entry point for industry to raise and resolve issues. I have been heartened to hear how important this lifeline has been in enabling companies to remain in business during this extraordinarily tough year.

I am pleased to report Defence has made strong progress in implementing the *Defence Strategic Update* and the *Force Structure Plan* of July 2020.

## Active abroad – shaping our future

Despite disruptions caused by the pandemic, Defence largely maintained the pace and scope of our \$177 million Defence Cooperation Program.

Our commitment to our Pacific family remains undiminished. Despite pandemic-related delays, we commissioned a further five new Guardian class patrol boats, making a total of 11 delivered of the 21 vessels being built under this signature program. In November 2020, the Government announced a \$104 million increase in support of our defence engagement with South-East Asian partners. This included expanding our resident Defence Attaché network to every ASEAN Member State, and enhancing our investment in the region's emerging security needs.

We continued to undertake important regional deployments, strengthening our maritime security cooperation with regional partners through a number of bilateral and multilateral activities. We exercised with 11 regional partners and separately participated in the world's largest maritime exercise, Rim of the Pacific, over three months in late

2020. In November 2020, the Royal Australian Navy joined Indian, Japanese and United States counterparts in Exercise Malabar, focused on maritime interoperability in support of regional peace and stability. We continued to undertake the annual series of maritime exercises led by the Pacific Islands Forum Fisheries Agency, to counter illegal, unreported and unregulated fishing.

As we mark the 70th anniversary of the ANZUS Treaty and the 10th anniversary of the announcement of the US Force Posture Initiatives, our alliance with the United States remains central to Australia's defence and security policy. A strong US presence in the Indo-Pacific is an anchor for stability. We successfully hosted Exercise Talisman Sabre 2021, involving 17,000 military personnel from seven nations – a testament to the depth of our bilateral relationship, and the possibilities of what we can achieve with our partners. We have also made strides towards implementing the ambitious agenda set out at the 30th Australia-United States Ministerial Consultations (AUSMIN) in July 2020.

## A future-fit, more potent ADF

In the *Force Structure Plan 2020* presented last July, the Government committed to investing \$270 billion in Defence capability over the next decade.

Global supply chains have been interrupted by COVID-19, and this unavoidably has affected some of our procurement plans. Despite these interruptions, expenditure on capability acquisition and sustainment activity has increased this year and Defence has achieved important milestones towards building a more capable and potent defence force.

Australia's F-35A Joint Strike Fighter fleet reached initial operating capability in December 2020 and can now be operationally deployed, putting Australia on a clear pathway towards possessing a Fifth Generation Air Force. In March 2021 'Loyal Wingman' – the first military combat aircraft to be designed in Australia in more than half a century – made its inaugural flight. An important achievement for Army was realised in May 2021, with the Hawkei Protected Light Land Mobility System achieving initial operating capability. The commencement of testing and evaluation of combat reconnaissance and infantry fighting vehicles was a major step towards realising a more connected and potent close combat capability. The first of two new Supply class replenishment ships was commissioned into Navy's service as HMAS *Supply* in April 2021, and her sister ship *Stalwart* will commission later this year.

We continued to make important progress with the National Naval Shipbuilding Enterprise. In December 2020, prototyping for the Hunter class frigate commenced on schedule in the new \$535 million shipyard at Osborne South, South Australia (SA). Despite early challenges, the project remains on track to deliver all nine Hunter class frigates by 2044. The fourth of 12 Arafura class offshore patrol vessels commenced construction at Henderson, Western Australia (WA), in January 2021. This is the second Arafura to commence construction in WA, with the first two well advanced at Osborne.

Defence embarked on ambitious programs to support the development of new and emerging capabilities, which will help build our national resilience.

Announced in March 2021, the Government's \$1 billion investment in accelerating a Sovereign Guided Weapons and Explosive Ordnance Enterprise will forge a strong partnership with industry to establish our sovereign ability to manufacture guided weapons. This will build resilient supply chains that deliver reliability, not only to Australia but also to our partners.

Reflecting the broader national priority accorded to space, Defence committed to establishing a Space Division within the Royal Australian Air Force in January 2022. This will complement Defence's investment of a further \$7 billion over this decade towards developing Australia's strategic space capabilities, which will be critical to our multi-domain operations.

## Building sovereign and innovative defence capability

Over the past 12 months Defence further embedded support for Australian industry to maximise opportunities for involvement in Defence projects, especially small and medium-sized enterprises. We issued industry and implementation plans for eight of 10 Sovereign Industrial Capability Priorities identified by Defence as meeting the ADF's most critical needs. We completed the relocation of the Centre for Defence Industry Capability to Defence, which will make it better positioned to support Australian businesses to compete for Defence projects. Both the Defence Innovation Hub and the Next Generation Technologies Fund achieved significant growth in innovation projects, supporting the transition of science and technology research into the technologies required for sovereign industrial capability.

Defence supply chains are creating significant opportunities for local businesses, creating thousands of jobs over recent years. Investment in people and skills, sovereign capability, innovation and research continues to make a contribution to the Australian economy.

The Defence Industry Secondment Program, Schools Pathway Program, Skilling Australia's Defence Industry Program, Australian Defence Science University Network, and Industry Competitive Evaluation Research Agreements further augmented our support to skilling and strengthening defence industry.

## Leading the way

Just as we raise, train and sustain our military capabilities and uniformed personnel, we must ensure we are organisationally fit and can adapt to our changing strategic environment.

Released in November 2020, Defence's *Lead the Way: Defence Transformation Strategy* established the framework for creating a high-performing Defence enterprise that can deliver on our strategic and capability priorities. The strategy reinforced the new and unified Defence Values and Behaviours, which set the benchmark for expectations of our workforce in keeping with the 'One Defence' approach. The implementation of the strategy continues, with the recent release of the *Defence Data Strategy 2021–2023*, which will strengthen our focus on whole-of-enterprise data management and analytics. I am confident that Defence will rise to the challenge of implementing this ambitious vision.

Defence values the important contribution of our Aboriginal and Torres Strait Islander personnel, and I am proud that Defence has achieved the Government's Indigenous participation target of 3 per cent as an integrated workforce. I am pleased that Defence has awarded \$610 million in contract value to Indigenous businesses this year alone, a total of over \$2.3 billion since the release of the Indigenous Procurement Policy in July 2015, and was awarded the Government Member of the Year Award from Supply Nation for the third time.

Defence is well embarked upon the ambitious pathways set out in the *2020 Defence Strategic Update* and *Force Structure Plan*. The recently announced enhanced trilateral security partnership between Australia, the United Kingdom and the United States (AUKUS) will take this further. We will deepen diplomatic, security, technology and defence cooperation, including using the next 12–18 months to determine the best path forward for Australia to build a nuclear-powered submarine fleet. The enterprise continues to be resilient and responsive, adapting as circumstances require. I look forward to continuing to work with the Chief of the Defence Force, General Angus Campbell AO DSC, towards achieving Defence's mission.

**Greg Moriarty**

Secretary

Department of Defence

# Chief of the Defence Force's review

In 2020–21, Australia experienced significant and enduring challenges both domestically and regionally. The Australian Defence Force (ADF) continued to perform an essential role in supporting our whole-of-nation responses.

On 15 April 2021 the Government announced Australia would finalise the drawdown of our contribution to the NATO-led Resolute Support Mission in Afghanistan. In June 2021, after 20 years of service and sacrifice, Australian troops withdrew from Afghanistan, ending our nation's longest war.

As the COVID-19 pandemic continued to impact Australians at home and abroad, the ADF supported federal, state, and territory governments through Operation COVID-19 ASSIST. It also helped with several other civilian emergency efforts, including in response to natural disasters in New South Wales, Western Australia and Victoria.

The ADF remained focused on engaging with our partners, particularly those in the Indo-Pacific, to achieve our strategic objectives of *shaping, deterring and responding*, in order to build and sustain regional security and stability.

The release of the Inspector-General of the Australian Defence Force's Inquiry into Afghanistan marked a difficult but necessary step forward for the organisation.



General Angus J Campbell AO DSC, Chief of the Defence Force.

## The end of military operations in Afghanistan

With the last of our people having departed Afghanistan, we all reflect on the service and sacrifice made by more than 39,000 ADF members and Defence civilians. Over the past 20 years, we worked alongside military, law enforcement, civilian and aid partners from more than 50 countries. We were guests of, and partners to, the government and people of Afghanistan.

Our mission was to deny Afghanistan as a safe haven for international terrorism. Counter-terrorism, counter-insurgency, security force capacity building and nation building were all elements of our collective experience.

Our efforts in Afghanistan ranged from combat operations to training and developing the Afghan National Army and security forces. We heavily degraded terrorist organisations, helped diminish the threat of global terrorism and protected Australians at home and abroad. In doing so, we saw numerous acts of gallantry and distinguished service from our people. Their skill, dedication and professionalism were constantly demonstrated, and appreciated by Australia and our partners.

The ultimate sacrifice was paid by 41 Australian soldiers who died on operations in Afghanistan. Some of our people continue to live with lasting physical and mental scars, and tragically we have lost more of our people since they returned home. We respect and give meaning to their sacrifice by remembering them, by living lives of value to our community and by reaching out to mates in need.

To every member of the ADF, past and present, thank you for doing your duty and contributing to our national effort in Afghanistan. Our nation and I could ask no more of you. We are proud of your service and thankful for your sacrifice.



## Our COVID-19 response

Since the commencement of the COVID-19 pandemic, more than 18,000 ADF personnel have deployed across every state and territory as part of Operation COVID-19 ASSIST. Our men and women in uniform continued to undertake a variety of roles including assisting with COVID-19 swab testing, contact tracing, and administering vaccines to aged and disability care residents. This support is likely to continue at least throughout 2021, and the ADF remains focused on the health and safety of all our personnel involved.

The ADF also provided airlift, planning and logistical support as part of the Department of Foreign Affairs and Trade led whole-of-government response to the COVID-19 pandemic crisis in Papua New Guinea.

## Engagement in the Indo-Pacific

Australia is committed to being an active contributor to Indo-Pacific security. As the *2020 Defence Strategic Update* and *2020 Force Structure Plan* highlight, the pace of change in the Indo-Pacific, and therefore the demand on ADF people and capabilities, is only likely to increase.

Over the past year, through robust COVID-safe planning and prioritising the health and safety of the Australian community, the ADF successfully maintained operational readiness through key training initiatives and deployments in the Indo-Pacific region. Together with the United States and our regional partners the ADF participated in a range of training and regional deployments – including Exercise Malabar 2020, Exercise Cope North 2021, and Exercise Wirra Jaya – all of which strengthened collaboration and support in the Indo-Pacific. These activities were designed to test our respective forces in planning and conducting Combined and Joint Task Force operations, and were crucial to improving our combat readiness and the interoperability between the ADF and allies and partners.

## Assisting those affected by natural disasters

In December 2020, following a request from the Government of Fiji, more than 600 ADF personnel were deployed on Operation FIJI ASSIST 20-1 to support recovery efforts from Tropical Cyclone Yasa. Together with Fiji's Military Forces, ADF personnel worked to refurbish and repaint 32 schools, clear roads, and distribute essential supplies and hygiene kits. Australia's assistance included 165 tonnes of relief stores, 918,000 litres of clean drinking water, and conducting aerial damage assessments of Fijian islands, as part of a \$4.5 million assistance package.

In March 2021, 850 ADF personnel were deployed on Operation NSW FLOOD ASSIST 21, as part of the Government's response to the NSW flood emergency response and recovery efforts. In April 2021, the ADF responded to the Western Australian Government's request to assist communities affected by Tropical Cyclone Seroja. In June 2021, at the request of the Victorian Government, the ADF assisted emergency services with the storm and flood recovery effort in regional Victoria. In each of these responses the ADF provided targeted assistance to state emergency services and local communities, ranging across assessing damage to properties, clearing roads, helping restore electricity and water, medical support, and supplying communities in need with food, water and generators.

## Afghanistan Inquiry Report and Reform Plan

In November 2020, the public version of the Afghanistan Inquiry report from the Inspector-General of the Australian Defence Force was released. The report made 191 findings and 143 recommendations. Defence accepted the Inspector-General's findings and is addressing all recommendations.

Defence developed the Afghanistan Inquiry Reform Plan to set out the strategy for responding to the inquiry and established the Afghanistan Inquiry Reform Program to coordinate and drive this work.

The reform program is an important pathway for the further development of the ADF as an organisation conscious of its past and best positioned for the future.

## ADF Employment Offer Modernisation Program

The first tranche of a major reform to the ADF allowances framework came into effect in May 2021. As part of the ADF Employment Offer Modernisation Program, the amendments to the allowances framework highlighted the importance of clear and relevant ADF pay and condition policies. The program seeks to ensure Defence is delivering contemporary benefits and support to ADF members and their families throughout their service and transition to civilian life.

## 100 years of Royal Australian Air Force

In 2021, the Royal Australian Air Force celebrated 100 years of service to Australia. From modest beginnings, Air Force has evolved into a world-class force which contributes air, space and cyber power to the Joint Force. The Air Force has supported Australia through warfighting, peacekeeping, search and rescue, disaster relief, humanitarian tasks, and assisting other government departments in Australia and around the world. The Air Force continues to be an integral pillar of Australian military power with enduring relationships with our international allies and partners, and defence industry.

## Active, responsive, and prepared Force

The ADF had an extraordinarily demanding and varied year. We will continue to be active, responsive, prepared and ready to deliver on our mission: 'to apply military power to defend Australia and its national interests'.

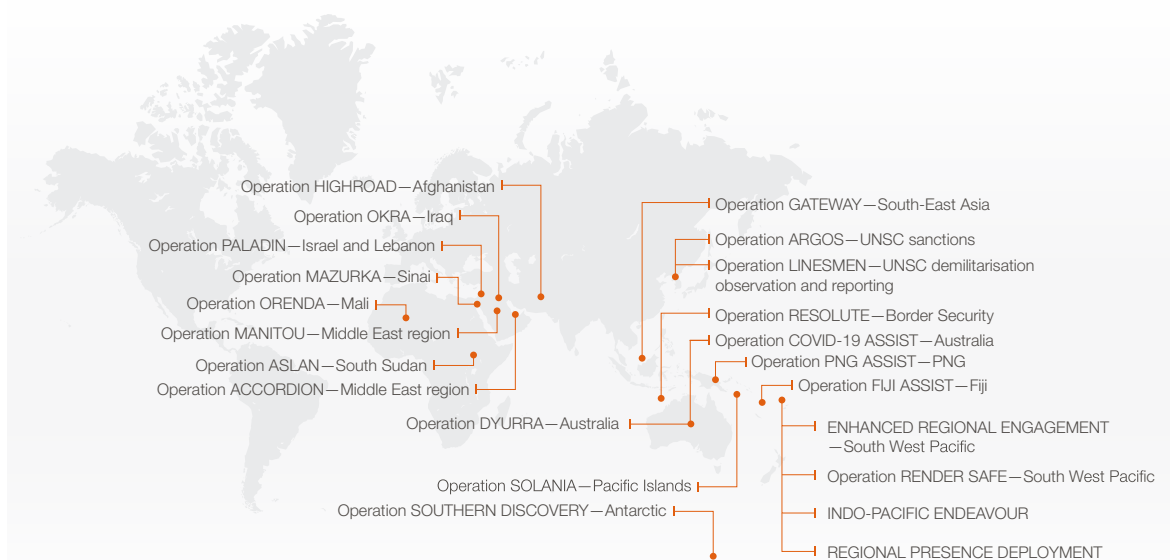
I am incredibly proud of the way ADF and Defence APS personnel continued to conduct themselves in service to Australia. The core of our capabilities continues to be our people and their values: service, courage, respect, integrity and excellence. I remain focused on building and maintaining ADF capability and readiness, the wellbeing of our people and their families, and together serving our nation.

### Angus J Campbell AO DSC

General

Chief of the Defence Force

Figure 1.1: ADF operations during 2020–21



HMAS Anzac's rigid-hulled inflatable boat transports rescued Indonesian fishermen from a Japanese commercial fishing vessel.



## Defence cooperation in the successful rescue of Indonesian fishermen

**On 13 May 2021 the Australian Maritime Safety Authority Response Centre issued a broadcast to shipping in response to a mayday call from 20 Indonesian fishermen in distress on board the FV *Bandar Nelayan* off the West Australian coast.**

In response, Defence capabilities joined with Australian Maritime Safety Authority assets and the Japanese FV *Fukuseki Maru* to conduct the search and rescue mission.

HMAS *Anzac*, which had been returning home from a two and a half month regional deployment, was immediately reassigned to the rescue mission. Air Force personnel aboard a P-8A Poseidon surveillance and response aircraft deployed life rafts to the fishermen, who by then had been clinging to their partially submerged hull for a day in rough seas. *Fukuseki Maru* then transferred the men aboard while awaiting rendezvous with HMAS *Anzac*.

All the fishermen were safely transferred to HMAS *Anzac* on the afternoon of 15 May. One had serious injuries and was flown to Perth for treatment. The remaining received medical support, meals and rest while HMAS *Anzac* safely returned them to their home port in Bali on Friday 21 May. The Indonesian Government praised the rescue as an example of the excellent bilateral relationship between Indonesia and Australia.

The rescue demonstrated Defence's ability to rapidly respond to events in the region and to integrate seamlessly with civilian assets in response to an emergency. It illustrates the extent of the whole-of-government efforts to coordinate Australian maritime search and rescue and the significant Defence contribution. These Defence capabilities can be extended across approximately one-tenth of the earth's surface, including the Australian continent and large areas of the Indian, Pacific and Southern Oceans as well as the Australian Antarctic territories.





## DEPARTMENTAL OVERVIEW

# 2

Commander Task Group Afghanistan Brigadier Todd Ashurst CSC carries the Australian National Flag prior to boarding a Royal Australian Air Force C-130J Hercules aircraft at the Hamid Karzai International Airport for the final departure of Australian Defence Force personnel from Afghanistan.

# Purpose and Mission

*Defence's purpose and mission is to defend Australia and its national interests in order to advance Australia's security and prosperity.<sup>1</sup>*

## Strategic direction

Defence's strategy, and the capability investments to deliver it, are outlined in the *2020 Defence Strategic Update* and *2020 Force Structure Plan*.

The Defence Strategic Update sets out Defence's strategic policy framework which provides clearly identified geographical, operational and capability priorities. This framework provides a tight focus for planning, ensures alignment with broader Government initiatives such as the Pacific Step-Up, and guides efforts to build a secure, prosperous and inclusive Indo-Pacific region.

The Government has set three Strategic Objectives for Defence planning:

- To **shape** Australia's strategic environment;
- To **deter** actions against Australia's interests;
- To **respond** with credible military force when required.

The Defence objectives guide all aspects of Defence planning including force structure planning, force generation, international engagement, and operations. To implement the objectives Defence is:

- Prioritising our immediate region as Defence's geographical focus;
- Increasing Defence's self-reliance to deliver deterrent effects;
- Expanding Defence's capability to respond to grey-zone activities in partnership with other arms of government;
- Enhancing the lethality of the Australian Defence Force for the sort of high-intensity operations that are the most likely and highest priority in relation to the security of Australia and its interests;
- Maintaining the Australian Defence Force's ability to deploy forces globally, where the Government chooses to do so, including in the context of US-led coalitions;
- Enhancing Defence's capacity to support civil authorities in response to natural disasters and crises.

## Defence portfolio structure

As at 30 June 2021, the Defence portfolio had four ministers:

- The Hon Peter Dutton MP, Minister for Defence;
- The Hon Melissa Price MP, Minister for Defence Industry;
- The Hon Darren Chester MP, Minister for Veterans' Affairs and Minister for Defence Personnel;
- The Hon Andrew Hastie MP, Assistant Minister for Defence.

The Department of Defence is established as a Department of State under the Administrative Arrangements Order. Defence operates under the *Public Service Act 1999* and is a non-corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013*. The Australian Defence Force (ADF) is constituted through the *Defence Act 1903*. In practice, these bodies work together closely and are broadly regarded as one organisation known simply as 'Defence'.

In addition to the Department of Defence and the ADF, the Defence portfolio contains other entities, including Defence Housing Australia; and a number of statutory offices, canteens, trusts and companies. Legislation that establishes these entities includes the *Defence Housing Australia Act 1987*, the *Defence Act 1903*, the *Army and*

<sup>1</sup> Through the 2021-22 Defence Corporate Plan the Defence purpose was updated to align with the Defence mission. The alignment of the purpose and mission into a single statement further supports embedding the One Defence concept, reflecting the integrated Defence enterprise with a single coherent purpose and mission.

*Air Force (Canteen) Regulation 2016, the Navy (Canteen) Regulation 2016, the Services Trust Funds Act 1947, the Royal Australian Air Force Veterans' Residences Act 1953 and the Corporations Act 2001.*

The portfolio also contains the Australian Signals Directorate, designated under the *Intelligence Services Act 2001*, and the Department of Veterans' Affairs and associated bodies as designated in the Administrative Arrangements Order.

## Changes in ministerial responsibilities

The Hon Andrew Hastie MP was sworn in as Assistant Minister for Defence on 22 December 2020.

The Hon Peter Dutton MP was sworn in as Minister for Defence on 30 March 2021.

The Hon Andrew Gee MP was announced as the new Minister for Veterans' Affairs and Minister for Defence Personnel on 27 June 2021 and was sworn in as the Minister on 2 July 2021.

Recruit School Commanding Officer, Commander Cindy Jenkins, salutes during the graduation ceremony of General Entry 390 Rogers Division at Recruit School, HMAS Cerberus, Victoria.



# Outcomes and programs

Figure 2.1: Defence's outcomes and programs, 2020–21

Purpose	Outcome statement	Budget program
Defend and protect Australia and advance its strategic interests*.	<b>Outcome 1:</b> Defend Australia and its national interests through the conduct of operations and provision of support for the Australian community and civilian authorities in accordance with Government direction.	1.1 Operations Contributing to the Safety of the Immediate Neighbourhood 1.2 Operations Supporting Wider Interests 1.3 Defence Contribution to National Support Tasks in Australia
	<b>Outcome 2:</b> Protect and advance Australia's strategic interests through the provision of strategic policy, the development, delivery and sustainment of military, intelligence and enabling capabilities, and the promotion of regional and global security and stability as directed by Government.	<b>Departmental</b> 2.1 Strategic Policy and Intelligence** 2.2 Defence Executive Support 2.3 Defence Finance 2.4 Joint Capabilities 2.5 Navy Capabilities 2.6 Army Capabilities 2.7 Air Force Capabilities 2.8 Australian Defence Force Headquarters 2.9 Capability Acquisition and Sustainment 2.10 Estate and Infrastructure 2.11 Chief Information Officer 2.12 Defence People 2.13 Defence Science and Technology  <b>Administered</b> 2.14 Defence Force Superannuation Benefits 2.15 Defence Force Superannuation Nominal Interest 2.16 Housing Assistance 2.17 Other Administered

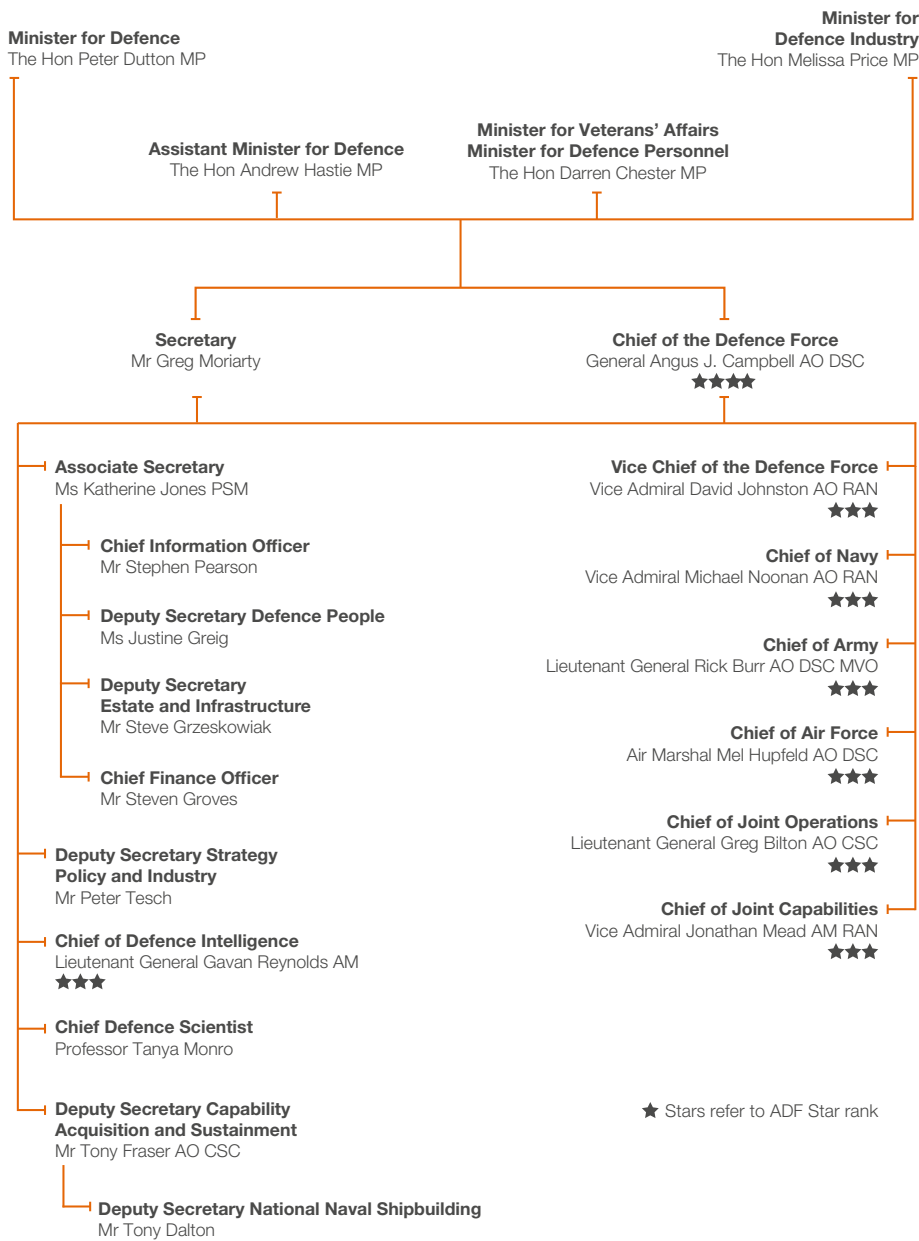
\* From 2021–22 the purpose has been updated to align to a single purpose and mission: to defend Australia and its national interests in order to advance Australia's security and prosperity.

\*\* From 2021–22 Defence Intelligence will be a separate Budget Program, and Strategic Policy and Intelligence will be renamed Strategy, Policy, and Industry.

# Organisational structure

The Secretary of the Department of Defence and the Chief of the Defence Force jointly manage Defence as a diarchy. The term ‘diarchy’ reflects the individual and joint accountabilities of the Secretary and the Chief of the Defence Force in ensuring that Defence meets Australian Government requirements. The manner in which the diarchy operates is described in directions given to the Secretary and the Chief of the Defence Force by the Minister for Defence. Figure 2.2 shows the elements and relationships of the Defence organisational structure as at 30 June 2021.

Figure 2.2: Defence organisational structure as at 30 June 2021



**Note:** This organisational chart is correct as at 30 June 2021. For a more current view visit [www.defence.gov.au](http://www.defence.gov.au).

# Changes in senior leadership

- On 1 July 2020, Lieutenant General Gavan Reynolds was appointed as the inaugural Chief of Defence Intelligence;
- On 23 November 2020, Vice Admiral Jonathan Mead, RAN was appointed as Chief of Joint Capabilities;
- On 15 January 2021, Air Marshal Warren McDonald, the previous Chief of Joint Capabilities, transferred to Reserve service;
- On 8 June 2021, Lieutenant General John Frewen ceased his appointment as Commander Defence COVID-19 Taskforce and the position was designated to a lower level.

Table 2.1: **Details of accountable authority during the reporting period, 2020–21**

		Period as the accountable authority or member within the reporting period	
Name	Position title / Position held	Date of commencement	Date of cessation
Greg Moriarty	Secretary	4 September 2017	–





The Governor-General of the Commonwealth of Australia, His Excellency General the Honourable David Hurley AC DSC (Retd), returns the newly consecrated Queen's Colour to the new Queen's Colour bearer, Flying Officer Coomara Munro, during the Queen's Colour Parade held at Government House, Canberra.

## Centenary of Air Force – 2021

**On 31 March 2021, the Royal Australian Air Force marked 100 years of service to Australia. Reaching this remarkable milestone was an important time to reflect on our past achievements and recognise the extraordinary service and sacrifices made by so many to get us to where we are today.**

From our modest beginnings in 1921, Air Force has evolved into a potent, world-class Air Force working with Army and Navy together in both conflict and peace. When Australia needs us, we are ready to respond.

Our celebrations this year were challenged by the COVID-19 environment, although like the rest of Australia, we accepted the need to work together and do the right thing to protect each other during these times. In late March, we were fortunate to hold COVID-safe commemorative events throughout Australia and at a number of Australian High Commissions and Embassies around the world. Her Majesty the Queen attended a special service at the Air Force Memorial in Runnymede, UK, and our Canberra activities included a Welcome ceremony,

commemorative service on ANZAC Parade, Last Post ceremonies at the Australian War Memorial, the presentation of a new Queen's Colour by the Governor-General and a flypast of more than 60 current and historic aircraft.

We released a video series in line with our Centenary theme '**Then. Now. Always**' which reflects Air Force's enduring commitment to supporting national interests and can be found on the Centenary website: [airforce.gov.au/100](https://airforce.gov.au/100)

As we focus on the past year, we have overcome many challenges and are proud of the contribution we have made in the air domain towards Defence's joint effort. We will continue to recognise the quality and diversity of our people, advance our capability, strengthen domestic and international relationships and ensure we adapt to change with integrity.

Moving into the second half of 2021, we aim to build greater public awareness of Air Force's remarkable achievements in its first century and inspire the next generation to carry forward the proud legacy of innovation, dedication and courage.



To commemorate 100 years of the Air Force's service to Australia, one of each current Air Force aircraft, with ground support equipment, is parked on the flight line at RAAF Base Amberley, Queensland.



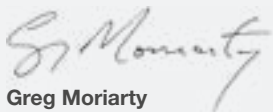


ANNUAL  
PERFORMANCE  
STATEMENTS

3

## Statement of preparation

As the accountable authority of the Department of Defence, I present the 2020–21 annual performance statements of the Department of Defence, as required under paragraph 39(1)(a)(b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act.



**Greg Moriarty**

Secretary of the Department of Defence  
21 September 2021

## Annual performance statements overview

The annual performance statements for 2020–21 provide an assessment of Defence's performance in achieving our purpose by reporting on the performance measures and criteria set out in the 2020–24 Defence Corporate Plan (updated January 2021) and the performance criteria listed in the *Portfolio Budget Statements 2020–21* (PBS) and the *Portfolio Additional Estimates Statements 2020–21* (PAES). In 2020–21 the purpose is directly aligned to the Defence outcomes in the PBS.

To enhance readability of the annual performance statements, the performance criteria are organised around the purpose described in the *2020–24 Defence Corporate Plan* (updated January 2021):

<b>Purpose:</b>	Defend and protect Australia and advance its strategic interests.
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Outcome statements describe what the Government requires Defence to achieve using resources allocated through the Commonwealth budget process. In 2020–21 Defence had two outcome statements:

<b>Outcome 1:</b>	Defend Australia and its national interests through the conduct of operations and provision of support for the Australian community and civilian authorities in accordance with Government direction.
<b>Outcome 2:</b>	Protect and advance Australia's strategic interests through the provision of strategic policy, the development, delivery and sustainment of military, intelligence and enabling capabilities, and the promotion of regional and global security as directed by Government.

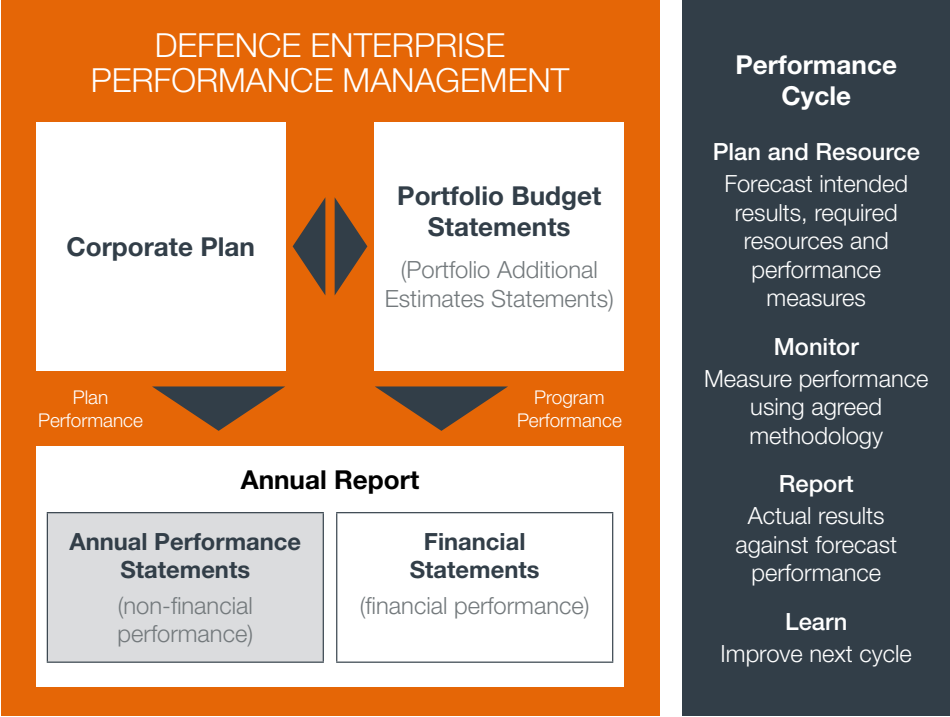
The purpose of Defence's enterprise performance management is to ensure alignment between Government direction, strategy, funding and capability so that Defence can achieve its purpose.

The aim is to provide a clear line of sight between:

- the Corporate Plan (purpose, activities and performance criteria);
- the PBS (allocation of resources to programs to achieve Government outcomes and a forecast of expected performance);
- the annual performance statements in Defence's Annual Report (actual performance results for the financial year against the Corporate Plan and the PBS);
- the financial statements in Defence's Annual Report (provided at Appendix A).

Defence is continuing to develop a mature approach to performance reporting that enables improved traceability in demonstrating our achievement of Government outcomes in accordance with the requirements of the PGPA Act. Figure 3.1 demonstrates the relationship of the annual performance statements with the other elements of the Defence enterprise performance management structure.

Figure 3.1: Defence enterprise performance management

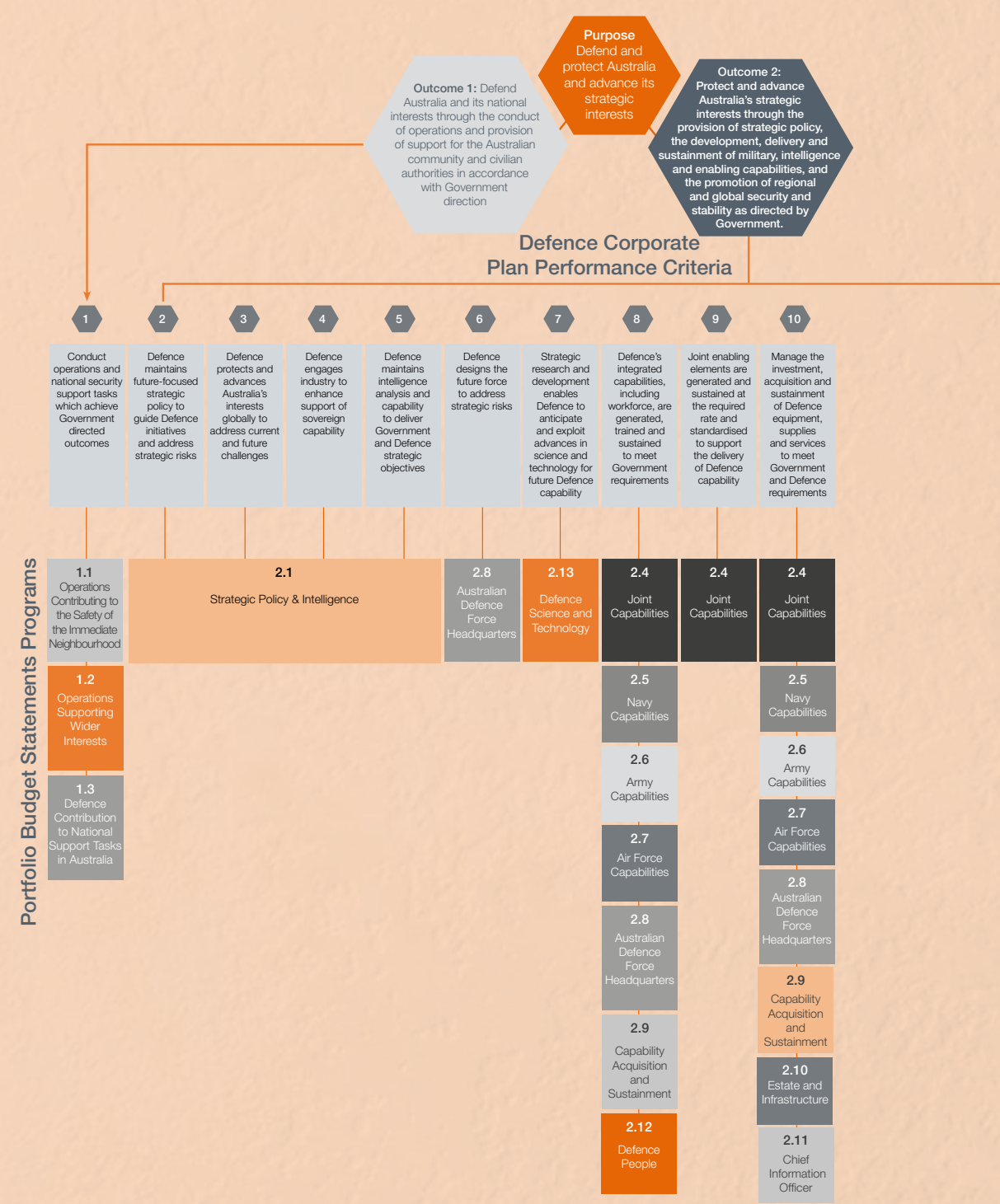


Defence's annual performance statements provide an assessment of actual performance in achieving Defence's purpose. This includes analysis against each performance criterion, using the key:

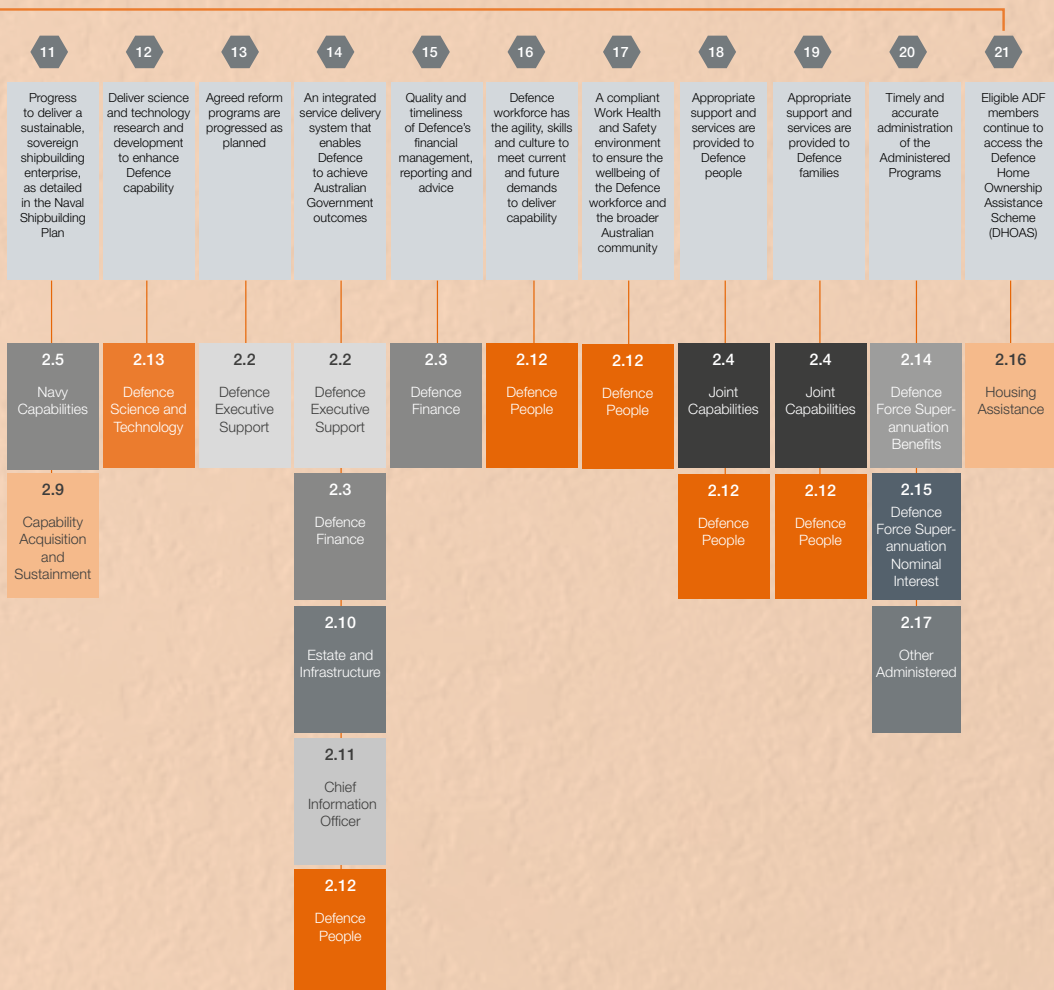
- Achieved – the intended result was achieved as planned;
- Partially achieved – the intended result was not fully achieved during the reporting period.

Figure 3.2: **Alignment between Defence's purpose, outcomes, Corporate Plan performance criteria and Portfolio Budget Statements programs**

Defence maintains a clear line of sight between its Corporate Plan, Portfolio Budget Statements, Portfolio Additional Estimates Statements and Annual Report. Figure 3.2 provides detail of the alignment.







Portfolio Budget Statements Programs

# Purpose: Defend and protect Australia and advance its strategic interests

## Outcome 1: Defend Australia and its national interests through the conduct of operations and provision of support for the Australian community and civilian authorities in accordance with Government direction.

Defence achieved Outcome 1 in 2020–21 by successfully conducting operations and national security support tasks domestically, throughout the Indo-Pacific region, and across the globe to **shape** Australia's strategic environment and **deter** actions against Australia's interests.

In 2020–21, Defence continued international engagement both in our immediate region and in our broader area of interest. Defence has enhanced our regional posture and partnerships through activities such as the Enhanced Defence Cooperation Program – Philippines, our continued airborne maritime surveillance missions in South-East Asia and the South-West Pacific, and humanitarian assistance and disaster relief through Operation FIJI ASSIST 20-1 and Operation PNG ASSIST 21-1. Defence has continued to provide support to Department of Foreign Affairs and Trade (DFAT) led COVID-19 assistance to multiple nations.

Outside of our immediate region, Defence supported enduring coalition and United Nations (UN) operations in the Middle East and Africa and enforced UN sanctions against the Democratic People's Republic of Korea. Australia's commitment to Afghanistan as part of the NATO-led Resolute Support mission ceased and all personnel successfully returned to Australia.

Throughout 2020–21, Defence supported whole-of-government responses to national disasters and crises in accordance with the National Crisis Framework and Defence Assistance to the Civil Community provisions. In February 2021, Defence provided emergency assistance to Western Australia following bushfires. Defence then provided emergency recovery assistance after severe flooding in New South Wales in March 2021, in Western Australia in April 2021 following Tropical Cyclone Seroja, and in Victoria after severe weather in June 2021.

Defence continued to assist whole-of-government COVID-19 efforts including through planning support and contact tracing teams; medical assistance throughout Australia and the Indo-Pacific; and quarantine compliance monitoring. For Defence, like many agencies across Government, the COVID-19 pandemic impacted operations and activities, particularly the movement of our personnel within the region. However, Defence successfully adjusted procedures and schedules to enable continued operations, activities and exercises that delivered on Government directed operational outcomes in a COVID-safe manner.

## **Outcome 2: Protect and advance Australia's strategic interests through the provision of strategic policy, the development, delivery and sustainment of military, intelligence and enabling capabilities, and the promotion of regional and global security and stability as directed by Government.**

Defence achieved Outcome 2 in 2020–21.

Defence continued to demonstrate agility and responsiveness to the dynamic needs of our future force by refining both the Integrated Investment Program and *2020 Force Structure Plan* through the delivery of biannual updates to Government. This process continues to be a key enabler for Defence to maintain responsiveness to the rapidly changing strategic environment and take advantage of developments in technology.

These efforts combined with the progression of the One Defence Capability System ensures Defence continues to meet the Government's objective of achieving alignment between Defence's strategy, capability and resources.

Following the release of *More, together: Defence Science and Technology Strategy 2030* in 2020, Defence launched eight Science, Technology and Research (STaR) Shots, which defined a series of mission-directed research programs to deliver leap-ahead capabilities. This has ensured strategic research is aligned with the objectives of the *More, together* strategy and is focused on Defence challenges.

The investment in acquisition and sustainment of Defence equipment, estate, supplies and services was managed in accordance with Government and Defence requirements despite continued supply chain and operational disruptions caused by COVID-19. Overall, the Defence response to these challenges matured through the 2020–21 period, resulting in the continued achievement or partial achievement of all deliverables.

In 2020–21, Defence strengthened its intelligence enterprise by bringing together key intelligence capabilities and functions under the new Defence Intelligence Group. Establishment of the Group was a key recommendation of an Independent Review of the Defence Intelligence Enterprise, delivered in April 2020, and has improved enterprise-level coordination, collaboration and management of Defence's intelligence functions consistent with the 'One Defence' principle.

Performance criterion 1	Conduct operations and national security support tasks which achieve Government-directed outcomes
Target	All Government-directed outcomes are met and expected outcomes achieved
Source	2020–24 Defence Corporate Plan (Updated January 2021) Portfolio Budget Statements 2020–21 Programs 1.1, 1.2, 1.3
Results	Achieved
Analysis	<p>During 2020–21 Defence continued to conduct operations and national security support tasks to meet Government-directed outcomes. Over the reporting period operations met stated objectives and government intent, and demonstrated the ability of our Joint Force to operate in inter-agency and multinational environments, and ensured successful delivery of National Security and Support to the Civil Community tasks – all in line with anticipated targets.</p> <p>Despite the ongoing impacts of COVID-19, Defence operations and activities conducted in 2020–21 were completed in line with Government directions and expected outcomes were achieved.</p> <p><b>DEFENCE OPERATIONS UNDERTAKEN AND ONGOING IN 2020–21</b></p> <p><b>Domestic</b></p> <ul style="list-style-type: none"> <li>• Operation RESOLUTE – Border Security <ul style="list-style-type: none"> <li>– The ADF contribution to the whole-of-government effort to protect Australia's borders and offshore maritime interests through surveillance and response in the maritime approaches to Australia. Up to 600 ADF personnel were assigned at sea, on land or in the air during 2020–21;</li> </ul> </li> <li>• Operation COVID-19 ASSIST <ul style="list-style-type: none"> <li>– The ADF contribution to the whole-of-government efforts responding to the COVID-19 pandemic. At its peak in 2020–21 on 1 September 2020, during the Victorian second wave, more than 3,500 Defence personnel were deployed on Operation COVID-19 ASSIST across the country at one time;</li> </ul> </li> <li>• Operation DYURRA – Australia <ul style="list-style-type: none"> <li>– Operation DYURRA is the dedicated ADF space operation which integrates space capabilities, services and effects into wider ADF operations. Dyurra is the word for 'stars' in the Ngunnawal language;</li> <li>– Operation DYURRA has integrated ADF space operations with our partners through the US-led Operation OLYMPIC DEFENDER. This operation enhances allied cooperation to strengthen deterrence against hostile actors, improve their interoperability, and reduce the spread of debris;</li> </ul> </li> <li>• Operation SOUTHERN DISCOVERY – Antarctic <ul style="list-style-type: none"> <li>– The ADF contribution to the whole-of-government, Department of Agriculture, Water and the Environment led Australian Antarctic Program. Defence's commitment to Operation SOUTHERN DISCOVERY, including the number of personnel involved, varies periodically, with a larger contribution during the summer months. ADF elements regularly allocated to Operation SOUTHERN DISCOVERY include Air Force C-17A aircraft providing logistics support from Hobart to Wilkins Aerodrome. Around 10 ADF personnel were deployed on Operation SOUTHERN DISCOVERY during the 2020–21 Austral summer period.</li> </ul> </li> </ul>



## South Pacific

- Operation SOLANIA – South-West Pacific
  - The ADF contribution to maritime surveillance within the Pacific Region. The ADF commitment to Operation SOLANIA varied based on the nature of the specific requirements of the task and the support required;
- ENHANCED REGIONAL ENGAGEMENT – South-West Pacific
  - ADF provided a near continuous presence in the South-West Pacific with numerous deployments of land, air and maritime assets and personnel across the region. Tasks included border patrols of the Solomon Islands western maritime border, construction of an emergency radio network in Vanuatu, and construction of the Blackrock military training facility in Fiji;
  - The ADF supported the DFAT-led whole-of-government response to the COVID-19 pandemic across the South-West Pacific region including delivering humanitarian aid, COVID-19 vaccines and medical supplies to Timor Leste, Fiji and Tuvalu.

## Indo-Pacific

- Operation PNG ASSIST 21-1 – Papua New Guinea
  - The ADF support to the DFAT-led whole-of-government response to the COVID-19 pandemic crisis in Papua New Guinea. The ADF provided airlift, planning and logistical support to assist the PNG Health-led response. These efforts were supported by Australia's Defence Cooperation Program (DCP), which works to build security capabilities and capacity in the Indo-Pacific and beyond. The DCP provided sea and airlift support to the COVID-19 vaccine rollout across PNG's remote regions. The ADF personnel commitment varied based on the nature of the tasking;
- REGIONAL PRESENCE DEPLOYMENT
  - Regional Presence Deployments are part of the ADF's robust and longstanding program of regional engagement that demonstrates Australia's enduring commitment to a secure, open, prosperous and resilient Indo-Pacific region;
  - The ADF routinely conducts military-to-military engagements throughout the Indo-Pacific each year;
  - These engagements deepen Australia's partnerships with security forces across the region and enhance our ability to operate with partner nations during security or humanitarian crises;
  - Five Regional Presence Deployments were undertaken by the ADF in 2020–21;
- Operation GATEWAY – South-East Asia
  - The ADF enduring contribution to the preservation of regional security and stability in South-East Asia. Australia's commitment to Operation GATEWAY, including the number of personnel involved, varies periodically with each deployment.

## **Middle East region**

- Operation OKRA – Iraq
  - The ADF contribution to the International Coalition against Daesh in Iraq and Syria. The ADF commitment to Operation OKRA is around 110 personnel;
- Operation PALADIN – Israel and Lebanon
  - The ADF support to the UN Truce Supervision Organisation, whose activities are spread across Egypt, Israel, Jordan, Lebanon and the Syrian Arab Republic. The ADF contribution is up to 14 personnel;
- Operation MAZURKA – Sinai
  - The ADF contribution to the Multinational Force and Observers in Sinai, Egypt. The ADF contribution is up to 27 personnel;
- Operation ACCORDION – Middle East region
  - The Defence overarching support mission to Operations HIGHROAD, OKRA and MANITOU and other ADF activities within the Gulf states. The ADF commitment to Operation ACCORDION is around 400 personnel;
- Operation MANITOU – Middle East region
  - The ADF contribution to support international efforts to promote maritime security, stability and prosperity in the Middle East region. The ADF contribution to maritime security under Operation MANITOU is delivered through embedded staff with the Combined Maritime Forces (CMF) in Bahrain. Around 15 ADF personnel were embedded within the CMF Headquarters;
- Operation STEADFAST – Iraq
  - The ADF contribution to the North Atlantic Treaty Organization (NATO) Mission in Iraq, supporting the continued capacity building of the Iraqi Security Forces. The ADF contribution is up to two personnel.

## **Global**

- Operation ORENDA – Mali
  - The ADF contribution to the UN Multidimensional Integrated Stabilisation Mission in Mali. The ADF contribution is one person;
- Operation ASLAN – South Sudan
  - The ADF contribution of personnel to the UN Mission in South Sudan. The ADF contribution is up to 20 personnel;
- Operation ARGOS – North-East Asia
  - The ADF contribution to UN Security Council sanctions on North Korea until it takes concrete steps towards denuclearisation. Australia conducts periodic deployments in support of Operation ARGOS, with the number of personnel committed to the mission varying with each deployment;
- Operation LINESMEN – Korea
  - The contribution to the Inter-Korean peace process, at the request of the UN Command. The ADF commitment to Operation LINESMEN is four personnel;
- Operation BANNISTER
  - The ADF deployment of planning teams to support Australian overseas missions or other activities as required.

#### **The following operations were successfully concluded in 2020–21:**

- Operation HIGHROAD – Afghanistan – The ADF commitment to Afghanistan as part of the NATO-led Resolute Support mission. Over the past two years, the Defence commitment reduced from a high of around 300 personnel until the last remaining Australian troops departed Afghanistan in June 2021 in line with the United States and our other allies and partners;
- Operation CIVIL ASSIST 2020 – Annual validation of the Call Out of the Reserve as an ADF contribution to support civil authorities responding to an emergency. The operation was conducted in October 2020. Around 40 ADF personnel were deployed on Operation CIVIL ASSIST 2020;
- Operation FORTITUDE: Golan Heights – The ADF contribution to the UN Disengagement Observer Force ceased 14 August 2020;
- Operation FIJI ASSIST 20-1 – Provided humanitarian aid and disaster relief to the Government of Fiji to assist with recovery efforts from Tropical Cyclones Yasa and Ana. The ADF provided aerial assessment capability and airlift support, and deployed humanitarian aid. A reconstruction task group was also deployed embarking on HMAS *Adelaide*. The ADF commitment was approximately 600 personnel. The operation commenced 18 December 2020 and ceased 5 February 2021;
- Operation CHARTER – the ADF contribution to the UN Peacekeeping Force in Cyprus. Operation CHARTER ceased on 5 January 2021;
- Operation NSW FLOOD ASSIST 21-1 – Defence's contribution to whole-of-government efforts responding to the NSW flood emergency. Operation NSW FLOOD ASSIST 21-1 support was provided under the Defence Assistance to the Civil Community (DACC) arrangements and ceased on 15 April 2021. At its peak, around 850 ADF personnel were assigned to the operation, supporting recovery efforts in and around Grafton, Coffs Harbour, Nambucca, Kempsey, Port Macquarie, Taree and the Hawkesbury Nepean.

#### **In support of national security Defence delivered the following activities/outcomes:**

##### **Support to the civil community**

Throughout 2020–21, under DACC arrangements, Defence engaged across departments and agencies to contribute to operations and activities in direct support of Australia's national security and whole-of-government outcomes. These arrangements support states and territories with assistance where capacity or resources do not exist or are not available in sufficient time.

Following the 2019–20 Black Summer bushfires and the COVID-19 response, DACC arrangements were reviewed and an update was released on 17 August 2020 to better align Defence with a proactive, integrated whole-of-government approach to planning, preparing for, and responding to natural disasters.

##### **Civil community support provided during 2020–21 included support to:**

- the federal and state and territory governments and jurisdiction agencies, to respond to the impacts of COVID-19, under Operation COVID-19 ASSIST;
- the WA Government in response to the Western Australian bushfires – February 2021;
- the WA Government in response to Tropical Cyclone Seroja – April 2021;
- the NSW Government in response to major flooding through Operation NSW FLOOD ASSIST 21/1 – March to April 2021;
- the Victorian Government in the aftermath of severe weather – June to July 2021.

## Joint Training

Despite challenges posed by COVID-19 in working with our international partners, several successful multi-lateral joint training exercises were conducted during 2020–21.

To further enhance Defence's ability to be a force capable of operating within a joint, inter-agency and multinational environment, the following training activities were successfully undertaken in 2020–21:

- Joint Warfighting Assessment 2021 – The Australian Army trained with the United States, British and Canadian Armies to assess the readiness of each military to integrate with its multinational partners;
- Exercise KOOLENDONG – Conducted between the Australian Army and the United States Marines from Marine Rotational Force-Darwin (MRF-D). Exercise KOOLENDONG enhanced the ability of the ADF and MRF-D to work together to rapidly respond to crises and assist partners in the Indo-Pacific region;
- Exercise RIMPAC – Conducted with Brunei, Canada, France, Japan, Republic of Korea, New Zealand, the Philippines, Singapore, and the United States, exercising a wide range of capabilities, such as multinational anti-submarine warfare, maritime intercept operations, and live-fire training events, among other cooperative training opportunities. This exercise is a major biennial combined exercise to strengthen international maritime partnerships, enhance interoperability and improve the readiness of participating forces for a wide range of potential operations;
- Exercise BERSAMA SHIELD 21 – Conducted in Singapore and Malaysia, with Australian participants joining by video conference from Australia. This exercise was hosted by the Five Power Defence Arrangements nations to enhance interoperability and strengthen professional relationships between participating nations by conducting maritime, land and air operations in simulated multiple threat situations. Exercise BERSAMA SHIELD is normally a Field Training Exercise, but the 2021 iteration was an operational level command post exercise due to COVID-19 restrictions.

<b>Performance criterion 2</b>	<b>Defence maintains future-focused strategic policy to guide Defence initiatives and address strategic risks</b>	
<b>Target</b>	Strategic policy reflects the evolving geostrategic environment and aligns with and shapes Government objectives	
<b>Source</b>	2020–24 Defence Corporate Plan (Updated January 2021)	
	Portfolio Budget Statements 2020–21	Program 2.1
<b>Results</b>	Achieved	
<b>Analysis</b>	<p>Through the <i>2020 Defence Strategic Update</i> the Government has directed Defence to implement three new Defence strategic objectives: to shape our strategic environment, deter actions against our interests, and respond with credible military force when required.</p> <p>Defence implements the <i>Defence Strategic Update</i> through the annual classified Defence Planning Guidance supported by the classified Strategic Risk Review process. Together these documents ensure that Government direction and objectives are implemented across Defence and that Defence strategy, capability, and resources are aligned.</p> <p>The Strategic Risk Reviews, completed biannually, calibrate Defence's response to the changing strategic environment and inform strategic centre considerations (i.e. force design, force integration). Strategy, Policy and Industry Group (SP&amp;IG) also provides policy advice to Capability Managers on capabilities identified in the <i>Defence Strategic Update</i> and the <i>Force Structure Plan</i> that require Government agreement, broadly including space, intelligence, reconnaissance and surveillance, integrated air and missile defence, strike and sensitive technologies. Contestability Division supports Capability Managers through the Capability Life Cycle to provide quality advice on the Integrated Investment Program, in order to support the Government on capability decisions.</p> <p>During the year approximately 1,400 policy advice requests in international and industry policy and engagement, strategic policy and capability decision-making were submitted for ministerial action.</p>	

Performance criterion 3	Defence protects and advances Australia's interests globally to address current and future challenges	
Target	Defence international engagement priorities are met	
Source	2020–24 Defence Corporate Plan (Updated January 2021)	
	Portfolio Budget Statements 2020–21	Program 2.1
Results	Achieved	
Analysis	<p>Defence maintained international engagement in 2020–21, despite challenges imposed by COVID-19. We reshaped the way we work with our international partners given restrictions on travel and in-person interaction, but engagement has remained strong and deep. This effort has occurred across multiple domains including military exercises; bilateral and multilateral dialogues; personnel training and exchanges; information sharing; capability development and cooperation; infrastructure development; defence industry; science and technology; and women, peace and security. In line with the <i>2020 Defence Strategic Update</i>, we have sought to shape Australia's strategic environment through pursuing four key priorities:</p> <ol style="list-style-type: none"> <li>1. A tighter focus on Australia's near region (from the northeast Indian Ocean, through maritime and mainland South-East Asia to Papua New Guinea and the South-West Pacific) for Defence cooperation, activities, and investment. Defence supported Fiji's recovery from Cyclone Yasa through Operation FIJI ASSIST 20-1 and is implementing a new package of defence and security measures in South-East Asia. Defence Cooperation Program funding was also reallocated to assist regional partners' pandemic responses.</li> <li>2. Strengthened US Alliance cooperation, with a particular focus on cooperating in new ways in the Indo-Pacific and enhancing our forces' interoperability and capacity to confront shared challenges. This included enabling the 2020 and 2021 iterations of Marine Rotational Force-Darwin; Exercise TALISMAN SABRE 2021; and publishing the Australia-US Statement of Principles on Force Posture.</li> <li>3. Reinvesting in Australia's strategic geography to underwrite a stable, secure and prosperous near region. For example, Defence has advanced Pacific Step Up initiatives, including through ongoing infrastructure investments in Papua New Guinea, Fiji, Vanuatu, Solomon Islands and Timor-Leste, both in response to bilateral security requests and to support rollout of the \$2 billion Pacific Maritime Security Program.</li> <li>4. Helping build a robust and diverse network of like-minded cooperation, regionally and globally, through which to pursue security and prosperity. For example, Defence participated in regional exercises, including Exercise MALABAR, alongside key partners and conducted high-level ministerial engagements, including the Trilateral Defence Ministers' Meeting, Five Eyes Defence Ministers' Meeting, and Joint Heads of Pacific Security.</li> </ol>	

<b>Performance criterion 4</b>	<b>Defence engages industry to enhance support of sovereign capability</b>	
<b>Target</b>	Defence Industry Policy Statement	
<b>Source</b>	2020–24 Defence Corporate Plan (Updated January 2021)	
	Portfolio Budget Statements 2020–21	Program 2.1
<b>Results</b>	Achieved	
<b>Analysis</b>	<p>Defence is advancing a range of industry policy initiatives to help build a strong, sustainable and secure sovereign industrial base capable of supporting the delivery of a more agile and potent ADF. Amongst these are the release of six additional (to a total of eight) Sovereign Industrial Capability Priority Implementation Plans, which provide clear advice to industry on priority areas for Defence; and maximising opportunities for Australian small to medium sized businesses in Defence materiel, non-materiel and infrastructure projects.</p> <p>In 2020–21, the value of contracts awarded to companies with an Australian Business Number totaled \$18.2 billion (including GST) across 23,463 contracts.</p> <p>In 2020–21, the Defence Innovation Hub continued to invest in developing Australian technologies, awarding 46 innovation contracts worth more than \$102 million (excluding GST). Since opening in December 2016, the Hub’s portfolio of innovation projects has reached more than \$323 million (excluding GST) and 81 per cent of its contracts are with Australian micro, small and medium sized companies. As part of the Government’s Defence COVID-19 initiatives, the Hub was given an additional \$32 million over 2020–21 and 2021–22. The Hub spent \$17 million (excluding GST) of this economic stimulus funding in 2020–21 across a range of innovation projects.</p> <p>Despite the constraints of COVID-19, Defence industry grant programs continued to have strong take-up rates. In 2020–21, over 280 grants have been awarded across the Capability Improvement, Global Competitiveness, Sovereign Industrial Capability Priority and Skilling Australia’s Defence Industry grant programs, with a combined value of \$52 million.</p> <p>Adjustments to co-investment ratios and additional funding of \$79 million for industry initiatives through 2020–21 to mitigate COVID-19 impacts contributed to this stronger participation.</p> <p>Funding was boosted in 2020 by \$55 million to \$87 million through to 30 June 2022 as part of the Government’s broader economic stimulus package to support Defence industry through the COVID-19 pandemic.</p>	

<b>Performance criterion 5</b>	<b>Defence maintains intelligence analysis and capability to deliver Government and Defence strategic objectives</b>	
<b>Target</b>	Intelligence service and capabilities are delivered according to Government priorities	
<b>Source</b>	2020–24 Defence Corporate Plan (Updated January 2021)	
	Portfolio Budget Statements 2020–21	Program 2.1
<b>Results</b>	Achieved	
<b>Analysis</b>	<p>The creation of a dedicated Defence Intelligence Group (DIG), and its achievement of full operating capability on 1 January 2021, represents delivery of the Defence Intelligence Reform Implementation Plan. Establishment of the DIG ensures Defence intelligence is configured to make best use of its intelligence capability and workforce, has robust internal accountabilities, and is positioned to deliver against government priorities including support to ADF operations.</p> <p>The DIG includes the Defence Intelligence Organisation (DIO), the Australian Geospatial-Intelligence Organisation and other critical intelligence functions previously resident in the Joint Capabilities Group (JCG) and the then Strategic Policy and Intelligence Group.</p> <p>DIO provided timely, relevant strategic-level intelligence assessments in support of ADF operations, Defence and whole-of-government policy, capability development, and decision-making on national security issues. This service was sustained through flexible staffing arrangements in response to the COVID-19 pandemic.</p> <p>Defence's geospatial-intelligence production effort included intelligence and insights, targeting support to the Air Force through 460 Squadron, foundation geospatial and mapping support, hydrographic services, and capability development activities that directly supported the planning and conduct of ADF operations and domestic and regional security priorities.</p>	



Performance criterion 6	Defence designs the future force to address strategic risks	
Target	Our future joint force is designed, integrated and developed through the analysis of strategic policy and risk	
Source	2020–24 Defence Corporate Plan (Updated January 2021)	
	Portfolio Budget Statements 2020–21	Program 2.8
Results	Achieved	
Analysis	<p>Ensuring that the future Joint Force is designed to address strategic risks and achieving alignment between Defence strategy, capability and resources – in accordance with Government objectives – is a complex, long term and dynamic initiative.</p> <p>The Defence Capability Assessment Program continued to provide analysis to underpin requirements for the Government directed workforce assessment for future capability growth, as foreshadowed in the <i>2020 Force Structure Plan</i>. It also continues to effectively support biannual updates to Government on the implementation of the Integrated Investment Program. The implementation of the revised Defence Capability Assessment Program progressed over the reporting period, with Defence embarking on a broad stakeholder education campaign to inform internal stakeholders of their obligations under the new architecture.</p> <p>Governance of Defence's force design processes continued through the actions of the Defence Investment Committee and the Joint Warfare Committee. Force design was supported by the Emerging Threats and Response Group and in the further development of concepts that identify future opportunities and challenges in the longer term, and potential capability solutions to military problems.</p> <p>Alignment between the various elements of force design is maintained through the One Defence Capability Model. Defence has demonstrated significant progress towards achieving this throughout 2020–21 by continuing to evolve the One Defence Capability System, which is designed to ensure that activities in support of the Joint Force are aligned to capability requirements as outlined in the <i>2020 Force Structure Plan</i> and <i>2020 Defence Strategic Update</i>.</p> <p>Delivering on the One Defence Capability Model is a key reform initiative, critical to Defence's future ability to effectively deter and respond in a changing strategic environment and is captured as part of <i>Lead the Way: Defence Transformation Strategy</i>.</p> <p>A core component of the revised system is the new Defence Capability Policy Framework, which was developed to provide a range of policy and guidance documents that govern capability management in Defence. This framework comprises the <i>Defence Capability Administrative Policy</i>, which was released in December 2020. The <i>Defence Capability Administrative Policy</i> provides overarching principles and top-level accountabilities for Defence capability. The <i>Defence Capability Administrative Policy</i> is supported by the Defence Capability Manual – which outlines the One Defence Capability Model – and a high-level description of capability processes and, importantly, how they connect.</p> <p>Additionally, Defence continued the implementation of the revised Capability Program Architecture (CPA) Framework as another key part of the One Defence Capability Model. The CPA includes 35 capability programs aligned to five Domains (Maritime, Land, Air, Space, Information and Cyber) and assigned Capability Managers. CPA implementation will provide clearer accountabilities and responsibilities across Defence, ensuring that capability outcomes are better prioritised and optimised. CPA implementation will facilitate more effective identification and management of risk and enhance Defence's ability to adapt and respond to changing strategic circumstances.</p>	

Performance criterion 7	Strategic research and development enables Defence to anticipate and exploit advances in science and technology for future Defence capability
Target	Stakeholder satisfaction on delivering strategic research investments Achieve performance standards set out in the Government agreed impact framework for the Defence Innovation System
Source	2020–24 Defence Corporate Plan (Updated January 2021) Portfolio Budget Statements 2020–21 Program 2.13
Results	Achieved
Analysis	<p>Following the release of <i>More, together: Defence Science and Technology Strategy 2030</i>, Defence has launched eight Science, Technology and Research (STaR) Shots. Public information sessions were held from 18 to 27 August 2020. A total of 714 registrations were received for the 20 virtual sessions, with significant representation from industry, academia and publicly funded research agencies, as well as Commonwealth, state and territory agencies.</p> <p>Through their establishment, the STaR Shots are bringing together expertise to build scale through partnerships and focus scientific endeavors on solving Defence's most challenging problems. At the Strategic Research Review in May 2021, senior stakeholders indicated a high (89 per cent) level of satisfaction with the benefits to be delivered from this investment, thereby exceeding the annual performance target of greater than 80 per cent satisfaction.</p> <p>With the STaR Shots forming the basis for Defence strategic research, existing programs have been refocused. Activities previously supported by the Strategic Research Investment initiative have been transitioned to a STaR Shot or a domain or capability research area in the Defence Science and Technology Portfolio. This has ensured strategic research is aligned with the objectives of the <i>More, together</i> strategy and is focused on Defence challenges.</p> <p>The impact of the strategic research is seen across the national enterprise. By 31 May 2021, the Next Generation Technologies Fund had funded 282 activities with a contracted commitment of \$211 million. Focused on the research and development of emerging and future technologies for Defence, the highlights for 2020–21 include:</p> <ul style="list-style-type: none"> <li>the Industry Competitive Evaluation Research Agreements to build sovereign capability;</li> <li>supporting the RobotX challenge to develop autonomous maritime systems;</li> <li>delivering a prototype hybrid quantum navigation system;</li> <li>engaging with academia and industry through Emerging Disruptive Technology Assessment Symposia on the Agile Command and Control STaR Shot in November 2020 and the Remote Undersea Surveillance STaR Shot in May 2021.</li> </ul> <p>The capability to undertake strategic research was also being boosted through the implementation of the three strategic pillars of <i>More, together</i>:</p> <ul style="list-style-type: none"> <li>One Defence Science and Technology Capability;</li> <li>Brilliant People, Collaborative Culture;</li> <li>Outstanding Research Infrastructure.</li> </ul> <p>The measures being delivered are linked to responses to Defence strategic guidance, establishment of the role of the Capability Manager for Innovation, Science and Technology, and activities supporting broader transformation across Defence.</p> <p>Investment in strategic research was determined with senior stakeholders from Defence Groups and Services. This ensured alignment to strategic direction and is supported by regular stakeholder engagement. The 2020–21 Defence Science and Technology Portfolio, including the level and focus of investment in strategic research, was endorsed by the Investment Committee in August 2020.</p>

	To inform investment decisions and the impact of strategic research, the use of annual performance targets is being replaced with a benefits management framework. The revised framework is to be implemented across the Defence capability innovation programs and will be applied progressively to the associated elements of the STaR Shots to facilitate consideration of the impact generated through investment in research and innovation.
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<b>Performance criterion 8</b>	<b>Defence's integrated capabilities, including workforce, are generated, trained and sustained to meet Government requirements</b>	
<b>Target</b>	Forces meet all of Government requirements and are available for the conduct of operations and national support tasks	
<b>Source</b>	2020–24 Defence Corporate Plan (Updated January 2021)	
	Portfolio Budget Statements 2020–21	Programs 2.4, 2.5, 2.6, 2.7, 2.8, 2.9, 2.12
<b>Results</b>	Achieved	
<b>Analysis</b>	<p>In 2020–21, despite ongoing COVID-19 issues, including supply chain and border closure impacts and workforce pressures, Defence successfully generated capabilities to meet preparedness requirements.</p> <p>The COVID-19 pandemic significantly impacted the generation of Navy capability and changed the operating profile for deployed units. Navy continued to operate domestically and deployed internationally, albeit in an environment with limited remote support and port access. This, combined with a higher resource demand to support joint efforts, contributed to increased workforce fatigue levels and tested resilience across the Fleet. Navy was successful in managing these workforce risks, and has taken all available opportunities to regenerate capability.</p> <p>Army continued to support joint operations and activities including significant contributions to Operation COVID-19 ASSIST. The aggregation of existing minor deficiencies and decreasing readiness levels under COVID-19 increased the risk of concurrency and tempo pressures. While Army was able to continue to meet preparedness requirements, the cumulative effect of sustained domestic operational demands and restrictions on training poses a risk to preparedness. Army's Future Ready Training initiative is, however, making the maximum use of technology and innovative training methods to maintain readiness within COVID-19 restrictions.</p> <p>Air Force successfully maintained the required level of preparedness status while supporting a sustained effort toward Operation COVID-19 ASSIST. Air Force applied appropriate risk mitigation and remediation planning to address capability deficiencies and ensure continual support to operational demands.</p> <p>Joint Capability Group supported the achievement of preparedness requirements through the provision of fuel and supply chain, health and policing support and the coordination of force movement. Effective provision of these services has ensured that forces were available for the conduct of operations and national support tasks as required.</p> <p>Defence has undertaken a range of activities to recruit, train and sustain the workforce to meet Government requirements. This remains challenging in the current labour market.</p> <p>Defence continued to enhance the efficiency of recruitment processes through upgrades to information systems and refining processes. A particular improvement has been virtual engagement with candidates, maintaining the inflow of suitable recruits into the ADF.</p> <p>During 2020–21 Defence recruited more than 8,000 personnel to permanent and Reservist roles in the ADF.</p>	

Work continues on optimisation of the ADF Total Workforce System to ensure part-time workforce and establishment requirements are considered in workforce planning deliberations. The Total Workforce System Year Three Evaluation Report, conducted in 2021, highlighted an increased use of the part-time workforce to deliver Defence capability and produced data indicating an increase to the proportion of members who, on ceasing full-time service, are choosing to continue to serve on a part-time time basis.

Defence Australian Public Service (APS) recruitment activities included the introduction of contemporary recruitment campaigns to market both single jobs and professional careers in key capability areas including Naval Shipbuilding, Cyber and Intelligence. Through targeted online and social media recruitment campaigns Defence has enhanced attraction to APS jobs, ensuring the Department has high-performing personnel to deliver Defence capability now and into the future.

Defence continues to mobilise its workforce through APS-wide secondments to meet Government requirements in response to the COVID-19 pandemic and natural disasters.

Defence has a growing requirement to attract a science, technology, engineering and mathematics (STEM) enabled and allied workforce in support of future capability requirements. In 2020–21 Defence launched the ADF Future Innovators Award with an investment commitment of \$1 million. From 1,678 schools, 2,741 (51 per cent male and 49 per cent female) students received the award. The award recognises recipients' STEM abilities while highlighting the value the ADF places on STEM skills and career opportunities within Defence.

Flying Officer (FLGOFF) Ayah Khalid solving problems, participating in and leading teams as part of Officers Training School's Leadership Reaction Course at RAAF Base East Sale.



Performance criterion 9	Joint enabling elements are generated and sustained at the required rate and standardised to support the delivery of Defence capability	
Target	<ul style="list-style-type: none"> <li>Joint Health Services are provided to Australian Defence Force personnel to enable Defence preparedness</li> <li>Joint Logistics capability that provides comprehensive and assured support to Australian Defence Forces operations</li> <li>Delivery of military education and training programs that prepare Australian Defence Force personnel</li> </ul>	
Source	2020–24 Defence Corporate Plan (Updated January 2021)	
	Portfolio Budget Statements 2020–21	Program 2.4
Results	Achieved	
Analysis	<p>Services and products have been delivered in accordance with the Health Service Level Charter. The collaborative development and implementation of the ADF Health Strategy has provided a foundation for further harmonising the delivery of health services and capability within Defence. Development and implementation of a Primary Health Care Team (PHCT) model is providing timely access to appropriate care through process efficiencies and optimisation of the health workforce.</p> <p>Whilst the Defence Logistics Enterprise Strategy has been recently superseded, Joint Logistics Command continues to deliver against the nine key work streams listed. Numerous performance milestones endure and were met, such as updating policy and doctrine, supporting the delivery of the Enterprise Resource Planning program and optimising the supply chain.</p> <p>In response to the impact of COVID-19 on core education activities, particularly face-to-face course delivery, the Australian Defence College successfully adapted to deliver military education and training programs to prepare Australian Defence Force personnel at the required rates and to the required standards.</p> <p>A large number of Australian students were accepted on principal courses consistent with Directed Training Requirements (DTRs) as follows:</p> <ul style="list-style-type: none"> <li>the Defence and Strategic Studies Course: 30 Australian students (DTR 32);</li> <li>the Australian Command and Staff Course (ACSC): 150 Australian students (DTR 126); Remote: 41 Australian students (DTR 35);</li> <li>the Royal Australian Navy Staff Acquaint Course: 20 Australian students (DTR 20).</li> </ul> <p>Notably, the Australian War College accepted additional Australian students from each Service in anticipation of reduced foreign student numbers (based on COVID-19 travel restrictions).</p>	

Performance criterion 10	Manage the investment, acquisition and sustainment of Defence equipment, supplies and services to meet Government and Defence requirements	
Target	Deliver the <i>2020 Force Structure Plan</i> and Integrated Investment Program, approved acquisition and sustainment projects, estate and ICT programs to budget, schedule and agreed within capability scope	
Source	2020–24 Defence Corporate Plan (Updated January 2021)	
	Portfolio Budget Statements 2020–21	Programs 2.4. 2.5. 2.6. 2.7. 2.8. 2.9. 2.10, 2.11
Results	Achieved	
Analysis	<p>The successful management of investment, acquisition and sustainment of Defence equipment, supplies and services over 2020–21 was achieved through a consolidated effort across Groups and Services.</p> <p>Defence continued to effectively conduct a risk-based approach to critical analysis of Integrated Investment Program capability proposals and projects throughout the Capability Life Cycle. This process provided assurance to the Vice Chief of the Defence Force, as the chair of the Defence Investment Committee, that Defence's capability needs and requirements are aligned with strategic intent and resources. This ensured that capability continued to be delivered in accordance with Government direction to meet the agreed budget, schedule, and capability scope.</p> <p>To further support delivery of the <i>2020 Force Structure Plan</i>, Defence continued to refine and prioritise the Integrated Investment Program through the Department's biannual updates to Government. This process continues to be a key enabler for Defence to maintain responsiveness to the rapidly changing strategic environment and take advantage of developments in technology.</p> <p>At 30 June 2021, Defence through the Capability Acquisition and Sustainment Group (CASG) was managing 161 major projects and 13 minor acquisition projects, at various phases in the Capability Life Cycle, worth a total of \$121.6 billion. The 2020–21 acquisition budget of \$9.3 billion was achieved, with acquisition spend up \$1.3 billion from the prior year. Acquisition projects are being delivered within the agreed parameters of scope and cost. Where schedule slippage has occurred, CASG is working with the Capability Managers to manage any impacts.</p> <p>Of the 161 Government-approved major acquisition projects, two had issues with capability, schedule or cost that were significant enough to be included in the Projects of Concern report. A further 14 projects were identified as warranting internal senior management attention, with risks associated with capability, schedule or cost. Information on selected major acquisition projects can be found in the Major Projects Report, which is tabled annually with the Joint Committee of Public Accounts and Audit.</p> <p>During 2020–21, 25 major and minor acquisition projects closed. The 25 closed projects had a final spend over their life of \$6.1 billion against a budget of \$7.2 billion. The \$1.1 billion difference was spread across all the closed projects. Twelve projects had some variation to delivery – one in relation to approved scope, two in relation to the approved scope and schedule, and nine in relation to the schedule.</p> <p>As at 30 June 2021, CASG was managing 109 sustainment products with a total annual budget of \$7.7 billion. CASG has supported the Capability Managers in achieving Government requirements and operational outcomes, through the delivery of sustainment of military equipment to agreed availability targets. Detail of availability of sustainment products can be found in Table 3.1.</p> <p>Of the 109 sustainment products, seven have demonstrated variances in the areas of availability and cost performance that warrant senior management attention, and are being managed closely.</p>	



The COVID-19 pandemic has had a significant impact on the delivery of future maritime systems. Supply chain and COVID-19 induced workforce issues are still being fully realised. Despite this, the majority of maritime projects met key milestones, continuing the steady pace of Government approvals that will remain ongoing throughout 2021–22.

Supply chain disruptions due to the COVID-19 pandemic have also had a significant impact on Australian Defence industry, the risks of which are still being fully realised. While a decline in performance has been noted, improvements are expected as the Army Force Structure Implementation Plan is progressed in the coming year.

Progress of the Land Capability Campaign Plan and associated risk analysis has guided progress of land projects. The majority of land projects have met their key milestones, with the key risk to delivery being organisational workforce capacity.

Prioritised effort and program frameworks have enhanced management of new capabilities across the Air and Space Domain. Collaboration across the Defence enterprise, industry and academia has progressed in developing technologies to deliver future Air and Space power effects to the Joint Force. Air Force has applied risk mitigation strategies to address workforce pressures within new capabilities.

Delivery of joint projects within the Integrated Investment Program supported the achievement of this objective. This included the achievement of Government approval for a number of projects and programs combined with ongoing work. These capabilities will significantly increase interoperability across the Joint Force. Joint cyber capabilities are on track for delivery under the Joint Cyber Program. Integration of cyber capabilities into wider Defence progressed with growth of cyber workforce and training systems.

Through 2020–21, Defence's Chief Information Officer Group (CIOG) managed a large number of technology projects, including 21 major and 15 enabling capability projects. The remainder of projects vary from medium sized minor projects (\$20 million and under), which include upgrades, system modernisation, and installation of new or upgraded software and applications; through to smaller projects such as fit out of new facilities with technical infrastructure, systems and peripherals. Where any project has been impacted through vendor performance, impacts of COVID-19, or other realised risks, CIOG implemented enhanced governance and oversight to address and reduce any emerging issues. This has enabled CIOG to maintain schedules and progress for capability delivery throughout the year.

Notable achievements over the reporting period include:

- New ICT capabilities essential to Defence's response to COVID-19 were rapidly deployed, using the flexibility of the cloud and the latest technologies. This has enabled a new way of working, opening pathways to wider adoption of innovative ICT solutions. Over 35,000 remote connections are now occurring daily and additional capability is available as required. In addition to delivering enhanced remote work capabilities, Project VERA established a platform for the adoption of protected cloud-based productivity and collaboration services across the Defence protected environment. VERA has enabled 30,000 Defence personnel to communicate and collaborate regardless of their physical location. This availability of online workspaces has markedly improved productivity in remote working and directly contributed to Defence's ability to deliver outcomes and contribute to Defence business continuity despite national COVID-19 lockdowns;
- Formal project approval was given by Government to commence the Vetting Transformation Project. Following approval the project commenced delivery of a transformed vetting capability to support implementation of whole-of-government personnel security reforms. The Defence One Technical Upgrade project delivered an upgraded payroll system, ensuring that Defence payroll remains technically viable and is legislatively compliant with tax, legal, and regulatory updates including Single Touch Payroll. The upgrade was completed in April 2021;

- The Defence Enterprise Resource Planning project continued to deliver against commitments to the Australian Government. This major Defence business transformation program will modernise, integrate and transform Defence's approach to managing its finances, human resources, logistics, engineering, maintenance and estate.

The Base Services Transformation Program was established to explore, design, procure and transition to new base service contracts by 2024. The future contracts will represent a long-term sustainment investment in the provision of estate maintenance and property services to the Defence estate and will provide opportunity for local, Indigenous and small and medium enterprise supplier participation in the delivery of these services. Future base services will be co-designed with key Defence stakeholders and prospective industry partners, aligned with Government and Defence priorities and policies.

Implementation of the 2016–36 *Defence Estate Strategy* is in its fifth year, with Defence on track to deliver the 2016–21 Defence Estate Strategy Implementation Plan. Work commenced to update the Defence Estate Strategy and Implementation Plan to reflect the dynamic strategic environment identified in the 2020 *Defence Strategic Update* and 2020 *Force Structure Plan*.

Defence continued to manage its estate investment, acquisition and sustainment requirements in the Enterprise Estate and Infrastructure Program (EEIP). There were 176 active projects within the EEIP post-First Pass Approval, with a total estimated value of \$32 billion. The vast majority of these projects proceeded on time and within budget for the 2020–21 financial year.

Defence also continued to deliver on its environmental management commitments in line with the *Defence Environmental Strategy 2016–2036* and Integrated Investment Program. In 2020–21 Defence:

- self-assessed eight activities in accordance with the *Environment Protection and Biodiversity Conservation Act 1999*;
- expended \$2.3 million through the Defence Renewable Energy and Energy Security Program to install solar power generation and storage;
- delivered non-PFAS contamination advice, investigation and remediation (where appropriate), to the value of \$5.3 million;
- delivered PFAS contamination investigation, remediation and ongoing management projects to the value of \$54.5 million, including the Airfield Firefighting Rescue foam transition project, which cleaned 106 fire trucks and returned them to service with a new fluorine-free firefighting foam. In total Defence has removed 52,782 litres of PFAS-containing foam from the Defence estate.

The program for Estate Disposals contains 24 active projects, the majority of which are on track for delivery of Government outcomes within agreed budgets and timeframes. At the end of the 2020–21 financial year, Defence's Estate and Infrastructure Group (E&IG) had realised \$16.8 million in total divestment revenue.

Defence's estate public-private partnership (PPP) contracts continue to deliver quality facilities in accordance with established budgets for Defence living-in environment accommodation precincts. These PPPs have supported responsive accommodation arrangements throughout changing COVID-19 circumstances.

Defence continued to ensure that infrastructure projects being delivered overseas met the capability requirements directed by the Australian Government and supported our international partners through meeting our agreed bilateral outcomes. Defence continued to progress the development and delivery of works under the Australia-Singapore Military Training Initiative at the new Greenvale Training Area in North Queensland and the expanded Shoalwater Bay Training Area in Central Queensland.

Table 3.1: Unit availability days<sup>1</sup>, flying hours and HydroScheme products

Source	Deliverables			2019–20 Actual	2020–21 Revised Estimate	2020–21 Actual
Navy	2019–20	2020–21				
Portfolio Budget Statements 2020–21	18	17	Major Combatants <sup>2</sup>	2,736	2,892	2,917
	21	18	Minor Combatants <sup>3</sup>	3,621	3,832	3,606
	4	4	Amphibious and Afloat Support <sup>4</sup>	924	974	954
	10	10	Maritime Teams <sup>5</sup>	3,637	3,109	3,142
	7	6	Hydrographic Force <sup>6</sup>	1,670	1,770	1,644
	24	24	MH-60R	4,657.3	5,000	4,956
	–	–	MRH-90 <sup>7</sup>	–	–	–

**Notes:**

1. A Unit Availability Day (UAD) is a day when a unit is materially ready and its personnel state and level of competence enables the unit to safely perform tasks in the unit's normal operating environment, immediately.
2. Major Combatants comprises Anzac class Frigates (FFH), Hobart class Air Warfare Destroyers (DDG) and Collins class Submarines (CCSM). UAD under-achievement was due to an unscheduled maintenance period and extension to a scheduled maintenance period.
3. Minor Combatants comprises Armidale class Patrol Boats (ACPB), Cape class Patrol Boats (CCPB) and Coastal Minehunters (MHC). UAD under-achievement was due to unscheduled maintenance periods.
4. Amphibious and Afloat Support comprises Landing Ship Dock (LSD), Landing Helicopter Dock (LHD), and Oil Tanker (AO). UAD under-achievement was due to an extension to a scheduled maintenance period.
5. Maritime Teams comprises Clearance Diving, Deployable Geospatial Support and Mobile Meteorological and Oceanographic (METOC) teams.
6. Hydrographic Force comprises the Hydrographic Ships (HS), Survey Motor Launches (SML) and meteorological and oceanographic centres. UAD under-achievement was due to unscheduled maintenance/defect rectification.
7. Navy operates MRH-90 helicopters; however, their flying hours are included under Army Aviation, as Army is joint capability manager for the aircraft.

Source	Deliverables			2019–20 Actual	2020–21 Revised Estimate	2020–21 Actual
Army	2019–20	2020–21				
Portfolio Budget Statements 2020–21	10	10	CH-47F Chinook <sup>1</sup>	2,307.3	2,600	2,205.5
	34	16	S-70A-9 Black Hawk <sup>2</sup>	2,055.7	1,500	1,299.7
	22	22	ARH Tiger <sup>3</sup>	3,456.4	4,500	3,580.4
	47	47	MRH-90 Taipan <sup>4</sup>	5,168.4	7,950	4,830.5

**Notes:**

1. Cancellation of major joint exercises/activities and impacts to the flying program as a result of COVID-19 has resulted in a slightly reduced rate of effort (ROE) for 2020–21 when compared to Initial estimates.
2. Due to the ongoing disposal of aircraft, 31 aircraft were on the Defence Register at the commencement of 2020–21 and 16 remain at the end of 2020–21. Disposal activities account for differences in ROE for 2020–21.
3. Serviceability, reliability and lower flying rates associated with embarked operations were the primary drivers for a reduced ROE for 2020–21.
4. Lower serviceability rates, a shortage of repairable items, the MRH cessation of flying operation and cancellation of major exercises due to COVID-19 have resulted in a ROE for 2020–21 which has not met initial estimates.

Source	Deliverables		2019–20 Actual	2020–21 Revised Estimate	2020–21 Actual	
Air Force	2019–20	2020–21 <sup>1</sup>				
Portfolio Budget Statements 2020–21	49	49	PC-21 <sup>2</sup>	12,873.1	23,850	18,371
	12	12	KA350 King Air <sup>3</sup>	4,556.0	6,500	3,672
	12	12	C-130J Hercules <sup>4</sup>	6,948.1	6,000	5,311
	8	8	C-17A Globemaster III <sup>5</sup>	5,350.0	5,240	4,372
	10	10	C-27J Spartan <sup>6</sup>	3,014.0	3,360	2,829
	7	7	KC-30A MRTT <sup>7</sup>	4,674.0	4,040	3,593
	2	2	737 BBJ <sup>8</sup>	995.0	1,100	753
	3	3	Falcon-7X <sup>9</sup>	1,102.0	2,000	1,544
	2	2	AP-3C Orion	540.5	700	712
	11	12	P-8A Poseidon	4,847.5	5,000	4,939
	6	6	E-7A Wedgetail <sup>10</sup>	3,254.9	3,200	2,713
	38	15	F/A-18A/B Hornet <sup>11</sup>	6,458.3	3,820	3,837
	24	24	F/A-18F Super Hornet <sup>12</sup>	3,110.0	4,830	4,289
	33	33	Hawk 127 <sup>13</sup>	4,488.1	5,050	4,826
	11	11	E/A-18G Growler <sup>14</sup>	1,675.5	2,600	2,398
	22	38	F-35A Lightning II <sup>15</sup>	3,096.8	5,250	4,960
	0	0	MC-55A Peregrine <sup>16</sup>	–	–	–
	0	0	MQ-4C Triton <sup>17</sup>	–	–	–
	2	–	CL-604 Challenger <sup>18</sup>	116.0	–	–

**Notes:**

- Fleet size represent totals at end of 2020–21.
- PC-21 flying hours impacted by reduction in tasking due to COVID-19, aircraft availability, and weather. (Note: Withdrawal of PC-9 was completed by 31 December 2019 following transition to the PC-21 aircraft.)
- KA350 flying hours impacted by reduction in tasking due to COVID-19.
- C-130J flying hours impacted by reduction in tasking due to COVID-19 and aircraft availability.
- C-17A flying hours impacted by reduction in tasking due to COVID-19.
- C-27J flying hours impacted by aircraft availability, reduction in demand to support operations and reduction in tasking due to COVID-19.
- KC-30A flying hours impacted by reduction in tasking due to COVID-19.
- BBJ flying hours impacted by reduction in tasking due to engine serviceability issues, COVID-19 and resultant reduction in demand to support the Government.
- F7X flying hours impacted by reduction in tasking due to COVID-19 and resultant reduction in demand to support the Government.
- E-7A flying hours impacted by reduction in tasking due to COVID-19. E-7A is also undergoing a modification program which reduces aircraft availability and will continue into 2024.
- F/A-18A/B numbers reflect the phased withdrawal of the platform.
- F/A-18F flying hours impacted by reduction in tasking due to COVID-19, aircraft availability, and pause in flying due to an ejection incident investigation (Dec 20).
- Hawk 127 flying hours impacted by reduced aircrew and student numbers.
- E/A-18G flying hours impacted reduction in tasking due to COVID-19 and maintenance workforce availability.
- F-35A flying hours impacted by reduction in tasking due to COVID-19 and aircraft availability.
- MC-55A flying hours reflects the phased introduction of the aircraft from 2022–23.
- MQ-4C flying hours reflects the phased introduction of the aircraft from 2023–24.
- CL-604 Challenger aircraft numbers reflects the phased type withdrawal of the aircraft during 2019–20 due to transition to the Falcon FX.

Source	Deliverables	2019–20 Actual	2020–21 Revised Estimate	2020–21 Actual
<b>Strategic Policy and Intelligence</b>				
Portfolio Budget Statements 2020–21	Maritime Safety Updates	100%	100%	100%
	Charting Projects	9	14	13 <sup>1</sup>
	Nautical Publications	30	29	29
	Survey Projects	13	13	6 <sup>2</sup>
	Australian Hydrographic Office Availability	249	249	249

**Notes:**

1. Thirteen Charting projects were completed, with a further three at 95 per cent complete, due to the expiration of the Hydrographic Professional Services contract, which reduced outsourced production capability.
2. Of the 13 contracted HydroScheme Industry Partnership Program (HIPP) survey projects, 11 had field surveying complete by the end of June 2021; six of these were accepted and contractually completed, four were delivered to the Australian Hydrographic Office (AHO) but still undergoing acceptance checks, and one was being processed by the contractor. One other project is a three-year data collect activity that remains underway. Data processing delays were experienced due to COVID-19 impacting on staff availability, and development of new systems and processes to manage the large volumes of HIPP data. PBS targets for survey projects will now be revisited to account for AHO processes.



Performance criterion 11	Progress to deliver a sustainable, sovereign shipbuilding enterprise, as detailed in the Naval Shipbuilding Plan	
Target	Deliver the naval shipbuilding enterprise in accordance with the Naval Shipbuilding Plan to schedule, budget and scope	
Source	2020–24 Defence Corporate Plan (Updated January 2021)	
	Portfolio Budget Statements 2020–21	Programs 2.5 & 2.9
Results	Partially Achieved	
Analysis	<p>Across a disruptive 2020–21, the focus of the naval shipbuilding enterprise remained on delivering the objectives of the <i>2017 Naval Shipbuilding Plan</i>. Although the enablers of the plan – including a skilled workforce, a stronger industrial base and shipbuilding infrastructure – are still growing and maturing, substantial progress was made.</p> <p>Prototyping for the Hunter class frigate project commenced at the newly developed Osborne South shipyard in South Australia on schedule on 18 December 2020. Work on the Attack class submarine program continued across the period. In March 2021, Defence and Naval Group executed an amendment to the Strategic Partnering Agreement, bringing into contract Naval Group's commitment to spend at least 60 per cent of the acquisition contract value in Australia. Construction of the fourth Arafura class offshore patrol vessel and cutting metal on the fourth evolved Cape class patrol boat commenced at the Henderson Maritime Precinct in Western Australia on schedule in January 2021 and March 2021 respectively. As at June 2021, 11 Guardian class patrol boats had been delivered as part of Australia's Pacific Maritime Security Program to provide 21 new patrol boats to Pacific Islands countries and Timor Leste. The first of two Supply class replenishment ships was commissioned into Navy service as HMAS <i>Supply</i> on 10 April 2021 (six months late due to the impact of COVID-19 in Spain), with the second arriving in Australia for final fit out and commissioning in June 2021.</p> <p>These milestones demonstrate the solid progress across the naval shipbuilding enterprise that were achieved despite the COVID-19 pandemic. However, the pandemic induced some degree of delay and disruption across all of the shipbuilding programs in construction, including a delay of six months in the launch of the first Arafura class offshore patrol vessel. Design maturity issues with the United Kingdom's Type 26 frigate program, exacerbated by the impact of the pandemic in Scotland, have affected the Hunter class frigate program with an 18-month delay to the commencement of construction of the first ship. This delay is expected to wash out of the program by the delivery of the fourth ship. The delivery of the Cape class patrol boats has been affected by both COVID-19 related impacts on workforce availability and the use of incorrectly certified aluminium (by a third party), which needed to be removed and replaced.</p> <p>For these reasons, the performance criterion has been assessed as partially achieved in 2020–21. Given the unpredictable nature of the pandemic and its ongoing impact on the movement of goods and people across Australia and around the world, Defence anticipates ongoing disruption across the naval shipbuilding enterprise until the pandemic is over.</p> <p>The pandemic had a modest impact on the ongoing development of new shipyard infrastructure, which remained on track. Following the on-schedule completion of the greenfield shipyard works at Osborne South, brownfield works (modernisation and upgrade of existing facilities) are being undertaken progressively. Works on a new submarine construction yard at Osborne North are underway to support the Attack class submarine program. Defence is working closely with the Western Australian Government on its strategic plans for the development of facilities at the Henderson Marine Precinct to support new and existing naval capabilities.</p> <p>Across the enterprise, the focus remained on building a sustainable sovereign industrial capability, supporting the growth of the innovative and cost-competitive Australian industrial base envisioned in the <i>2017 Naval Shipbuilding Plan</i>.</p>	



<b>Performance criterion 12</b>	<b>Science and technology activities support Defence operations, sustainment and enhancement of current capability, and the development and acquisition of future capability, enhanced by collaboration and strategic partnerships</b>	
<b>Target</b>	<ul style="list-style-type: none"> <li>The balance of investments in science and technology activities are delivering outcomes in line with agreed Capability Manager priorities</li> <li>Collaboration and outreach activities support delivery of Defence capability in line with agreed Defence priorities</li> </ul>	
<b>Source</b>	2020–24 Defence Corporate Plan (Updated January 2021)	
	Portfolio Budget Statements 2020–21	Program 2.13
<b>Results</b>	Achieved	
<b>Analysis</b>	<p>The science and technology portfolio is co-designed with senior stakeholders from Defence Groups and Services. The portfolio provides support to operations, sustainment of current capability and acquisition of future capability as well as strategic research, which is discussed at performance criterion 7.</p> <p>In 2020–21, senior leader representatives endorsed investments in strategic challenges and support to Defence operations and capability programs.</p> <p>Feedback from 47 senior stakeholders, sourced through surveys, one-on-one meetings and advisory forums, indicated a high (more than 85 per cent) level of satisfaction with engagement and the initiatives to address Defence priority problems.</p> <p>Defence has grown its partnerships with academia, industry and publicly funded research agencies over the past year, with a 44 per cent increase in the value of collaborative agreements established in 2020–21 compared to 2019–20. International partnerships are being reviewed to ensure that they are focused on Defence science and technology priorities.</p> <p>This investment enabled urgent science and technology assistance to be provided to Defence operations including Operation COVID-19 ASSIST. Defence science and technology priorities were also supported through international collaborations with the Five Eyes Research and Development Council which facilitated the scale of scientific expertise underpinning Australia's COVID-19 response.</p> <p>In the land domain, science and technology support was delivered for programs such as Long Range Fires, Land C4, Platforms (Vehicles and Rotary wing) and the Dismounted Combatant. There was a significant focus on autonomy, including human machine teaming and resilience of networks as well as enhancement of experimentation systems such as the Land Open Architecture Vehicle Experimentation System.</p> <p>Specialist scientific expertise in the aerospace domain is contributing to current in-service capabilities to ensure aircraft structural integrity, forensic science and technology services, and operational availability, sustainability and relevance. Defence scientists are also working with the Royal Australian Air Force, Boeing Defence Australia, and United States counterparts to grow the understanding of remotely piloted combat aircraft capabilities and contribute to the Loyal Wingman project.</p> <p>The science and technology portfolio continued to grow the Defence space research program and supported the delivery of Defence space projects such as Space Domain Awareness, Australian Defence Satellite Communication System and Sovereign Space-Based Imagery Capability. This included collaborating with the Australian space sector through the SmartSat Cooperative Research Centre to develop new space technologies and establishing research networks with Australian academic partners to develop novel satellite payloads.</p> <p>In the maritime domain, research and specialist science and technology advice assisted Defence and Australian industry to progress major shipbuilding projects within the National Naval Shipbuilding Plan, and to sustain the current fleet of ships and submarines as a regionally superior naval capability to achieve strategic Defence objectives.</p>	

To inform the design of the future Australian Defence Force, three analytical tools were delivered and used in 2020–21 to plan the Defence workforce increase out to 2040. These decision-support tools generate a quantitative estimate of the capability benefit of proposed investments and enable optimised prioritisation of the Integrated Investment Program.

Defence also engaged across government to achieve advances in science and technology and build national capabilities. In 2020–21, this included:

- Partnership activities to coordinate initiatives across the intelligence community that will unite, prioritise and scale research efforts;
- Investment in research and development in priority areas facilitated under the National Intelligence and Security Discovery Research Grant initiative, with \$9 million in seed funding committed over three years;
- A new capability to assess critical and sensitive technologies to inform whole-of-government strategic thinking along with responses to technology threats and opportunities that are critical to the national interests of Australia.

With over 530 research activities in planning or underway with academia, industry and publicly funded research agencies, Defence continues to expand and strengthen partnerships and pathways to enable innovative ideas to transition into Defence capability.



Want a glimpse inside the operations room of the future? Jericho Disruptive Innovation is piloting virtual operations rooms on air bases across the country using Microsoft HoloLens 2 headsets to project a hologram of the battlespace in front of the user.

<b>Performance criterion 13</b>	<b>Agreed reform programs are progressed as planned</b>	
<b>Target</b>	Reform program milestones are met and benefits realised	
<b>Source</b>	2020–24 Defence Corporate Plan (Updated January 2021)	
	Portfolio Budget Statements 2020–21	Program 2.2
<b>Results</b>	Achieved	
<b>Analysis</b>	<p>Defence progressed its agreed reform programs as planned in 2020–21 and met agreed milestones. Reporting on the reform program over the first half of 2020–21 indicated that 94 per cent of reform activities were on track for delivery within agreed timeframes with remedial actions in place for the remainder.</p> <p>The program was subsequently recalibrated in the second half of 2020 in response to the 1 July 2020 release of the <i>2020 Defence Strategic Update</i> and <i>2020 Force Structure Plan</i>. This process resulted in the development and release of the <i>Lead the Way: Defence Transformation Strategy</i> in November 2020.</p> <p>Outstanding reform activities were considered and transitioned to the new program established for the implementation of the <i>Lead the Way: Defence Transformation Strategy</i>.</p> <p>Defence delivered a range of enterprise reforms in 2020–21:</p> <ul style="list-style-type: none"> <li>• Defence enhanced its ability to deliver capability through improved learning and development for capability staff; improved performance reporting on capability projects; streamlined policies and processes for capability delivery; and an enhanced approach to test and evaluation during the capability development cycle;</li> <li>• Defence improved its engagement with Australian Defence industry and its approach to innovation through enhancements to the Defence Innovation Hub and the Centre for Defence Industry Capability; and the work of the Sovereign Industrial Capability Priorities grants program;</li> <li>• Defence continued to improve and transform its business practices, systems and service delivery through its Enterprise Resource Planning (ERP) program. The ERP program is a whole-of-Defence transformation initiative, impacting almost every aspect of the Defence enterprise. It is standardising and streamlining business processes across the finance, engineering, maintenance, logistics, human resources and estate functions of Defence. Key scoping and development work was undertaken in 2020–21 with rollout of initial core financial reporting capability under Tranche 1 of the program;</li> <li>• Defence further advanced its cultural reform agenda through a new unified set of Defence Values and Behaviours. Launched in October 2020, the new Defence Values and Behaviours set the benchmark for what Defence expects of all its people in the workplace. They also embody and reinforce the unifying ‘One Defence’ approach and principle;</li> <li>• Defence provided greater support for ADF personnel and veterans through a range of initiatives. These included the delivery of the first tranche of the ADF Employment Offer Modernisation initiative, the establishment of the Joint Transition Authority, and the improved engagement and information sharing arrangements with the Department of Veterans’ Affairs. The ADF Transition and Civil Recognition project, established in 2017 following the Senate inquiry into suicide by veterans and ex-service personnel and the establishment of the Prime Minister’s Veterans’ Employment Program, also delivered a number of tailored tools to enhance the successful transition of ADF members to civilian employment.</li> </ul>	

### ***Lead the Way: Defence Transformation Strategy***

The implementation work for *Lead the Way: Defence Transformation Strategy* features the development of an enhanced benefits management framework to guide programs and projects in the identification, measurement and future reporting on benefits.

The *Lead the Way: Defence Transformation Strategy* builds on the strong foundations of the First Principles Review and the program of reform flowing from the review's conclusion. It provides the vision and framework for long-term, enterprise-wide transformation to ensure Defence is organisationally fit to implement its strategic and capability priorities and deliver on its commitments. Continuous transformation will enhance Defence's capacity to continually adapt as strategic circumstances change.

In implementing *Lead the Way: Defence Transformation Strategy*:

- Defence improved its management and approach to data through the development of the *Defence Data Strategy 2021–2023*. The Data Strategy will strengthen data governance and accountability, build strong data literacy and analytic skillsets across the workforce, and guide a more deliberate approach to how data is collected, stored, analysed and applied;
- Defence clarified its transformation priorities through the development of an Enterprise Priority Statement. The statement identifies the key transformation priority areas for the Defence enterprise to focus effort upon, in the context of the strategic environment;
- Defence developed the *2021–22 Defence Communication Strategy*. This strategy will help align Defence's communication activities with the *2020 Defence Strategic Update*, the *2020 Force Structure Plan*, and *Lead the Way: Defence Transformation Strategy* to support Defence's portfolio ministers and its engagement with stakeholders, the media and the public.

<b>Performance criterion 14</b>	<b>An integrated service delivery system that enables Defence to achieve Australian Government outcomes</b>	
<b>Target</b>	Service Delivery enables Defence to meet Government outcomes	
<b>Source</b>	2020–24 Defence Corporate Plan (Updated January 2021)	
	Portfolio Budget Statements 2020–21	Programs 2.2, 2.3, 2.10, 2.11, 2.12
<b>Results</b>	Partially Achieved	
<b>Analysis</b>	<p>The Service Delivery Framework 2.0 identified milestones to be met over a two year period to improve service delivery in Defence. The timeframe for delivery of these milestones concluded in December 2020. At that time, whilst a majority of the roadmap initiatives were implemented, not all targets were achieved. Highlights of the Service Delivery Framework 2.0 included the launch of the customer service behaviours, release of a customer experience training program and the establishment of the Defence Contact Centre Community of Practice.</p> <p>In April 2021, the Defence Enterprise Business Committee recognised the partial achievement of milestones identified in the Service Delivery Framework 2.0, and endorsed an approach to progress Service Delivery Transformation across the Department. The approach includes alignment to the <i>Lead the Way: Defence Transformation Strategy Initiative 2.3 – to transform our business practices, systems and service delivery</i>. To support this focus a review and update of the Service Delivery Framework 3.0 includes an endorsed Integrated Service Delivery (ISD) governance structure that will strengthen accountability and assist with prioritising digital and contemporary enhancements to services.</p> <p>The Service Delivery Framework 3.0 outlines new key performance milestones from October 2021 to December 2023, endorsed and tracked at an enterprise level by the newly formed ISD Program Board.</p> <p>The annual Customer Satisfaction Survey was conducted in December 2020 with APS and ADF contributing to 8,142 responses. Data was collected about finance, people, communication and media, security, estate management, ICT, audit and fraud, geospatial intelligence and legal and non-materiel procurement services. While satisfaction remained steady across the service entities in comparison to the previous year's results, ICT services increased in satisfaction by three per cent. This is a positive achievement given the pressures of delivering services in the context of challenges and disruptions arising from COVID-19 and the bushfires in 2020.</p> <p>General achievements to reduce administrative burden and achieve against service level performance indicators include:</p> <ul style="list-style-type: none"> <li>• We continue to consolidate service channels to drive greater efficiency, for example transition of level one recruitment enquiries to 1800 DEFENCE, which has shortened response times and allowed recruitment staff to focus on enquiries that are more complex;</li> <li>• The PostingConnect application was released to ADF members and their families in December 2020, simplifying and providing guidance through the posting experience and integrating with business partner systems (TOLL and Defence Housing Australia). PostingConnect is an integrated service delivery application that links housing and relocation services together for customers into one simple, guided and integrated experience. During the 2020–21 posting cycle, the tool: <ul style="list-style-type: none"> <li>– Increased access to 888 nominees who assisted ADF members with their posting related activities;</li> <li>– Achieved a 10 per cent reduction in time spent on administration activities related to posting through more intuitive and simplified processes, notifications and integration with third party systems;</li> </ul> </li> </ul>	

- The Voice of the Customer training program was launched in September 2020 to further develop our people's skills in capturing customer needs;
- The Wayfinding project was successfully completed, which provides visitors to 73 priority Defence bases with information, maps and signage to efficiently plan their journey. This has resulted in time savings of more than 50 per cent for planning base visits;
- Defence Archives is on track to achieve the digitisation of 20 per cent of all personnel records by the end of 2021, making the provision of files more timely and aligning to the Government's digital agenda;
- The process for ICT services was modified to accommodate multiple requests from customers in a single call, eliminating duplication and improving customer experience;
- Defence continues to simplify entry points for customers – during 2020–21, five products and 19 services transitioned to 1800DEFENCE from other areas of the business. 1800DEFENCE also extended support to Defence's response for Bushfire Assist and COVID-19;
- Defence People Group has scoped and developed a program of 25 reform initiatives across the Human Resources and Education and Training domains to deliver a 'One Defence' People System, ensuring a consistent and integrated approach to service delivery.

In accordance with the Estate and Infrastructure Group (E&IG) Defence Preparedness Assessment, less than five per cent estate service failures resulted in a reduction in impact to regional and localised operational capability.



<b>Performance criterion 15</b>	<b>Quality and timeliness of Defence's financial management, reporting and advice</b>	
<b>Target</b>	<ul style="list-style-type: none"> <li>Defence meets legislated financial requirements and timeframes</li> <li>Financial advice meets stakeholder needs</li> </ul>	
<b>Source</b>	2020–24 Defence Corporate Plan (Updated January 2021)	
	Portfolio Budget Statements 2020–21	Program 2.3
<b>Results</b>	Achieved	
<b>Analysis</b>	<p>Defence met all legislated financial reporting requirements and timeframes in 2020–21.</p> <p>The 2019–20 Financial Statements received an unmodified opinion and Defence is on track to achieve a similar outcome for 2020–21. During 2020–21, of the 18 findings, 10 were closed or closure packs submitted to the Australian National Audit Office (ANAO). This included a number of moderate level findings raised in prior year audits.</p> <p>The financial control environment remains strong. The ANAO have confirmed that the financial information presented in the annual report presents fairly the financial position and performance of Defence and complies with accounting standards and other legislation as appropriate. This gives us confidence in the reliability of within year financial reporting and financial management practices.</p> <p>Chief Finance Officer (CFO) advice to senior Defence committees and Ministers is delivered on a timely basis, identifies risk and informs decision-making.</p> <p>The CFO and the Defence Finance Group's senior leadership team regularly present briefings on Defence's financial performance and management to the Defence Committee, the Enterprise Business Committee, the Investment Committee, the Defence Audit and Risk Committee, the Defence People Committee and the Defence Finance and Resourcing Committee. During the 2020–21 year 149 senior committee reports were presented. The CFO meets with the senior leadership group to discuss the outlook on a monthly basis and all Group Heads and Service Chiefs have the opportunity to provide feedback. No significant concerns or negative feedback have been raised.</p> <p>During 2020–21 a new budget fact sheet was released alongside the <i>2020 Force Structure Plan</i> to improve external understanding of key budget concepts and how financial management works in Defence. Internally, a new Internal Budget Policy Manual was released to provide Defence personnel with more detailed information on how budget and financial management and risk are managed within Defence.</p>	

Performance criterion 16	Defence workforce has the agility, skills and culture to meet current and future demands to deliver capability
Target	<ul style="list-style-type: none"> <li>Key workforce effects outlined in the Defence strategic Workforce Plan and Total Workforce System are achieved, including critical skillset levels</li> <li>Cultural reform priorities are implemented as set out in <i>Pathway to Change Evolving Defence Culture 2017-22</i></li> <li>Embed the Defence Values and Behaviours</li> </ul>
Source	2020–24 Defence Corporate Plan (Updated January 2021) Portfolio Budget Statements 2020–21 Program 2.12
Results	Partially Achieved
Analysis	<p>The Strategic Defence Workforce Plan is reviewed annually for achievement against milestones and to ensure alignment with Defence planning guidance. This review also includes a refreshed environmental scan of influences on the Defence workforce. The 2021 assessment of progress against Defence Strategic Workforce Plan milestones indicated that Defence continued to maintain momentum in most areas of the workforce system, while also identifying actions to achieve the required reform, reshaping and rebalancing of the workforce.</p> <p>The partially achieved result for this performance criterion reflects that in 2020–21 Defence did not close the supply-demand gap in the trained force critical categories and occupations. This is due to the continuing workforce pressures in critical categories such as cyber, intelligence, engineering, health and information and communication specialists, as Defence grows its demand in these occupations.</p> <p>In 2020–21 Defence commenced an update of the Defence Strategic Workforce Plan, with a view to incorporate the strategies and actions for a revised framework to manage joint workforce groups and capabilities. An important part of this revision is the incorporation of a Defence Enterprise Retention Strategy focused on maintaining a workforce appropriate for current capability demands while evolving to meet future requirements.</p> <p>Since 2017 the proportion of members who, on ceasing full-time service, are choosing to continue to serve on a part-time time basis, has increased significantly. This has provided a continued career path for those who wish to remain serving in the ADF but are unable to commit to full-time service.</p> <p>The COVID-19 pandemic appears to have positively influenced views of flexibility across Defence. In further evidence of increased use of flexible work arrangements, whilst the number of members accessing flexible service career paths remains static, an increased proportion of full-time service members are on flexible work arrangements.</p> <p>Key skilling initiatives included the launch of the Indigenous Learning Portal within the Defence Online Academy and a refresh of the Build on You program to align with the Defence Future Focused Capabilities. Defence also adapted the delivery mode of multiple programs in response to COVID-19. This ensured that course participation could be maintained despite social distancing requirements and travel restrictions.</p> <p>On 20 May 2021 the Australian National Audit Office tabled a section 19 report in Parliament on Defence's implementation of cultural reform through <i>Pathway to Change: Evolving Defence Culture 2017–2022</i>. In line with the Auditor-General's recommendations, Defence is establishing reporting arrangements on the implementation of Pathway to Change, and is developing measurable outcomes, including a set of performance criteria for assessing the strategy. As expected in the fourth year of a five-year strategy, implementation of the six key cultural reform priorities for 2020–21 is ongoing.</p> <p>Defence's commitment to driving a One Defence culture was further enhanced in <i>Lead the Way: Defence Transformation Strategy</i>.</p>

A range of actions were undertaken to improve the workforce understanding of acceptable behaviour and management of incidents of unacceptable behaviour. These included the delivery of training workshops by qualified dispute resolution practitioners, the release of short educational videos to strengthen complaint management capability and skills in the resolution of interpersonal conflict. An update to the mandatory annual Workplace Behaviour training was also completed to reinforce Defence Values and Behaviours as well as the process for submitting and managing incidents of unacceptable behaviour.

We continue to encourage personnel to report unacceptable behaviour through education campaigns and training updates.

A total of 1,132 incidents were reported during 2020–21, an increase of 34 from 2019–20. Of these, 937 incidents occurred during the financial year with 198 incidents occurring in previous financial years. The number of incidents being reported from previous financial years suggests confidence to report unacceptable behaviour has increased.

The 2020 YourSay Workplace Experience Survey indicates that the majority of Defence personnel perceive that incidents of unacceptable behaviour are being managed well and Defence has a culture that supports individuals who report fraud, corruption or unethical behaviour.

Performance criterion 17	A compliant Work Health and Safety environment to ensure the wellbeing of the Defence workforce and the broader Australian community	
Target	Minimise the exposure to unnecessary health, wellness and safety risk	
Source	2020–24 Defence Corporate Plan (Updated January 2021)	
	Portfolio Budget Statements 2020–21	Program 2.12
Results	Partially Achieved	
Analysis	<p>Defence remains committed to providing a compliant work health and safety environment to ensure the wellbeing of the Defence workforce and the broader Australian community.</p> <p>The number of notifiable incidents per 1,000 Defence personnel has marginally increased to 3.9 in 2020–21 compared to 3.8 in 2019–20.</p> <p>Defence continued to improve in timeliness of notifications to Comcare. In 2020–21, 69 per cent of initial notifications to Comcare were made within 24 hours of the incident occurring, compared to 64 per cent in 2019–20. Written notification timeframes also improved, with 72 per cent of notifiable incidents in 2020–21 being reported to Comcare within 48 hours, compared to 57 per cent in 2019–20.</p> <p>The <i>Defence Work Health and Safety Strategy 2017–2022</i> outlines four strategic focus areas which play a vital role in contributing to achievement of the strategy's vision, <i>Defence has workplaces free from foreseeable and preventable injury and illness</i>. As at 18 February 2021, progress against the strategy was on track. Key activities completed in 2020–21 included an updated Work Health and Safety mandatory training package, development of an APS Health and Wellbeing Action Plan and an improved rehabilitation reporting function for APS employees.</p> <p>In 2020–21, 89 per cent of permanent ADF members and 90 per cent of APS employees have completed the mandatory Work Health and Safety training package. The updated mandatory training package is aligned with Defence's work health and safety focus areas, and is expected to improve mandatory training completion rates over 2021–22. In addition, the Secretary and Chief of the Defence Force Round Table meeting reviews mandatory training completion rates every month.</p> <p>Defence has made progress towards minimising exposure to unnecessary health, wellness and safety risk in 2020–21. The partially achieved result for the activities detailed above reflects the ambition of our targets, to continuously strive towards zero injuries or illnesses while also satisfying legislative requirements. Any injuries to our people are unacceptable. However, injuries are likely to occur due to the nature of Defence's business. This means we need to make our safety culture the highest priority.</p>	

<b>Performance criterion 18</b>	<b>Appropriate support and services are provided to Defence people, noting Defence has a responsibility to respect and support members of the Australian Defence Force having regard to their lifetime wellbeing</b>	
<b>Target</b>	To transition Australian Defence Force personnel across the service spectrum with a focus on planning for their personal security	
<b>Source</b>	2020–24 Defence Corporate Plan (Updated January 2021)	
	Portfolio Budget Statements 2020–21	Programs 2.4 & 2.12
<b>Results</b>	Partially Achieved	
<b>Analysis</b>	<p>Defence has continued to provide tailored support to transitioning ADF members and their families on a needs basis, including up to 24 months after transition. In response to the ongoing uncertainty due to COVID-19, Defence has adapted to flexible delivery of transition services, and to offer choice to transitioning members and their families in the way they receive services, such as through a virtual transition seminar.</p> <p>During 2020–21, a design for providing transition support across the full employment spectrum was completed. Defence has commenced a project to build the service capability in preparation for a potential phased rollout from 1 July 2021. The partially achieved result is due to the planning and development stage of this project occurring in 2020–21, with implementation occurring in 2021–22.</p> <p>During 2020–21 the transition preparedness indicators against the human security framework were developed and agreed. These are being trialled and evaluated in a proof of concept from March 2021 to July 2022.</p> <p>The health policy relating to transition also continues to be enhanced. This includes a focus on the separation health examination and the implementation of the GP Connect initiative, which provides medically transitioning Service members with a Defence funded general practitioner appointment within four weeks of their transition date.</p> <p>During 2020–21 Transition Coaches completed a total of 22,528 engagement and coaching sessions and met the key performance indicator of completing a coaching session with at least 95 per cent of transitioning members.</p> <p>During this same period of time, 93 per cent of respondents, at three months post transition, rated the transition coaching service as neutral, positive or extremely positive. Customer satisfaction has improved year on year from 87.5 per cent in 2018–19 to 92.5 per cent in 2019–20. Furthermore, around 80 per cent of respondents who participated in financial counselling reported that the program was effective or extremely effective in helping them to achieve their transition goals.</p> <p>A key measure being captured by the Member and Family Post Transition Survey is the ‘looking for work’ figure. The percentage of transitioned members who report as ‘looking for work’ decreases from 11 per cent at three months to eight per cent at 12 months post-transition. This figure includes members who are employed but looking for other employment opportunities, promotions or alternative work. The ADF ‘looking for work’ rate is not equivalent or comparable to the national unemployment rate as the ADF ‘looking for work’ rate includes former ADF members, with employment, who are seeking their next employment opportunity.</p> <p>During 2020–21, Defence adapted the transition seminars to virtual delivery through the procurement of a platform to host the ADF Member and Family Transition Seminar. A combined service offering of virtual and face-to-face seminars will be implemented following the easing of COVID-19 restrictions.</p>	

<b>Performance criterion 19</b>	<b>Appropriate support and services are provided to Defence families</b>	
<b>Target</b>	Australian Defence Force families are supported through the delivery of wellbeing and support services with a focus on planning for their personal security	
<b>Source</b>	2020–24 Defence Corporate Plan (Updated January 2021)	
	Portfolio Budget Statements 2020–21	Programs 2.4 & 2.12
<b>Results</b>	Achieved	
<b>Analysis</b>	<p>Defence continues to improve support for and the wellbeing of Australian Defence Force members and their families. This includes:</p> <ul style="list-style-type: none"> <li>the Partner Employment Assistance Program (PEAP), which aims to support applicants to secure employment, had 450 applications approved in 2020–21. Effective from 1 November 2020, the PEAP ADF partner survey data collection commenced to evaluate experience with the program and if the initiatives supported them to secure employment. The survey responses at the six months interval indicate 87 per cent of ADF partners reported they had secured employment with, 70 per cent stating that PEAP was effective in helping them secure a position. All approved PEAP participants were engaged, at a minimum, with the opportunity to participate in this survey;</li> <li>the Australian Defence Force Family Health Program, in which participation continues to grow. Program satisfaction remains high, with feedback indicating that the program is providing practical benefits for Defence families;</li> <li>updating the Defence Family and Domestic Violence Strategy 2017–2022. Noting that it must align with the Commonwealth Strategy on Prevention of Violence to Women and Children, due to be released mid-2022, the new Defence strategy will be released in June 2022;</li> <li>development of a model of support for members and families posted overseas including the use of proactive contact, access to 24/7 support and psychoeducation through the use of webinars.</li> </ul> <p>All calls and emails to the Defence Family Helpline and National Welfare Coordination Centre are acknowledged within 24–48 hours and are addressed in a manner most appropriate to the presenting issue and the needs of the individual. In this regard all calls and emails are triaged to ensure necessary support is made available without delay.</p> <p>A new initiative, the Defence Family Research Program, was established in 2020 as part of the modernisation of Defence's Family Support Program. This research will develop new knowledge about ADF and veteran families across the life-course to optimise the development of policy, programs, and clinical interventions to enhance ADF family wellbeing.</p>	

Performance criterion 20	Timely and accurate administration of the Administered Programs	
Target	Administration meets agreed requirements	
Source	2020–24 Defence Corporate Plan (Updated January 2021)	
	Portfolio Budget Statements 2020–21	Programs 2.14, 2.15, 2.17
Results	Achieved	
Analysis	<p>Financial controls remain in place and are effective in ensuring timely and accurate administration.</p> <p>The Australian National Audit Office has confirmed that the financial information presented in the 2019–20 annual report presents fairly the financial position and performance of Defence and complies with accounting standards and other legislation as appropriate. There are currently no outstanding audit findings with respect to the Administered programs.</p>	

Performance criterion 21	Eligible Australian Defence Force members continue to access the Defence Home Ownership Assistance Scheme	
Target	The scheme is consistently identified in surveys as a contributor to the retention of Australian Defence Force personnel	
Source	2020–24 Defence Corporate Plan (Updated January 2021)	
	Portfolio Budget Statements 2020–21	Program 2.16
Results	Achieved	
Analysis	<p>ADF members have consistently identified in surveys that the Defence Home Ownership Assistance Scheme is a key factor influencing them to remain serving. Interest in the scheme has remained positive throughout the year with numbers remaining consistent with previous years, despite the ongoing impact of COVID-19.</p> <p>During 2020–21, the Department of Veterans' Affairs processed 6,123 Defence Home Ownership Assistance Scheme applications, and 3,602 Defence Home Ownership Assistance Scheme subsidy payments commenced.</p>	





ADF personnel load disaster relief supplies onto HMAS *Adelaide* at Kings Wharf in Suva during Operation FIJI ASSIST 2020–21.

## Defence Support to Operation FIJI ASSIST

In the wake of Tropical Cyclone Yasa, which made landfall in Fiji on 17 December 2020 as a Category Five system, the Royal Australian Navy, as part of a Defence Joint Task Group, including contingents from the Australian Army, Royal Australian Air Force and Australian Public Service provided humanitarian aid and disaster relief to the region.

While the major centres of Nadi and Suva avoided the worst of the cyclone, the northern island of Vanua Levu, along with surrounding islands, particularly on the northern coastline, suffered significant damage.

Canberra class Landing Helicopter Dock HMAS *Adelaide* was part of a Joint Task Group of more than 600 Australian Defence people who supported the Republic of Fiji Military Forces in providing essential relief to affected areas of Fiji. *Adelaide* departed Australia on Christmas Eve

and delivered 165 tonnes of humanitarian relief stores and supplies, including building materials, tents, medical supplies, solar lighting, hygiene kits, and education supplies to enable children to return to school.

All of this was achieved under the complex conditions created by COVID-19 and extensive local health protocols in Fiji and Australia. The Task Group overcame these additional challenges through adaptive planning that ensured the greatest aid effect was delivered within the imposed restrictions.

Operation FIJI ASSIST demonstrated the ADF's ability to respond quickly and with flexibility to natural disasters in the Pacific region, and highlighted Defence's adaptability to continue to provide humanitarian assistance despite the global pandemic.



Soldiers from the 6th Battalion, Royal Australian Regiment fire a Javelin anti-armour weapon during a live-fire defence serial held for Exercise Diamond Walk at Shoalwater Bay, Queensland.





# 4

FINANCIAL  
SUMMARY

## Summary

From 1 July 2020, Defence has adopted the 'net cash funding' presentation for financial budgeting and reporting. This brings Defence into line with the budgeting and reporting arrangements adopted by other Australian Government agencies.

Net cash appropriation arrangements implemented by the Australian Government were designed to remove the nexus between depreciation expenses and asset replacement funding. Within Defence this is achieved by separately identifying funding for acquisition of major new capabilities, which is largely capital in nature, from the ongoing operating and minor capital costs associated with sustainment activities and the Defence workforce.

This change means that Defence, just like all other Australian Government agencies, now budgets for a technical operating loss. The appropriation revenue reported in the Statement of Comprehensive Income no longer funds expenditure line items such as the cost of depreciation, inventory consumption and associated net write-downs and impairment of assets. This difference represents the technical operating loss.

The acquisition of major new capability is fully funded by capital appropriations which are reported as equity injections in the Statement of Changes in Equity. The new presentation provides a clearer line of sight between appropriation funding from Government and planned outlays.

The 'net cash result' is the primary indicator that Defence uses to measure its financial performance against budget. Based on accrual accounting principles this measure separately identifies and reports on performance against operating and capital appropriations.

Other indicators of financial performance include the cash result and the net cost of services and operating result. The cash result is the cash flow equivalent result that compares cash outlays against Defence's annual appropriation funding and other cash inflows based on when payment is made. The net cost of services and operating result is the full accrual accounting result reported in the Financial Statements at Appendix A.

## Net cash result

Defence reported a net cash result of \$271.1 million (0.6 per cent) surplus for 2020–21, comprising a net operating deficit of \$355.6 million and net capital surplus of \$626.7 million. The ongoing impacts of COVID-19 on international supply chains have consequential impacts to Defence's Acquisition Program. Restrictions on the movement of workers and shutdowns in jurisdictions slowed a number of Defence projects. In addition to this, the improvement in the value of the Australian dollar relative to currencies of trading partners has reduced the cost of business for capital and operating expenditure sourced from foreign countries.

In contrast, Defence recorded a net operating deficit of \$355.6 million. After considering the factors contributing to the capital surplus, Defence invested further in operating sustainment, repairs and overhaul and estate maintenance activities across a number of services and assets during 2020–21. A much higher proportion of sustainment activity is delivered by Australian based businesses. Ramping up sustainment activity has been an important source of economic stimulus to the Australian economy during the recovery from COVID-19.

Table 4.1: Defence Net Cash Financial Result<sup>1</sup>, 2020–21

	2020–21 Original Budget estimate <sup>2</sup> \$'000	2020–21 Revised Budget estimate <sup>3</sup> \$'000	2020–21 Actual result <sup>4</sup> \$'000	Variation to Original Budget \$'000	Variation %
<b>OPERATING</b>					
<b>OPERATING FUNDING</b>					
Appropriation revenue (Acts 1 and 3)	27,325,191	27,328,201	27,365,581	40,390	0%
Net foreign exchange gains	–	–	31,558	31,558	0%
Goods and services	553,644	542,258	558,968	5,324	1%
Net gains from sale of assets	(14,966)	16,426	18,666	33,632	(225%)
Other revenue and gains	221,913	230,384	580,326	358,413	162%
<b>TOTAL OPERATING FUNDING</b>	<b>28,085,781</b>	<b>28,117,269</b>	<b>28,555,099</b>	<b>469,318</b>	<b>2%</b>
<b>OPERATING EXPENSES</b>					
Employees	12,433,518	12,444,532	12,105,790	(327,728)	(3%)
Suppliers	15,165,594	15,186,614	16,199,539	1,033,945	7%
Grants	74,193	74,027	75,306	1,113	2%
Principal repayments of lease liabilities	236,719	236,719	301,137	64,418	27%
Other expenses	114,005	114,005	228,921	114,916	101%
<b>TOTAL OPERATING EXPENSES</b>	<b>28,024,029</b>	<b>28,055,897</b>	<b>28,910,693</b>	<b>886,664</b>	<b>3%</b>
<b>NET OPERATING SURPLUS / (DEFICIT) [A]</b>	<b>61,752</b>	<b>61,372</b>	<b>(355,594)</b>	<b>(417,346)</b>	<b>(676%)</b>
<b>CAPITAL</b>					
<b>CAPITAL FUNDING</b>					
Contributed Equity (Acts 2 and 4)	11,671,009	11,399,183	11,171,183	(499,826)	(4%)
Departmental Capital Budget (Acts 1 and 3)	2,718,949	2,696,236	2,668,954	(49,996)	(2%)
<b>TOTAL CAPITAL FUNDING</b>	<b>14,389,958</b>	<b>14,095,419</b>	<b>13,840,137</b>	<b>(549,822)</b>	<b>(4%)</b>
<b>CAPITAL EXPENDITURE</b>					
Additions of non-financial assets	12,583,419	12,238,830	11,445,521	(1,137,899)	(9%)
Additions of inventory	1,806,539	1,856,589	1,767,954	(38,585)	(2%)
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>14,389,958</b>	<b>14,095,419</b>	<b>13,213,475</b>	<b>(1,176,483)</b>	<b>(8%)</b>
<b>NET CAPITAL SURPLUS / (DEFICIT) [B]</b>	<b>–</b>	<b>–</b>	<b>626,662</b>	<b>626,662</b>	<b>100%</b>
<b>DEFENCE NET CASH RESULT – SURPLUS / (DEFICIT) [A] + [B]</b>	<b>61,752</b>	<b>61,372</b>	<b>271,068</b>	<b>209,315</b>	<b>339%</b>

**Notes:**

- The net cash financial result is a summary of the sources of funding received by Defence and the outlays against the same, reported on an accrual basis. This presentation provides a clearer line of sight between appropriations, other sources of funding and the corresponding budgeted and actual outlays.  
Defence projects are funded and managed on a whole-of-life basis and comprise both capital and operating costs. Accordingly, in addition to the operating items of revenue and expense, the net cash financial result also discloses the outlay in relation to acquisition of new assets and inventory which are fully funded via capital appropriations. Capital funding comprises a departmental capital budget (DCB) for the purchase of minor assets and Defence inventory, and a capital appropriation equity injection for the purchase of major assets under the Capability Investment Program.  
On account of inclusion of asset and inventory additions as the outlay against capital funding, the net cash result excludes depreciation, amortisation, inventory consumption, net write-down and net impairment of assets. Further, the net cash result includes payments in relation to right-of-use (ROU) liabilities as the whole-of-government funding mechanism adopted for such ROU leases is aligned to the repayment of the lease liabilities, instead of the income statement impact of such leases.
- As published in the *Portfolio Budget Statements 2020–21*.
- As published in the *Portfolio Additional Estimates Statements 2020–21*.
- All actual figures are drawn from *Appendix A: Financial Statements – Statement of Comprehensive Income*, in accordance with the net cash financial result calculations.



## Cash result

The annual appropriation funding available to Defence for 2020–21 totalled \$41.3 billion, an increase of 8 per cent in comparison to the prior year. Additional cash inflows in relation to retainable receipts added a further \$1.0 billion to funds available to support cash expenditure during the year.

Cash payments made across the year totalled \$40.8 billion, resulting in a cash underspend of \$2.1 billion or 5 per cent compared to total cash available including appropriations, again largely driven by the impacts of COVID-19 on the Capability Acquisition Program. As part of Defence's transformation effort and support to the economy in responding to the COVID-19 pandemic, Defence accelerated payments for approved invoices under \$1 million to Australian suppliers up to 30 June 2021. Some of these payments would otherwise have been paid in 2021–22.

Table 4.2: **Defence Resource Statement, 2020–21**

	Actual available appropriation for 2020–21 \$'000	Payments made 2020–21 \$'000	Balance remaining 2020–21 \$'000
<b>DEPARTMENTAL ANNUAL APPROPRIATIONS</b>			
Prior year departmental appropriation available <sup>1</sup>	528,425	528,425	–
Annual appropriation – ordinary annual services <sup>1</sup>	27,466,779	26,427,299	1,039,480
Receipts retained under PGPA Act section 74 <sup>2</sup>	1,027,561	1,027,561	–
Total Departmental Outputs	29,022,765	27,983,285	1,039,480
<b>Total Departmental Annual Appropriations</b>	<b>29,022,765</b>	<b>27,983,285</b>	<b>1,039,480</b>
<b>DEPARTMENTAL OTHER SERVICES – NON-OPERATING APPROPRIATIONS</b>			
Prior year- other services – non-operating available	25,432	25,432	–
Annual appropriations – other services – non-operating	13,837,417	12,789,645	1,047,772
Total Departmental non-operating	13,862,849	12,815,077	1,047,772
<b>Total Departmental Other Services</b>	<b>13,862,849</b>	<b>12,815,077</b>	<b>1,047,772</b>
<b>Total Departmental Resourcing</b>	<b>42,885,614</b>	<b>40,798,362</b>	<b>2,087,252</b>
<b>SPECIAL APPROPRIATIONS</b>			
<i>Defence Force Retirement Benefits Act, 1948 Part 1 s. 15D and VIC, s. 82ZJ</i>		37,245	
<i>Defence Force Retirement and Death Benefits Act, 1973 Part XII, s. 125</i>		1,687,042	
<i>Military Superannuation and Benefits Act, 1991 Part V, s. 17</i>		1,430,996	
<i>Defence Force (Home Loan Assistance) Act, 1990 Part IV, s. 38</i>		127	
<i>Australian Defence Force Cover Act 2015</i>		25,575	
<i>Defence Home Ownership Assistance Scheme Act 2008 Part VI, s. 84</i>		104,884	
<b>Total Special Appropriations</b>		<b>3,285,869</b>	
<b>Special Accounts</b>			
Opening balance	153,085	–	–
Non-appropriation receipts to special accounts	249,651	–	–
Payments made	–	157,463	–
<b>Total Special Accounts</b>	<b>402,736</b>	<b>157,463</b>	<b>245,273</b>
<b>Total Resourcing and Payments</b>	<b>43,288,350</b>	<b>44,241,694</b>	<b>2,332,524</b>

**Notes:**

1. Appropriation amounts disclosed exclude amounts withheld under section 51 of the PGPA Act, amounts transferred to Defence Special Accounts or appropriation acts which have been repealed.
2. Receipts retained under PGPA Act section 74 include notional receipts and payments of \$204.3 million recorded by Defence in relation to rental contributions recovered from employees in 2020–21. Defence has also entered into a number of arrangements to perform activities on behalf of foreign governments under which funding is received to cover costs incurred by Defence. The total notional receipts and payments retained under PGPA Act section 74 is \$140.5 million in 2020–21.



## Net cost of services and operating result

The net cost of services reported in the Statement of Comprehensive Income provides the full accrual measure of performance, with capital and inventory measured as depreciated or consumed. After allowing for own-source income, the net cost of services for the year totalled \$35.2 billion, \$0.3 billion or 1 per cent less than the budgeted net cost of services.

The operating deficit attributable to the Australian Government was \$7.9 billion. As detailed above, the operating result is not comparable to the 2019–20 operating result due to the adoption of the net cash funding arrangements from 2020–21. The operating result reported in the Statement of Comprehensive Income differs from the net operating result included in the net cash result, as the net cash result excludes depreciation, inventory consumption and associated net write-down and net impairment of assets and includes lease repayments. Refer to Note 5.3 of the 2020–21 Financial Statements in Appendix A for a reconciliation of the two measures.

## Net assets

Defence's net asset position of \$106.0 billion increased by \$5.2 billion compared to \$100.8 billion in 2019–20. The increase is largely driven by specialist military equipment (SME) asset procurement of \$9.0 billion in 2020–21, partially offset by SME revaluation decrements of \$2.4 million and SME depreciation expenses of \$4.2 million.

## Administered result

In 2020–21, Defence's Administered result reported a net cost of services of \$8.4 billion, which remained steady compared to 2019–20. Defence recognised \$47.1 million in dividends and \$37.8 million in competitive neutrality revenue on behalf of the Australian Government from Defence Housing Australia. In 2020–21, Defence paid \$3.3 billion in Defence Force Superannuation payments and the Defence Home Ownership Assistance Scheme.



Rotary Wing Aero Medical Evacuation course members prepare to transfer a casualty to a CHC AW139 helicopter at HMAS Albatross in Nowra, New South Wales.

# Expenses by outcomes

Table 4.3: Total funded expenditure of Defence outcomes and programs, 2020–21

	2020–21 estimated actuals <sup>1</sup> \$'000	2020–21 actual result \$'000	Variation \$'000	Variation %
<b>Outcome 1: Defend Australia and its national interests through the conduct of operations and provision of support for the Australian community and civilian authorities in accordance with Government direction.</b>				
<b>Program 1.1 Operations Contributing to the Security of the Immediate Neighbourhood</b>				
<b>Net Cash Expenditure</b>				
Expenses funded by appropriation and own source revenue				
Employees	375	9	(366)	(98%)
Suppliers	–	7,399	7,399	100%
Net Losses from sale of assets	–	–	–	0%
Other Expenses	–	–	–	0%
<b>Total Expenses funded by appropriation and own source revenue (A)</b>	<b>375</b>	<b>7,409</b>	<b>7,034</b>	<b>1,876%</b>
Expenses not requiring appropriation				
Depreciation and amortisation	–	–	–	0%
Inventory consumption	–	–	–	0%
Net write-down and net impairment of assets	–	–	–	0%
<b>Total Expenses not requiring appropriation (B)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0%</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>–</b>	<b>7,409</b>	<b>7,409</b>	<b>100%</b>
Purchases of non-financial assets				
Purchases of inventory	–	–	–	0%
Principal repayments of lease liabilities	–	–	–	0%
<b>Total capital expenditure (D)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>100%</b>
<b>Total funded expenditure for Program 1.1 (A+D)</b>	<b>375</b>	<b>7,409</b>	<b>7,034</b>	<b>1,876%</b>
<b>Program 1.2 Operations Supporting Wider Interests</b>				
<b>Net Cash Expenditure</b>				
Expenses funded by appropriation and own source revenue				
Employees	57,020	32,529	(24,491)	(43%)
Suppliers	377,953	298,887	(79,066)	(21%)
Net Losses from sale of assets	–	–	–	0%
Other Expenses	–	–	–	0%
<b>Total Expenses funded by appropriation and own source revenue (A)</b>	<b>434,973</b>	<b>331,416</b>	<b>(103,557)</b>	<b>(24%)</b>
Expenses not requiring appropriation				
Depreciation and amortisation	–	–	–	0%
Inventory consumption	–	424	424	100%
Net write-down and net impairment of assets	–	–	–	0%
<b>Total Expenses not requiring appropriation (B)</b>	<b>–</b>	<b>424</b>	<b>424</b>	<b>100%</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>434,973</b>	<b>331,840</b>	<b>(103,133)</b>	<b>(24%)</b>
Purchases of non-financial assets				
Purchases of inventory	42,619	–	(42,619)	(100%)
Purchases of inventory	91,036	17,013	(74,023)	(81%)
Principal repayments of lease liabilities	–	–	–	0%
<b>Total capital expenditure (D)</b>	<b>133,655</b>	<b>17,013</b>	<b>(116,642)</b>	<b>(87%)</b>
<b>Total funded expenditure for Program 1.2 (A+D)</b>	<b>568,628</b>	<b>348,429</b>	<b>(220,199)</b>	<b>(39%)</b>

	2020–21 estimated actuals¹ \$'000	2020–21 actual result \$'000	Variation \$'000	Variation %
<b>Program 1.3 Defence Contribution to National Support Tasks in Australia</b>				
<b>Net Cash Expenditure</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees	42,970	37,490	(5,480)	(13%)
Suppliers	143,706	169,874	26,168	18%
Net Losses from sale of assets	–	–	–	0%
Other Expenses	–	2	2	100%
<b>Total Expenses funded by appropriation and own source revenue (A)</b>	<b>186,676</b>	<b>207,366</b>	<b>20,690</b>	<b>11%</b>
Expenses not requiring appropriation				
Depreciation and amortisation	–	–	–	0%
Inventory consumption	–	10	10	100%
Net write-down and net impairment of assets	–	–	–	0%
<b>Total Expenses not requiring appropriation (B)</b>	<b>–</b>	<b>10</b>	<b>10</b>	<b>100%</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>186,676</b>	<b>207,376</b>	<b>20,700</b>	<b>11%</b>
Purchases of non-financial assets	380	–	(380)	(100%)
Purchases of inventory	8,787	6,707	(2,080)	(24%)
Principal repayments of lease liabilities	–	–	–	0%
<b>Total capital expenditure (D)</b>	<b>9,167</b>	<b>6,707</b>	<b>(2,460)</b>	<b>(27%)</b>
<b>Total funded expenditure for Program 1.3 (A+D)</b>	<b>195,843</b>	<b>214,072</b>	<b>18,229</b>	<b>9%</b>
<b>Total funded expenditure for Outcome 1</b>	<b>764,846</b>	<b>569,910</b>	<b>(194,936)</b>	<b>(25%)</b>

**Outcome 2: Protect and advance Australia's strategic interests through the provision of strategic policy, the development, delivery and sustainment of military, intelligence and enabling capabilities, and the promotion of regional and global security and stability as directed by Government.**

#### **Program 2.1 Strategic Policy and Intelligence²**

##### **Net Cash Expenditure**

##### **Expenses funded by appropriation and own source revenue**

Employees	174,484	173,182	(1,302)	(1%)
Suppliers	601,981	706,196	104,215	17%
Net Losses from sale of assets	–	–	–	0%
Other Expenses	67,065	63	(67,002)	(100%)
<b>Total Expenses funded by appropriation and own source revenue (A)</b>	<b>843,530</b>	<b>879,440</b>	<b>35,910</b>	<b>4%</b>
Expenses not requiring appropriation				
Depreciation and amortisation	18,192	22,677	4,485	25%
Inventory consumption	10,418	142	(10,276)	(99%)
Net write-down and net impairment of assets	1,576	1,040	(536)	(34%)
<b>Total Expenses not requiring appropriation (B)</b>	<b>30,186</b>	<b>23,859</b>	<b>(6,327)</b>	<b>(21%)</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>873,716</b>	<b>903,299</b>	<b>29,583</b>	<b>3%</b>
Purchases of non-financial assets	286,975	422,374	135,399	47%
Purchases of inventory	19,365	421	(18,944)	(98%)
Principal repayments of lease liabilities	6,194	–	(6,194)	(100%)
<b>Total capital expenditure (D)</b>	<b>312,534</b>	<b>422,795</b>	<b>110,261</b>	<b>35%</b>
<b>Total funded expenditure for Program 2.1 (A+D)</b>	<b>1,156,064</b>	<b>1,302,235</b>	<b>146,171</b>	<b>13%</b>

	2020-21 estimated actuals¹ \$'000	2020-21 actual result \$'000	Variation \$'000	Variation %
<b>Program 2.2 Defence Executive Support</b>				
<b>Net Cash Expenditure</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees	109,656	119,582	9,926	9%
Suppliers	250,336	198,389	(51,947)	(21%)
Net Losses from sale of assets	–	–	–	0%
Other Expenses	2,296	2,114	(182)	(8%)
<b>Total Expenses funded by appropriation and own source revenue (A)</b>	<b>362,288</b>	<b>320,085</b>	<b>(42,203)</b>	<b>(12%)</b>
Expenses not requiring appropriation				
Depreciation and amortisation	8,037	274	(7,763)	(97%)
Inventory consumption	–	–	–	0%
Net write-down and net impairment of assets	11	2	(9)	(86%)
<b>Total Expenses not requiring appropriation (B)</b>	<b>8,048</b>	<b>276</b>	<b>(7,772)</b>	<b>(97%)</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>370,336</b>	<b>320,361</b>	<b>(49,975)</b>	<b>(13%)</b>
Purchases of non-financial assets	175,817	137,785	(38,032)	(22%)
Purchases of inventory	–	3	3	100%
Principal repayments of lease liabilities	2	–	(2)	(100%)
<b>Total capital expenditure (D)</b>	<b>175,819</b>	<b>137,787</b>	<b>(38,032)</b>	<b>(22%)</b>
<b>Total funded expenditure for Program 2.2 (A+D)</b>	<b>538,107</b>	<b>457,873</b>	<b>(80,234)</b>	<b>(15%)</b>

<b>Program 2.3 Defence Finance</b>				
<b>Net Cash Expenditure</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees³	78,645	(145,209)	(223,854)	(285%)
Suppliers⁴	65,043	80,166	15,123	23%
Net Losses from sale of assets	–	–	–	0%
Other Expenses	3,406	1,222	(2,184)	(64%)
<b>Total Expenses funded by appropriation and own source revenue (A)</b>	<b>147,094</b>	<b>(63,821)</b>	<b>(210,915)</b>	<b>(143%)</b>
Expenses not requiring appropriation				
Depreciation and amortisation	–	–	–	0%
Inventory consumption	–	–	–	0%
Net write-down and net impairment of assets	–	130,301	130,301	100%
<b>Total Expenses not requiring appropriation (B)</b>	<b>–</b>	<b>130,301</b>	<b>130,301</b>	<b>100%</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>147,094</b>	<b>66,480</b>	<b>(80,614)</b>	<b>(55%)</b>
Purchases of non-financial assets	–	11,918	11,918	100%
Purchases of inventory	–	1,340	1,340	100%
Principal repayments of lease liabilities	5	–	(5)	(100%)
<b>Total capital expenditure (D)</b>	<b>5</b>	<b>13,258</b>	<b>13,253</b>	<b>265,066%</b>
<b>Total funded expenditure for Program 2.3 (A+D)</b>	<b>147,099</b>	<b>(50,563)</b>	<b>(197,662)</b>	<b>(134%)</b>

	2020–21 estimated actuals¹ \$'000	2020–21 actual result \$'000	Variation \$'000	Variation %
<b>Program 2.4 Joint Capabilities</b>				
<b>Net Cash Expenditure</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees	623,176	673,685	50,509	8%
Suppliers	906,045	1,121,587	215,542	24%
Net Losses from sale of assets	–	–	–	0%
Other Expenses	1	26	25	2,458%
<b>Total Expenses funded by appropriation and own source revenue (A)</b>	<b>1,529,222</b>	<b>1,795,297</b>	<b>266,075</b>	<b>17%</b>
Expenses not requiring appropriation				
Depreciation and amortisation	31,244	24,151	(7,093)	(23%)
Inventory consumption	24,321	188,980	164,659	677%
Net write-down and net impairment of assets	323,689	319,691	(3,998)	(1%)
<b>Total Expenses not requiring appropriation (B)</b>	<b>379,254</b>	<b>532,822</b>	<b>153,568</b>	<b>40%</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>1,908,476</b>	<b>2,328,119</b>	<b>419,643</b>	<b>22%</b>
Purchases of non-financial assets	213,048	154,360	(58,688)	(28%)
Purchases of inventory	45,475	30,660	(14,815)	(33%)
Principal repayments of lease liabilities	29	–	(29)	(100%)
<b>Total capital expenditure (D)</b>	<b>258,552</b>	<b>185,020</b>	<b>(73,532)</b>	<b>(28%)</b>
<b>Total funded expenditure for Program 2.4 (A+D)</b>	<b>1,787,774</b>	<b>1,980,317</b>	<b>192,543</b>	<b>11%</b>

<b>Program 2.5 Navy Capabilities</b>				
<b>Net Cash Expenditure</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees	2,439,376	2,406,356	(33,020)	(1%)
Suppliers	2,574,204	2,734,658	160,454	6%
Net Losses from sale of assets	–	–	–	0%
Other Expenses	7,832	12,722	4,890	62%
<b>Total Expenses funded by appropriation and own source revenue (A)</b>	<b>5,021,412</b>	<b>5,153,736</b>	<b>132,324</b>	<b>3%</b>
Expenses not requiring appropriation				
Depreciation and amortisation	1,629,546	1,458,114	(171,432)	(11%)
Inventory consumption	337,510	190,439	(147,071)	(44%)
Net write-down and net impairment of assets	75,229	327,021	251,792	335%
<b>Total Expenses not requiring appropriation (B)</b>	<b>2,042,285</b>	<b>1,975,573</b>	<b>(66,712)</b>	<b>(3%)</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>7,063,697</b>	<b>7,129,309</b>	<b>65,612</b>	<b>1%</b>
Purchases of non-financial assets	2,749,294	2,573,775	(175,519)	(6%)
Purchases of inventory	594,925	596,167	1,242	0%
Principal repayments of lease liabilities	22,759	13,887	(8,872)	(39%)
<b>Total capital expenditure (D)</b>	<b>3,366,978</b>	<b>3,183,829</b>	<b>(183,149)</b>	<b>(5%)</b>
<b>Total funded expenditure for Program 2.5 (A+D)</b>	<b>8,388,390</b>	<b>8,337,564</b>	<b>(50,826)</b>	<b>(1%)</b>

	2020–21 estimated actuals¹ \$'000	2020–21 actual result \$'000	Variation \$'000	Variation %
<b>Program 2.6 Army Capabilities</b>				
<b>Net Cash Expenditure</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees	4,350,521	4,271,799	(78,722)	(2%)
Suppliers	2,007,962	2,111,548	103,586	5%
Net Losses from sale of assets	–	–	–	0%
Other Expenses	114	332	218	191%
<b>Total Expenses funded by appropriation and own source revenue (A)</b>	<b>6,358,597</b>	<b>6,383,678</b>	<b>25,081</b>	<b>0%</b>
Expenses not requiring appropriation				
Depreciation and amortisation	1,206,753	1,347,849	141,096	12%
Inventory consumption	384,202	215,226	(168,976)	(44%)
Net write-down and net impairment of assets	60,267	17,175	(43,092)	(72%)
<b>Total Expenses not requiring appropriation (B)</b>	<b>1,651,222</b>	<b>1,580,250</b>	<b>(70,972)</b>	<b>(4%)</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>8,009,819</b>	<b>7,963,928</b>	<b>(45,891)</b>	<b>(1%)</b>
Purchases of non-financial assets	2,466,511	2,517,571	51,060	2%
Purchases of inventory	726,586	596,052	(130,534)	(18%)
Principal repayments of lease liabilities	704	–	(704)	(100%)
<b>Total capital expenditure (D)</b>	<b>3,193,801</b>	<b>3,113,623</b>	<b>(80,178)</b>	<b>(3%)</b>
<b>Total funded expenditure for Program 2.6 (A+D)</b>	<b>9,552,398</b>	<b>9,497,301</b>	<b>(55,097)</b>	<b>(1%)</b>

<b>Program 2.7 Air Force Capabilities</b>				
<b>Net Cash Expenditure</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees	2,349,027	2,355,885	6,858	0%
Suppliers	2,946,142	2,760,163	(185,979)	(6%)
Net Losses from sale of assets	–	–	–	0%
Other Expenses	6,468	455	(6,013)	(93%)
<b>Total Expenses funded by appropriation and own source revenue (A)</b>	<b>5,301,637</b>	<b>5,116,503</b>	<b>(185,134)</b>	<b>(3%)</b>
Expenses not requiring appropriation				
Depreciation and amortisation	1,909,179	1,532,779	(376,400)	(20%)
Inventory consumption	244,518	302,752	58,234	24%
Net write-down and net impairment of assets	96,777	14,756	(82,021)	(85%)
<b>Total Expenses not requiring appropriation (B)</b>	<b>2,250,474</b>	<b>1,850,287</b>	<b>(400,187)</b>	<b>(18%)</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>7,552,111</b>	<b>6,966,790</b>	<b>(585,321)</b>	<b>(8%)</b>
Purchases of non-financial assets	3,340,631	4,115,729	775,098	23%
Purchases of inventory	452,391	519,579	67,188	15%
Principal repayments of lease liabilities	26,405	–	(26,405)	(100%)
<b>Total capital expenditure (D)</b>	<b>3,819,427</b>	<b>4,635,308</b>	<b>815,881</b>	<b>21%</b>
<b>Total funded expenditure for Program 2.7 (A+D)</b>	<b>9,121,064</b>	<b>9,751,811</b>	<b>630,747</b>	<b>7%</b>

	2020–21 estimated actuals¹ \$'000	2020–21 actual result \$'000	Variation \$'000	Variation %
<b>Program 2.8 Australian Defence Force Headquarters</b>				
<b>Net Cash Expenditure</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees	28,319	26,099	(2,220)	(8%)
Suppliers	128,755	158,661	29,906	23%
Net Losses from sale of assets	–	–	–	0%
Other Expenses	21	20	(1)	(7%)
<b>Total Expenses funded by appropriation and own source revenue (A)</b>	<b>157,095</b>	<b>184,780</b>	<b>27,685</b>	<b>18%</b>
Expenses not requiring appropriation				
Depreciation and amortisation	9,093	21,932	12,839	141%
Inventory consumption	–	217	217	100%
Net write-down and net impairment of assets	167	0	(167)	(100%)
<b>Total Expenses not requiring appropriation (B)</b>	<b>9,260</b>	<b>22,149</b>	<b>12,889</b>	<b>139%</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>166,355</b>	<b>206,929</b>	<b>40,574</b>	<b>24%</b>
Purchases of non-financial assets	51,090	992	(50,098)	(98%)
Purchases of inventory	–	12	12	100%
Principal repayments of lease liabilities	443	–	(443)	(100%)
<b>Total capital expenditure (D)</b>	<b>51,533</b>	<b>1,004</b>	<b>(50,529)</b>	<b>(98%)</b>
<b>Total funded expenditure for Program 2.8 (A+D)</b>	<b>208,628</b>	<b>185,784</b>	<b>(22,844)</b>	<b>(11%)</b>

<b>Program 2.9 Capability Acquisition and Sustainment</b>				
<b>Net Cash Expenditure</b>				
Expenses funded by appropriation and own source revenue				
Employees	486,226	458,799	(27,427)	(6%)
Suppliers	299,022	329,674	30,652	10%
Net Losses from sale of assets	–	–	–	0%
Other Expenses	–	7	7	100%
<b>Total Expenses funded by appropriation and own source revenue (A)</b>	<b>785,248</b>	<b>788,480</b>	<b>3,232</b>	<b>0%</b>
Expenses not requiring appropriation				
Depreciation and amortisation	310	288	(22)	(7%)
Inventory consumption	–	–	–	0%
Net write-down and net impairment of assets	575	(2)	(577)	(100%)
<b>Total Expenses not requiring appropriation (B)</b>	<b>885</b>	<b>287</b>	<b>(598)</b>	<b>(68%)</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>786,133</b>	<b>788,767</b>	<b>2,634</b>	<b>0%</b>
Purchases of non-financial assets	533	117	(416)	(78%)
Purchases of inventory	–	–	–	0%
Principal repayments of lease liabilities	–	–	–	0%
<b>Total capital expenditure (D)</b>	<b>533</b>	<b>117</b>	<b>(416)</b>	<b>(78%)</b>
<b>Total funded expenditure for Program 2.9 (A+D)</b>	<b>785,781</b>	<b>788,598</b>	<b>2,817</b>	<b>0%</b>



	2020-21 estimated actuals¹ \$'000	2020-21 actual result \$'000	Variation \$'000	Variation %
<b>Program 2.10 Estate and Infrastructure</b>				
<b>Net Cash Expenditure</b>				
Expenses funded by appropriation and own source revenue				
Employees	1,116,839	1,103,737	(13,102)	(1%)
Suppliers	2,824,451	3,428,030	603,579	21%
Net Losses from sale of assets	–	–	–	0%
Other Expenses	98,972	208,159	109,187	110%
<b>Total Expenses funded by appropriation and own source revenue (A)</b>	<b>4,040,262</b>	<b>4,739,926</b>	<b>699,664</b>	<b>17%</b>
Expenses not requiring appropriation				
Depreciation and amortisation	1,270,171	1,364,377	94,206	7%
Inventory consumption	–	5,796	5,796	100%
Net write-down and net impairment of assets	27,837	(17,023)	(44,860)	(161%)
<b>Total Expenses not requiring appropriation (B)</b>	<b>1,298,008</b>	<b>1,353,151</b>	<b>55,143</b>	<b>4%</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>5,338,270</b>	<b>6,093,077</b>	<b>754,807</b>	<b>14%</b>
Purchases of non-financial assets	1,604,274	1,380,771	(223,503)	(14%)
Purchases of inventory	–	–	–	0%
Principal repayments of lease liabilities	169,764	287,250	117,486	69%
<b>Total capital expenditure (D)</b>	<b>1,774,038</b>	<b>1,668,021</b>	<b>(106,017)</b>	<b>(6%)</b>
<b>Total funded expenditure for Program 2.10 (A+D)</b>	<b>5,814,300</b>	<b>6,407,948</b>	<b>593,648</b>	<b>10%</b>

<b>Program 2.11 Chief Information Officer</b>				
<b>Net Cash Expenditure</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees	109,614	111,488	1,874	2%
Suppliers	1,235,451	1,508,580	273,129	22%
Net Losses from sale of assets	–	–	–	0%
Other Expenses	–	2,876	2,876	100%
<b>Total Expenses funded by appropriation and own source revenue (A)</b>	<b>1,345,065</b>	<b>1,622,945</b>	<b>277,880</b>	<b>21%</b>
Expenses not requiring appropriation				
Depreciation and amortisation	261,658	175,660	(85,998)	(33%)
Inventory consumption	–	493	493	100%
Net write-down and net impairment of assets	4,936	134,032	129,093	2614%
<b>Total Expenses not requiring appropriation (B)</b>	<b>266,594</b>	<b>310,184</b>	<b>43,590</b>	<b>16%</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>1,611,659</b>	<b>1,933,129</b>	<b>321,470</b>	<b>20%</b>
Purchases of non-financial assets	203,961	110,035	(93,926)	(46%)
Purchases of inventory	–	–	–	0%
Principal repayments of lease liabilities	–	–	–	0%
<b>Total capital expenditure (D)</b>	<b>203,961</b>	<b>110,035</b>	<b>(93,926)</b>	<b>(46%)</b>
<b>Total funded expenditure for Program 2.11 (A+D)</b>	<b>1,549,026</b>	<b>1,732,980</b>	<b>183,954</b>	<b>12%</b>

	2020–21 estimated actuals¹ \$'000	2020–21 actual result \$'000	Variation \$'000	Variation %
<b>Program 2.12 Defence People</b>				
<b>Net Cash Expenditure</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees	174,457	163,474	(10,983)	(6%)
Suppliers	365,020	339,759	(25,261)	(7%)
Net Losses from sale of assets	–	–	–	0%
Other Expenses	4,142	900	(3,242)	(78%)
<b>Total Expenses funded by appropriation and own source revenue (A)</b>	<b>543,619</b>	<b>504,133</b>	<b>(39,486)</b>	<b>(7%)</b>
Expenses not requiring appropriation				
Depreciation and amortisation	12,714	14,596	1,882	15%
Inventory consumption	–	5	5	100%
Net write-down and net impairment of assets	44	(3)	(47)	(107%)
<b>Total Expenses not requiring appropriation (B)</b>	<b>12,758</b>	<b>14,597</b>	<b>1,839</b>	<b>14%</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>556,377</b>	<b>518,730</b>	<b>(37,647)</b>	<b>(7%)</b>
Purchases of non-financial assets	1,145	280	(865)	(76%)
Purchases of inventory	–	–	–	0%
Principal repayments of lease liabilities	10,273	–	(10,273)	(100%)
<b>Total capital expenditure (D)</b>	<b>11,418</b>	<b>280</b>	<b>(11,138)</b>	<b>(98%)</b>
<b>Total funded expenditure for Program 2.12 (A+D)</b>	<b>555,037</b>	<b>504,413</b>	<b>(50,624)</b>	<b>(9%)</b>

<b>Program 2.13 Defence Science and Technology</b>				
<b>Net Cash Expenditure</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees	304,137	316,886	12,749	4%
Suppliers	222,416	245,968	23,552	11%
Net Losses from sale of assets	–	–	–	0%
Other Expenses	9	23	14	155%
<b>Total Expenses funded by appropriation and own source revenue (A)</b>	<b>526,562</b>	<b>562,877</b>	<b>36,315</b>	<b>7%</b>
Expenses not requiring appropriation				
Depreciation and amortisation	16,517	18,654	2,137	13%
Inventory consumption	140	36	(104)	(75%)
Net write-down and net impairment of assets	1,074	1,577	503	47%
<b>Total Expenses not requiring appropriation (B)</b>	<b>17,731</b>	<b>20,266</b>	<b>2,535</b>	<b>14%</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>544,293</b>	<b>583,143</b>	<b>38,850</b>	<b>7%</b>
Purchases of non-financial assets	4,084	19,815	15,731	385%
Purchases of inventory	–	–	–	0%
Principal repayments of lease liabilities	139	–	(139)	(100%)
<b>Total capital expenditure (D)</b>	<b>4,223</b>	<b>19,815</b>	<b>15,592</b>	<b>369%</b>
<b>Total funded expenditure for Program 2.13 (A+D)</b>	<b>530,785</b>	<b>582,692</b>	<b>51,907</b>	<b>10%</b>

	2020-21 estimated actuals¹ \$'000	2020-21 actual result \$'000	Variation \$'000	Variation %
<b>Program 2.14 Defence Force Superannuation Benefits and Program 2.15 Defence Force Superannuation Nominal Interest</b>				
<b>Expenses</b>				
Net foreign exchange losses	–	–	–	0%
Military retention benefits	75,231	99,270	24,039	32%
Military superannuation		–	–	0%
- benefits	6,261,100	6,334,000	72,900	1%
- interest	3,225,426	3,223,400	(2,026)	(0%)
<b>Total expenses</b>	<b>9,561,757</b>	<b>9,656,670</b>	<b>94,913</b>	<b>1%</b>
<b>Expenses not requiring appropriation</b>	<b>6,824,757</b>	<b>6,452,770</b>	<b>(371,987)</b>	<b>(5%)</b>
<b>Income</b>				
Revenues				
- Interest	–	–	–	0%
- Net foreign exchange gains	–	–	–	0%
- Military superannuation contribution	1,245,883	1,282,145	36,262	3%
<b>Total income</b>	<b>1,245,883</b>	<b>1,282,145</b>	<b>36,262</b>	<b>3%</b>
<b>Total Programs 2.14 and 2.15</b>	<b>8,315,874</b>	<b>8,374,525</b>	<b>58,651</b>	<b>1%</b>
<b>Program 2.16 Housing Assistance</b>				
<b>Expenses</b>				
Net foreign exchange losses	–	–	–	0%
Housing subsidies	122,256	96,157	(26,099)	(21%)
<b>Total expenses</b>	<b>122,256</b>	<b>96,157</b>	<b>(26,099)</b>	<b>(21%)</b>
<b>Income</b>				
Revenues				
- Interest	–	–	–	0%
- Net foreign exchange gains	–	–	–	0%
- Dividends	–	–	–	0%
- License fees	16,852	17,748	896	5%
<b>Total income</b>	<b>16,852</b>	<b>17,748</b>	<b>896</b>	<b>5%</b>
<b>Total Program 2.16</b>	<b>105,404</b>	<b>78,409</b>	<b>(26,995)</b>	<b>(26%)</b>

	2020–21 estimated actuals <sup>1</sup> \$'000	2020–21 actual result \$'000	Variation \$'000	Variation %
<b>Program 2.17 Other Administered</b>				
<b>Expenses</b>				
Impairment on trade and other receivables	–	4,834	4,834	100%
Suppliers <sup>5</sup>	–	142,448	142,448	100%
<b>Total expenses</b>	<b>–</b>	<b>147,282</b>	<b>147,282</b>	<b>100%</b>
<b>Income</b>				
Revenues				
- Interest	4,305	4,305	0	0%
- Dividends	30,693	47,130	16,437	54%
- Other <sup>5</sup>	40,319	181,452	141,133	350%
<b>Total income</b>	<b>75,317</b>	<b>232,887</b>	<b>157,570</b>	<b>209%</b>
<b>Total Program 2.17</b>	<b>(75,317)</b>	<b>(85,605)</b>	<b>(10,288)</b>	<b>14%</b>
Departmental total for Outcome 2	40,134,453	41,478,953	1,344,500	3%
Administered total for Outcome 2	4,197,308	4,832,837	635,529	15%
<b>Total funded expenditure/resources</b>	<b>44,331,761</b>	<b>46,311,790</b>	<b>1,980,029</b>	<b>4%</b>

**Notes:**

1. As published in the *Portfolio Budget Statements 2021–22*.
2. In the *Portfolio Budget Statements 2021–22*, program 2.1 has been renamed from 'Strategic Policy and Intelligence' to 'Strategy, Policy and Industry' and a new program 2.14 'Defence Intelligence' has been created. From 2021–22, Defence Intelligence is a separate program, denoted as program 2.14 and any subsequent programs have been renumbered accordingly.
3. The negative result in Employees is driven by the whole-of-department long service leave actuarial adjustments that Defence Finance manage centrally on behalf of the Services (Air Force, Army and Navy). The Employees Expenses for Program 2.3 (Defence Finance) is approximately \$69.4 million excluding the whole-of-department actuarial adjustments.
4. The variance is due to accounting adjustments which are managed centrally and reflected in Program 2.3.
5. Defence has entered into a number of arrangements to perform activities on behalf of foreign governments under which funding is received to cover costs incurred by Defence. In 2020–21, it has been determined that the foreign funding received meets requirements for revenue recognition along with the corresponding supplier expenses. Defence recognised revenue and expenses relating to foreign government activities for the first time during 2020–21 that were not budgeted (\$142.4 million).

## Cost of operations

Table 4.4: Net additional cost of current operations from 1999–2000 to 2022–23

	1999–2000 to 2019–20 Actual Result \$m	2020–21 Actual Result \$m	2021–22 Forward Estimate <sup>1</sup> \$m	2022–23 Forward Estimate <sup>1</sup> \$m	Total \$m
Operation MANITOU	286.4	20.2	–	–	306.6
Operation ACCORDION	1,069.2	177.8	104.3	32.0	1,383.3
Operation HIGHROAD	603.1	55.7	40.6	–	699.4
Operation RESOLUTE	454.3	61.9	59.2	–	575.4
Operation OKRA	1,519.6	112.6	67.2	–	1,699.4
COVID-19 Response Package – Australian Defence Force deployment <sup>2</sup>	–	147.2	0.2	–	147.4
<b>Total net additional costs</b>	<b>3,932.6</b>	<b>575.5</b>	<b>271.4</b>	<b>32.0</b>	<b>4,811.5</b>
<b>Sources of funding for operations</b>					
Government supplementation	3,916.9	575.5	271.4	32.0	4,795.8
Department of Defence (absorbed)	15.7	–	–	–	15.7
<b>Total cost</b>	<b>3,932.6</b>	<b>575.5</b>	<b>271.4</b>	<b>32.0</b>	<b>4,811.5</b>

**Notes:**

This table reflects ongoing and new operations funded under No Win, No Loss arrangements.

1. As published in the *Portfolio Budget Statements 2021–22*, Table 3.
2. Otherwise known as Defence Operation COVID-19 ASSIST.

Table 4.5: Net additional cost of operations, 2020–21

	2020–21 Budget Estimate <sup>1</sup> \$m	2020–21 Estimated Actual <sup>2</sup> \$m	2020–21 Actual Result \$m	Variation \$m
Operation MANITOU	66.3	34.4	20.2	(14.1)
Operation ACCORDION	221.1	221.1	177.8	(43.3)
Operation HIGHROAD	85.3	85.3	55.7	(29.6)
Operation RESOLUTE	59.4	59.4	61.9	2.6
Operation OKRA	215.0	215.0	112.6	(102.5)
COVID-19 Response Package – Australian Defence Force deployment <sup>3</sup>	80.7	136.2	147.2	11.0
<b>Total net additional costs</b>	<b>727.8</b>	<b>751.3</b>	<b>575.5</b>	<b>(175.9)</b>

**Notes:**

This table reflects ongoing and new operations funded under No Win, No Loss arrangements.

1. As published in the *Portfolio Budget Statements 2020–21*, Table 3.
2. As published in the *Portfolio Budget Statements 2021–22*, Table 3.
3. Otherwise known as Defence Operation COVID-19 ASSIST.

## Grants

Information on grants awarded by the Department during 2020–21 is available on the Australian Government's grant information system, GrantConnect ([www.grants.gov.au](http://www.grants.gov.au)).

## Advertising and market research

During 2020–21, Defence conducted advertising for recruitment and other campaigns. Further information on those advertising campaigns is available at [www.defence.gov.au](http://www.defence.gov.au) and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available at [www.finance.gov.au](http://www.finance.gov.au).

Table 4.6 shows total advertising and market research expenditure by Defence during 2020–21. Table 4.7 shows Defence spending on advertising and market research by Service and Group.

**Table 4.6: Total advertising and market research expenditure, by type, 2019–20 and 2020–21**

Type	2019–20 expenditure (\$)	2020–21 expenditure (\$)
Advertising	12,797,399	14,990,690
Market research	1,728,567	1,389,380
Polling	–	–
Direct mail	1,830	–
Media advertising	45,425,387	44,573,375
<b>Total</b>	<b>59,953,183</b>	<b>60,953,445</b>

**Note:** All figures are GST inclusive.

**Table 4.7: Total advertising and market research expenditure, by Service and Group, 2019–20 and 2020–21**

Service or Group	2019–20 expenditure (\$)	2020–21 expenditure (\$)
Strategic Policy and Intelligence	41,102	49,545
Defence Executive Support	486,112	41,018
Defence Finance	11,428	2,693
Joint Capability	111,713	85,161
Navy	132,953	117,995
Army	111,467	588,169
Air Force	221,445	57,050
Australian Defence Force Headquarters	4,365	4,827
Capability Acquisition and Sustainment	77,966	105,111
Estate and Infrastructure	147,818	79,026
Chief Information Officer	15,022	16,784
Defence People <sup>1</sup>	58,437,297	59,734,606
Defence Science and Technology	154,495	71,461
Defence Intelligence	–	49,545
<b>Total</b>	<b>59,953,183</b>	<b>60,953,445</b>

**Note:**

All figures are GST inclusive.

1. The 2020–21 advertising and market research expenditure includes \$59.1 million relating to Defence Force Recruitment.

Table 4.8 provides details of individual payments of more than \$14,000 (GST inclusive) to persons or organisations for advertising campaigns and market research.

**Table 4.8: Individual payments of more than \$14,000 to advertising and market research agencies, by Service and Group, 2020–21**

Service/Group and agency name	2020–21 expenditure (\$)	Purpose
<b>Navy</b>		
<b>Market research</b>		
Data Analysis Australia Pty Ltd	36,300	Young Endeavour Youth Scheme Long Term outcome survey
<b>Army</b>		
<b>Advertising</b>		
VMLY&R	507,707	Army Ambassador Program
<b>Media advertising</b>		
Universal McCann	22,228	Australian Army Military History – grants for research
<b>Defence People</b>		
<b>Advertising</b>		
Cox Inall Change Pty Ltd	77,834	ADF recruitment advertising
Universal McCann	98,417	ADF recruitment advertising
Universal McCann	99,102	Defence graduate recruitment advertising
VMLY&R	13,686,052	ADF recruitment advertising
<b>Market research</b>		
Chat House Research Pty Ltd	83,347	Qualitative and quantitative research to maximise ADF recruitment targets
Cox Inall Change Pty Ltd	53,767	Qualitative and quantitative research to maximise ADF recruitment targets
Hall & Partners	895,439	Qualitative and quantitative research to maximise ADF recruitment targets
Kantar Public Australia Pty Ltd	108,584	Qualitative and quantitative research to maximise ADF recruitment targets
WhereTo Research Based	87,879	Qualitative and quantitative research to maximise ADF recruitment targets
<b>Media advertising</b>		
Australian Public Service	469,171	Public Service Gazette
Universal McCann	42,767,023	Planning and placement of campaign advertising for Defence Force Recruiting
Universal McCann	87,672	Graduate recruitment advertising
<b>Defence Science and Technology Group</b>		
<b>Media advertising</b>		
Universal McCann	15,840	The Australian Research Magazine – Science, Technology and Research (STaR) Shots and research excellence advertising
<b>Strategic Policy and Intelligence</b>		
<b>Market research</b>		
The Communication Link	24,000	Final Hub Communication Strategy and Guide
<b>Joint Capability Group</b>		
<b>Advertising</b>		
Raging Digital	15,043	Promotional Advertising for Defence Cyber Gap Year Program

**Note:** All figures are GST inclusive.



## Legal expenses

Expenditure on internal and external legal services in 2020–21 is shown in tables 4.9, 4.10 and 4.11. Internal expenses include salaries for military and civilian staff, divisional operating costs and military justice reimbursements. External expenses are professional fees, disbursements and legal assistance at Commonwealth expense. The figures are GST exclusive.

Table 4.9: **Estimated expenditure on internal and external legal services, 2019–20 and 2020–21**

Type of legal expenditure	2019–20 \$m	2020–21 \$m
Internal	47.48	53.97
External	59.98	58.79
<b>Total</b>	<b>107.46</b>	<b>112.76</b>

Table 4.10: **Estimated cost breakdown of internal legal expenses, 2019–20 and 2020–21**

Type of legal expenditure	2019–20 \$m	2020–21 \$m
Salaries for military lawyers	19.02	25.13
Salaries for civilian staff	16.82	18.08
ADF Reserve legal officers	7.03	5.84
Operating costs of the division	4.32	4.59
Military justice disbursements	0.29	0.33
<b>Total</b>	<b>47.48</b>	<b>53.97</b>

Table 4.11: **Estimated cost breakdown of external legal expenses, 2019–20 and 2020–21**

Items	2019–20 \$m	2020–21 \$m
Professional fees – Defence legal panel	49.75	54.16
Disbursements	10.13	4.48
Legal assistance at Commonwealth expense	0.10	0.15
<b>Total</b>	<b>59.98</b>	<b>58.79</b>

# Managing financial performance and supporting Australian businesses

**Defence's budget is of a similar scale to those of many of the largest companies operating in Australia today. Defence has well-established policy and systems and provides services and advice to support high-quality budget and financial management outcomes from this investment of public funds.**

Defence's finance reform program, which began in July 2019, achieved a number of significant milestones in the last year.

Adoption of net cash funding arrangements in the 2020–21 Defence Portfolio Budget Statements (PBS) brings Defence into line with the Commonwealth budget framework. The Defence budget now has greater transparency of funding for new capability acquisition, separate from funding for sustainment of current capability, including workforce expenditure. The 2021–22 PBS provides another increase in transparency with the inclusion of additional reporting for key projects.

From 1 July 2020, Defence's internal financial reporting is prepared on an accrual basis aligned with the net cash funding arrangements introduced in the budget. This ensures that the way we manage and monitor financial performance inside Defence lines up with how our financial performance is viewed and understood outside Defence.

Key financial services have been streamlined to reduce the amount of time that Defence personnel need to spend on administrative tasks. Travel information has been consolidated into a single, easy to find Travel Policy. New systems make getting approval for travel and management of travel-related expenditure quick and easy. With

all the information stored in the system, time consuming work to file approvals, keep receipts and cross reference documents has been eliminated. Easy-to-use self-service functionality for processing purchase orders, including automatic workflow to the right person for approval, has reduced the time taken between a purchasing decision being made and the order being placed.

With such a significant budget responsibility it is vital that Defence works effectively and collaboratively with our many industry partners. Defence industry partners, just like businesses operating in many other sectors of the economy, have been impacted by the COVID-19 pandemic.

To better support industry, Defence established the COVID-19 Taskforce Industry Support Cell, a single point of entry for defence industry to raise issues and receive regular updates on a range of topics from domestic and international border-restrictions, reduced international airfreight capacity and coordination activity across government agencies. To support day to day activity for our industry partners, a program of accelerated payment of approved invoices was introduced to provide more immediate cash flow relief. During 2020–21, a total of \$23 billion and 352,592 invoices were paid as soon as approved under the accelerated payment arrangement.

Assisting industry to safely continue their businesses ensured that Defence could provide ADF capability to assist the community with the response effort to COVID-19. Our One Defence approach in managing relationships with industry and quicker response times through devolved decision making ensured continuity of our important Defence business operations while providing stimulus to the economy.



# 5

MANAGEMENT AND  
ACCOUNTABILITY



Australian Army Sapper Thomas Page and  
Explosive Detection Dog Ned are from the 3rd  
Combat Engineer Regiment and are seen here at  
Lavarack Barracks in Queensland, on 4 June 2021.

## One Defence – our continuing transformation journey

# Defence Transformation Strategy

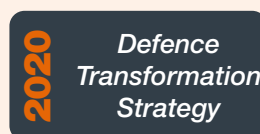
A high-performing One Defence enterprise with a continuous improvement culture



Government commissioned the First Principles Review (FPR) to ensure Defence was fit for purpose and able to respond to future challenges



75 recommendations agreed to create One Defence – a more unified, integrated and strategy-led organisation



The *Lead the Way: Defence Transformation Strategy* builds on FPR and refocuses efforts to embed One Defence and address contemporary priorities

## Defence Transformation Strategy

The *2015 First Principles Review: Creating One Defence* introduced a number of key foundational concepts and recommendations that set the conditions and vision for how a high-performing and trusted Defence organisation should operate. Defence has made substantial changes and improvements since 2015 to its structure, governance arrangements, accountabilities, processes and systems across the enterprise.

The *Lead the Way: Defence Transformation Strategy*, released in November 2020, builds on the strong foundations of the First Principles Review, but also refocuses efforts to ensure that the One Defence concept is fundamentally embedded throughout the entire enterprise. It provides the vision and framework for long-term, enterprise-wide transformation to ensure Defence is organisationally fit to implement its strategic and capability priorities and deliver on its commitments. Continuous transformation will enhance Defence's capacity to continually adapt as strategic circumstances change.

### One Defence

'One Defence' means a unified and adaptive organisation that is driven by its strategy, clearly led by its centre, and empowers its people through a culture that exemplifies the Defence Values and a strong sense of shared purpose.

Through our work as an integrated One Defence team, we each contribute to the evolution of our strategic posture, our capabilities, and delivery of the Defence strategic objectives to Shape, Deter, and Respond.

## Key initiatives

The delivery and embedding of *Lead the Way: Defence Transformation Strategy* will occur through three key sets of initiatives.

### 1. A continuous improvement culture



- 1.1. Embed the Defence Values and Behaviours.
- 1.2. Evolve the Defence Accountability Framework.
- 1.3. Become a more data-informed Defence organisation.

### 2. An enduring transformation system



- 2.1. Implement a new Business Transformation Cycle.
- 2.2. Create a new business operations function.
- 2.3. Transform our business practices, systems and service delivery.

### 3. Priority reform areas of focus



- 3.1. Drive improved capability delivery.
- 3.2. Strengthen Defence's approach to Australian industry capability, including innovation, export and harnessing opportunities from Australian science and technology.
- 3.3. Adopt a strategic approach to Defence enterprise resilience and supply chain assurance.
- 3.4. Improve Defence's strategic workforce planning, learning and management.
- 3.5. Institute an improved enterprise performance measurement and reporting framework.
- 3.6. Improve our engagement and communications.

Together, these initiatives provide coherent and cohesive guidance, actions and intent that will strengthen the One Defence enterprise and, in doing so, ensure that we can continue to deliver the Defence Mission.

# Senior enterprise committees and their roles

Defence's enterprise decision-making and advisory committees are the primary mechanisms for providing direction and assuring that strategy, capability and resources are aligned across the Defence enterprise. The tiered committee structure, as shown in Figure 5.1, supports aggregated reporting, enables decision making at the lowest level and mechanisms for escalation and de-escalation as required.

The Defence enterprise committee governance framework was developed to address recommendations from the First Principles Review. Further improvements are currently being considered to ensure Defence enterprise committees continue to provide an effective and efficient mechanism to support streamlined decision-making and enhance our achievement of enterprise governance, risk and reporting requirements in accordance with the Defence Transformation Strategy.

Figure 5.1: Defence enterprise committee structure and roles, indicating incumbent Chairs as at 30 June 2021



\* In 2020 the Defence Intelligence Enterprise Committee was established as an additional Tier 3 enterprise committee. The Defence Intelligence Enterprise Committee is responsible for providing clear strategic direction on the activities, management and governance of the Defence intelligence enterprise.

Further information on each of Defence's enterprise committees is available from the Defence website at [www.defence.gov.au/Decisions.asp](http://www.defence.gov.au/Decisions.asp).



## Defence Audit and Risk Committee

The Defence Audit and Risk Committee (DARC) has been established in accordance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 17 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule). Consistent with subsection 17(2) of the PGPA Rule, the Committee reviews and provides independent written advice to the Secretary and the Chief of the Defence Force on the appropriateness of Defence's accountability and control framework, including financial reporting, performance reporting, systems of risk oversight and management, and systems of internal control.

During 2020–21 the DARC had three external members, including the Chair and Deputy Chair, and two departmental members, the Vice Chief of the Defence Force and the Associate Secretary. In accordance with a PGPA Act amending rule, from 1 July 2021 all members of the DARC must be people who are not Defence officials. The DARC Charter has been updated to reflect this new requirement, and from 1 July 2021 the Vice Chief of the Defence Force and the Associate Secretary are now permanent senior advisers to the DARC.

During 2020–21 the DARC met formally 10 times. Other committee activities during the year included reviewing the financial statements and intersessional review of documents and information to address the requirements of the committee. The external members also chaired and were members of the Financial Reporting Sub-Committee (FRSC), which met eight times during the year.

An electronic version of the DARC Charter is available from the Defence website at [www.defence.gov.au/Decisions.asp](http://www.defence.gov.au/Decisions.asp).



Australian Army soldier Private Lewis Warria surveys the coastline from Goods Island, in the Torres Strait.



# Connecting skilled people with the right data and insights to deliver the Defence Mission

**The world is experiencing rapid changes in digitisation and exponential growth in the creation of data. Through increased investment in data management and analytics, Defence is harnessing the potential of its vast data holdings. We are becoming a more data-driven organisation, exploiting the opportunities that effective data management provides for faster evidence-based decision-making and operational and strategic advantage.**

A Defence Data Strategy was developed in 2020–21 and released in August 2021. This inaugural strategy introduces a new approach and a strengthened focus on whole-of-enterprise data management and analytics.

The *Defence Data Strategy 2021–2023* sets out the pillars and practical initiatives to deliver on our vision – *Defence's data is a strategic asset – we value it, protect it and leverage it to achieve operational and strategic advantage.*

The five pillars that will drive our data maturity are:

- Govern – we invest in dedicated data leadership across the enterprise;
- Trust – we know the quality of our data, and how to secure it and treat it ethically;
- Discover – we know what data assets Defence has, where they are, and how to access them;
- Use – we are equipped with the right skills and tools to use and analyse data;
- Share – we share and integrate our data across the organisation to maximise its value.

To lead this new approach, Defence will appoint a Chief Data Integration Officer. They will foster a data-driven culture across the organisation, one where we increasingly see data and analytics as a core part of our daily work.

The Defence Data Strategy will strengthen how we consider, plan for, and manage the data requirements of our capabilities. Data is a fundamental input to developing and sustaining our capability. Defence capabilities require large and complex data inputs and the capacity to share data across platforms at speed and scale. The centrality and accessibility of data and information to warfighting cannot be underestimated, especially when considering next-generation capabilities and the increased application of artificial intelligence and autonomy.

To ensure Defence's data maturity lifts across the entire enterprise, training and development programs from foundational to advanced qualifications will be introduced. These will be accompanied by the establishment of data job families and professions to ensure our expert workforce – ADF, APS, and Defence industry – have career pathways that can lead us in to the future.

Additional foundational initiatives will underpin the Defence Data Strategy, including data standards, quality, cataloguing, improving search functionality, data security and developing policy for the ethical use of data.

This first strategy will be delivered over the next two years to drive a rapid uplift in our data maturity. This will ensure that our approach continues to be aligned with emerging priorities and the strategic environment, as well as the opportunities presented through technological advances.

Table 5.1 provides additional information in accordance with audit committee disclosure requirements for Commonwealth entities (sections 17AG(2A) and 17BE(taa) of the PGPA Rule).

**Table 5.1: Audit committee disclosure requirements**

Member's name	Qualifications, knowledge, skills or experience	Committee meetings attended / total	Total annual remuneration (exclusive of GST)	Additional information
Ms Jennifer Clarke – Chair Chair of the Financial Reporting Sub-Committee	<p>Ms Clark has an extensive background in business, finance and governance through a career as an investment banker, where her role included providing advice to the Commonwealth on Defence major projects, and as a non-executive director since 1991.</p> <p>She has been the chair or deputy chair, a member of over 20 audit committees and boards in the Commonwealth and private sectors over the past 30 years. She is a Fellow of the Australian Institute of Company Directors and has substantial experience in financial and performance reporting, audit, risk management and project management.</p>	DARC 10/10  FRSC 8/8	\$107,404	N/A
Ms Elizabeth Montano – Deputy Chair Member of the Financial Reporting Sub-Committee	<p>Ms Montano holds the degrees of Bachelor of Arts and Bachelor of Laws (UNSW) and is a Fellow of the Australian Institute of Company Directors.</p> <p>She has over 20 years of experience as chair, deputy chair and member of boards and audit committees across a range of government and not-for-profit entities. She has broad-ranging experience in governance and the machinery of government, including in financial and performance reporting, risk, assurance, and program and project management and oversight.</p> <p>She is a former chief executive officer of AUSTRAC and former financial services consultant and senior lawyer with King &amp; Wood Mallesons.</p>	DARC 10/10  FRSC 8/8	\$60,910	N/A
Mr Mark Ridley – Member Member of the Financial Reporting Sub-Committee	<p>Mr Ridley is a Fellow of the Institute of Chartered Accountants and a graduate of the Australian Institute of Company Directors, with bachelor degrees in commerce and accounting.</p> <p>He has served as independent member and chair of audit and risk committees for several large and medium-sized Commonwealth agencies since 2011, and also assists some entities in the oversight of ICT projects. He was formerly a senior partner of PricewaterhouseCoopers with leadership roles in risk advisory, internal audit and ICT project assurance for large companies in financial services and other industries and for state and federal governments.</p>	DARC 10/10  FRSC 8/8	\$60,910	N/A
Ms Katherine Jones	<p>Ms Jones was the Associate Secretary of the Department of Defence. She has held numerous senior leadership positions across various Commonwealth agencies, including the Department of Defence, the Department of Finance and the Attorney-General's Department.</p> <p>Ms Jones has a Bachelor of Laws from the University of New South Wales, a Bachelor of Arts from La Trobe University and a Graduate Diploma in Legal Practice from the College of Law.</p>	DARC 9/10	Not applicable. Remuneration is detailed in Appendix B	N/A

Member's name	Qualifications, knowledge, skills or experience	Committee meetings attended / total	Total annual remuneration (exclusive of GST)	Additional information
Vice Admiral David Johnston	<p>Vice Admiral David Johnston AO RAN is the Vice Chief of the Defence Force.</p> <p>He has an extensive military background, including operational naval tours as Commanding Officer of HMAS <i>Adelaide</i> and HMAS <i>Newcastle</i>. Between 2014 and 2018 he performed the role of Chief of Joint Operations. He was appointed Vice Chief of the Defence Force in July 2018.</p> <p>Since 2018, he has been the chair of the Investment Committee and Joint Warfare Committee.</p> <p>Vice Admiral Johnston holds a Master of Science in Operations Research from the United States Naval Postgraduate School in Monterey, California, and a Master of Arts in Strategic Studies from Deakin University.</p>	DARC 8/10	Not applicable. Remuneration is detailed in Appendix B	N/A

## Performance and accountability

The purpose of enterprise performance management is to monitor performance and keep strategy, capability and resources aligned with Government direction.

Defence's enterprise performance is achieved by ensuring that Defence strategy and policy requirements are translated into corporate planning and budget allocation, which is implemented and resourced through Group and Service business plans. Performance and risks to achievement are monitored and reported by responsible and accountable officers to senior committees, including the Defence Committee, and to the Minister for Defence.

Defence's performance reporting for 2020–21 aligns with the performance information in the *Portfolio Budget Statements 2020–21* and the *2020–24 Defence Corporate Plan* (updated January 2021).

## Risk

Risk management is an essential element of Defence's good governance and internal control environment. Defence maintains a system of risk oversight and management to support the achievement of its outcomes and meet its risk management obligations in accordance with the PGPA Act.

In 2020–21, Defence reviewed and updated its system of enterprise risk management in alignment with the Defence Strategic Update and Defence Transformation Strategy. Key initiatives included:

- reviewing Defence's enterprise risk management approach to improve harmonisation between enterprise-level risks and strategic outcomes;
- reviewing Defence's enterprise-level risks to establish a clear line of sight between capacity, performance and strategic objectives;
- developing enterprise-level legislative compliance reporting to enhance visibility of significant legislative compliance issues across the Defence enterprise.

In 2020–21, Defence continued to mature its business continuity program to enable delivery of key outcomes to Government during a disruptive incident, including broadening the scope of critical functions identified as part of the enterprise program.

## Capability delivery

Ongoing capability system reform and continuous improvement are crucial to ensure a modern ADF. A range of initiatives were undertaken in 2020–21 to drive improved capability delivery in Defence, including:

- updating and improving capability policy and processes;
- improving the learning and development of the capability workforce;
- improving oversight arrangements for Defence capability.

Defence's capability guidance and processes were progressively updated and improved over the reporting period to reflect Government direction, contemporary practices and lessons learned.

The Capability Life Cycle has now been effectively integrated with other capability processes, such as program management, interoperability and force design, resulting in the One Defence Capability System. The One Defence Capability System enabled Defence to deliver the Government's capability aspirations outlined in the *2020 Defence Strategic Update*, the *2020 Force Structure Plan* and the accompanying Integrated Investment Program.

Capability learning and development is a key area of work which will upskill and professionalise the Defence capability workforce. Several learning and development initiatives have been undertaken, including a Capability Induction Day in February 2021, which supported a common understanding of strategy – specifically the *2020 Defence Strategic Update* and *Force Structure Plan* – and how it applies to capability, and also introduced the One Defence Capability System.



Able Seaman Maritime Logistics – Chef Jack Ye prepares food for a lunch service at sea onboard HMAS Brisbane.



## Capability Management Induction Day 2021

The inaugural Capability Management Induction Day marked the beginning of a major annual learning and development program for Defence's capability workforce. Held on 4 February 2021, it was the largest simultaneous learning activity in Defence history. A total of 4,800 participants dialled in from 11 countries to engage with presentations from the Vice Chief of the Defence Force, Vice Admiral David Johnston AO RAN and the Associate Secretary, Ms Katherine Jones, along with other senior leaders from Defence and other central agencies.

The purpose of Capability Management Induction Day was to improve participants' understanding of Defence's 2021 capability priorities and strategic context.

The *2020 Defence Strategic Update* provides the objectives for capability investments, as outlined in the *2020 Force Structure Plan*. Successful delivery and operation of the capabilities set out in the *Force Structure Plan* requires improving the knowledge, skills and experience of all

Defence personnel in capability-related roles, whether APS, ADF or contractors. The principal goal of Capability Management Induction Day was to provide all attendees with up-to-date information and points of contact regarding Defence's approach to planning, managing and delivering capability.

The event was delivered online through collaboration between the Department of Defence and the Department of Education, Skills and Employment (DESE), with broadcasting from the DESE Media Theatre and an interactive live chat function. As well as upholding COVID-safe practices, this format allowed Defence to reach a large and geographically diverse audience while facilitating interaction between expert panels and the audience. Participants directed a wide range of questions to expert panels, ranging from who to contact about specific capability issues through to the processes for Government approvals, thereby building shared understanding and connection to Defence outcomes.

Planning is underway for the 2022 Capability Management Induction Day, incorporating feedback and lessons from the inaugural event.

## Major Projects Report

The Major Projects Report provides transparency on the progress of Defence's largest and most complex acquisition projects managed by the Capability Acquisition and Sustainment Group. It reviews overall issues, risks, challenges and complexities affecting major projects and also reviews the status of each of the selected major projects in terms of project cost, schedule and forecast scope delivery. The report was first published in 2008.

The Major Projects Report is an independent limited assurance review coordinated by the Australian National Audit Office (ANAO) and supported with Defence input. The report is prepared in accordance with guidelines endorsed by the parliamentary Joint Committee of Public Accounts and Audit. The latest guidelines, endorsed in November 2020, provide information on the process and projects to be reported on as at 30 June 2021.

The Major Projects Report is scheduled for publication within five months after the end of the financial year. The tabling date is dependent on the resolution of issues that may arise at any given time. The latest report (Auditor-General report No 19 of 2020–21) was published on 30 November 2020. All published reports are available on the ANAO website.

## Freedom of information

During 2020–21, Defence finalised 1,061 requests for information. These requests were a combination of freedom of information requests, enquiries that were handled administratively by agreement with the applicant, and courtesy consultations with other government agencies.

Defence received 567 requests for information under the *Freedom of Information Act 1982* and finalised 530, including requests carried over from 2019–20. Of these, 228 were for personal information and 27 were for amendment or annotation of records of personal information, managed under section 48 of the *Freedom of Information Act*.

Defence managed 494 requests for information which did not proceed to a formal freedom of information decision. Of these requests, 197 were for access to personnel records processed in accordance with section 15A of the *Freedom of Information Act*, which provides for access to be given in such cases through established administrative channels. Defence also received 61 courtesy consultations from other government agencies in 2020–21.

Defence managed 132 review requests on finalised freedom of information decisions. These reviews were managed internally or by providing detailed submissions to the Office of the Australian Information Commissioner (OAIC). Of these review requests, 56 were internal reviews of freedom of information decisions. Defence finalised 55 reviews, including cases carried over from the previous financial year.

Defence also supported 76 external review cases submitted to the OAIC; 20 reviews were completed and a further 56 are awaiting a decision from the Information Commissioner as at 30 June. Defence also managed four cases before the Administrative Appeals Tribunal, of which one was completed.

One external complaint relating to a Defence freedom of information case was received by the OAIC during 2020–21.

## Contracts exempt from publication on AusTender

In 2020–21, under the *Freedom of Information Act 1982*, Defence exempted from publication a total of 214 contracts with a total value of \$789,695,234 (GST inclusive). These exemptions were generally applied under the national security provisions of the Act.

## Information Publication Scheme

Entities subject to the Freedom of Information Act are required to publish information as part of the Information Publication Scheme. Each agency must display on its website a plan showing what information it publishes in accordance with the scheme's requirements.

Further information is available on Defence's Information Publication Scheme website, detailed in Appendix D.



# Defence Public Interest Disclosure Scheme

The Defence Public Interest Disclosure Scheme is underpinned by a strong reporting culture in Defence. The scheme facilitates and encourages reports of suspected wrongdoing, provides support and protection to disclosers, and ensures that suspected wrongdoing is investigated, where appropriate, consistent with the requirements of the *Public Interest Disclosure Act 2013*.

During 2020–21, Defence received a total of 153 matters reported under the Defence Public Interest Disclosure Scheme. Of these, Defence accepted 59 matters as public interest disclosures and allocated them for investigation.

## Fraud and integrity

In accordance with the *Commonwealth Fraud Control Framework 2017*, Defence continues to meet its mandatory obligations to prevent, detect and respond to fraud and corruption. Defence has a mature fraud and corruption control program which has a range of strategies to manage, evaluate and report fraud and corruption activities, including:

- the promotion of integrity and development of a strong ethical culture through mandatory and focused training, publications and an Ethics Advisory Service;
- a rigorous fraud and corruption risk assessment program focusing on Defence-wide vulnerabilities;
- development of policy, administrative and communication initiatives and strengthening of internal Defence partnerships to implement methodologies to mitigate emerging fraud risk;
- an intelligence-led, data driven and targeted fraud and corruption detection program;
- investigation of fraud, corruption, misconduct and unethical conduct, with the application of appropriate criminal, civil, administrative or disciplinary action;
- recovery of proceeds from fraudulent and corrupt conduct;
- development and strengthening of partnerships, at the Commonwealth and international levels, to facilitate information-sharing arrangements.

## Investigations

In 2020–21 there were 146 fraud investigations registered within Defence, with 191 investigations completed during the year (some of those completed were registered in previous years). Approximately 38 per cent of completed investigations resulted in criminal, disciplinary or administrative action. Of these, approximately 44 per cent related to disciplinary action under the *Defence Force Discipline Act 1982*.

Table 5.2: **Determined fraud losses and cash recoveries, 2016–17 to 2020–21**

	2016–17 (\$)	2017–18 (\$)	2018–19 (\$)	2019–20 (\$)	2020–21 (\$)	Total
Loss	608,593	605,351	445,422	992,515	1,326,440	3,978,321
Cash Recovery	426,007	817,811	823,453	435,920	302,035	2,805,226

**Note:**

Fraud losses are recorded against the financial year in which the relevant investigation is closed. Cash recoveries comprise all payments received in the financial year, regardless of the year in which the investigation was closed, and include recoveries relating to matters that are currently the subject of investigation.



## Compliance with finance law

Section 19 of the PGPA Act requires that agencies notify their responsible Minister of any significant issue that has affected the entity. The Finance Minister requires that accountable authorities also notify the Finance Minister of instances of significant non-compliance with the finance law reported to their responsible Minister. In 2020–21, the Defence Minister and the Finance Minister were advised of 23 instances of significant non-compliance with the finance law; in 2019–20 there were 36 instances of significant non-compliance with the finance law.

Table 5.3: **Instances of significant non-compliance with finance law, 2020–21**

Description of non-compliance	Remedial action
<b>Credit Card or Cheque (6 cases)</b> – Defence experienced loss due to Credit Card non-compliance, primarily related to credit card misuse.	Defence undertook remedial actions ranging from administrative sanctions or disciplinary action to criminal prosecutions. To reduce the risk of future credit card misuse, the Department continues to focus on a range of controls, including monthly reports to card holder supervisors to facilitate proactive monitoring of credit card usage, a suite of credit card detective tests carried out by the financial compliance team and mandatory training courses.
<b>Deception (3 cases)</b> – Defence experienced deception that resulted in loss to the Department, or an inappropriate benefit being obtained.	Defence undertook remedial action ranging from disciplinary action under the <i>Defence Force Discipline Act 1982</i> to criminal prosecutions. To deter and manage the risk of deceptive conduct, the Department maintains a system of financial and workplace sanctions while also providing formal counselling where applicable.
<b>Entitlement (12 cases)</b> – Defence experienced losses relating to entitlements due to personnel failing to disclose information when required to do so, or inappropriately claiming benefits.	Defence undertook remedial action ranging from administrative sanctions or disciplinary action to criminal prosecutions in response to entitlement fraud. To reduce the reoccurrence of entitlement fraud the Department introduced enhanced detection activities aimed at working with external stakeholders, such as Defence Housing Australia, to detect early non-compliance and provide additional assurance around Defence entitlements. One of the 12 instances was a systemic issue, which is being remediated by Defence. <sup>1</sup>
<b>Theft (2 cases)</b> – Defence experienced theft of Commonwealth resources, assets or equipment.	Defence maintained existing remedial activities that include ongoing reviews of relevant operating procedures for the securing of Commonwealth assets, as well as staff training and (where practical) enhancements to current physical security controls.

**Note:**

1. Defence identified a case of systemic non-compliance whereby some Defence personnel were not paying correct meal rates between 1 January 2018 and 30 September 2020. A Management Action Plan to address this is underway.

## Defence engagement with parliamentary committees

In 2020–21, Defence provided evidence at nine public hearings, four Senate estimates hearings and eight private briefings.

Defence provided eight submissions and five government responses to parliamentary committee inquiries, including input to one Government response led by another Department.

Defence took 1,097 questions on notice. Of these, 908 were from Senate estimates hearings; 58 were from parliamentary committee hearings and briefings; 129 were submitted in writing from Senators and Members; and two were asked through the Parliamentary Library.

Defence's submissions, responses to questions on notice and transcripts of committee hearings are available on the Parliament of Australia website.

Table 5.4 lists Defence's involvement in inquiries and reviews by parliamentary committees between 1 July 2020 and 30 June 2021.

**Table 5.4: Defence's involvement with parliamentary committees, 2020–21**

<b>SENATE STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE</b>
<b>Inquiry into the accuracy of information provided to Defence Force Retirement and Death Benefits (DFRDB) members</b> Defence provided a submission and participated in a public hearing.
<b>Inquiry into opportunities for advancing Australia's strategic interests through existing regional architecture</b> Defence provided a submission.
<b>Inquiry into funding for public research into foreign policy issues</b> Defence provided a submission.
<b>Possible changes to chaplaincy services following the Navy advertisement for a Maritime Spiritual Wellbeing Officer</b> Defence participated in a private briefing.
<b>Reporting of increasing numbers looking to join the military since COVID-19 and associated issues around aligning recruitment with need and projects as well as the current state of apprenticeship schemes</b> Defence participated in a private briefing.
<b>Missiles, missile defence and military satellites</b> Defence participated in a private briefing.
<b>Defence Legislation Amendment (Enhancement of Defence Force Response to Emergencies) Bill 2020 (Canberra 30 October 2020)</b> Defence made a written submission and participated in a public hearing.
<b>JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE</b>
<b>Inquiry into expanding membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership</b> Defence provided a submission.
<b>Defence Enterprise Resource Planning program</b> Defence participated in a private briefing.
<b>KC-30A Air to Air refueling experience</b> Defence facilitated a private inspection.
<b>Tour of Landing Helicopter Dock and/or Air Warfare Destroyer</b> Defence facilitated a private inspection.
<b>Weapon Training Simulations System</b> Defence facilitated a private inspection.
<b>MQ-4C Triton HALE program update</b> Defence participated in a private briefing.
<b>Five Power Defence Arrangements</b> Defence participated in a private briefing.
<b>Inquiry into certain aspects of the Department of Foreign Affairs and Trade Annual Report 2019–20</b> Defence participated in a public hearing.
<b>Inquiry into Australia's defence relationships with Pacific island nations</b> Defence provided a Government response.
<b>Inquiry into the Department of Defence Annual Report 2019–20</b> Defence participated in a public hearing and a private briefing.
<b>PARLIAMENTARY JOINT COMMITTEE ON INTELLIGENCE AND SECURITY</b>
<b>Inquiry into national security risks affecting the Australian higher education and research sector</b> Defence provided a submission.
<b>Review of Administration and Expenditure No. 19 (2019–20) – Australian Intelligence Agencies</b> Defence provided a submission and participated in a private briefing.
<b>Review of re-listing of Hizballah's External Security Organisation as a terrorist organisation under the Criminal Code</b> Defence participated in a public hearing.

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON INDUSTRY, INNOVATION, SCIENCE AND RESOURCES

### Inquiry into Developing Australia's Space Industry

Defence participated in a public hearing.

### Inquiry into Australia's Waste Management and Recycling Industries

Defence provided input into a Government response.

## SENATE STANDING COMMITTEE ON FINANCE AND PUBLIC ADMINISTRATION

### Inquiry into the current capability of the Australian Public Service

Defence provided a submission.

## JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

### Report 475: Defence First Principles Review, Naval Construction and Mental Health in the AFP

Defence provided a closure of a recommendation.

### Governance in the Stewardship of Public Resources: Inquiry into Auditor-General's Reports 11, 31, 39 (2019–20) and 2 and 9 (2020–21)

Defence participated in a public hearing.

### Report 483 Inquiry into the 2018–19 Defence Major Projects Report and the Future Submarine Project – Transition to Design

Defence provided a Government response and participated in a public hearing.

## SENATE STANDING COMMITTEE ON SCRUTINY OF BILLS

### Defence Legislation Amendment (Enhancement of Defence Force Response to Emergencies) Bill 2020

Defence provided a submission.

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON INDIGENOUS AFFAIRS

### Pathways and Participation Opportunities for Indigenous Australians in Employment and Business

Defence participated in a public hearing.

## SENATE SELECT COMMITTEE INTO JOBS FOR THE FUTURE IN REGIONAL AREAS

Defence provided input into the Government response.

## SENATE SELECT COMMITTEE ON COVID-19

Defence participated in a public hearing.

## JOINT STANDING COMMITTEE ON TREATIES

### Inquiry into the Agreement between the Government of Australia and the Government of the Republic of Singapore concerning Military Training and Training Area Development in Australia (Canberra and Singapore, 23 March 2020)

Defence participated in a public hearing.

## Parliamentary Standing Committee on Public Works

In 2020–21, Defence witnesses appeared at two hearings of the Parliamentary Standing Committee on Public Works. Defence referred three major projects and notified seven medium works projects to the committee. Parliamentary approval was achieved for two major projects and all seven medium works projects.

Table 5.5: Defence projects that achieved parliamentary approval through the Parliamentary Standing Committee on Public Works, 2020–21

Project	Location	Value (\$m)
AIR 555 Phase 1 Airborne Intelligence Surveillance, Reconnaissance Electronic Warfare Facilities Works	RAAF Base Edinburgh (SA)	293.7
North Queensland Mid-Term Refresh Program: RAAF Base Townsville, Townsville Field Training Area and HMAS Cairns	RAAF Base Townsville (QLD) Townsville Field Training Area (QLD) HMAS Cairns (QLD)	111.2
Total		404.9

Table 5.6: Defence notifications to the Parliamentary Standing Committee on Public Works, 2020–21

Project	Location	Value (\$m)
SEA 1397 Phase 5D Nulka Assembly and Maintenance Facilities Project	Orchard Hills (NSW)	31.6
HMAS <i>Waterhen</i> Mid-Term Refresh Project	Waverton (NSW)	23.4
Puckapunyal Military Area Mid-Term Refresh Project	Puckapunyal, Seymour (VIC)	45.8
2nd Combat Engineer Regiment Compensatory Hardstand Project	Gallipoli Barracks, Enoggera (QLD)	6.5
RAAF Base Amberley Fire Ring Main Replacement Project	RAAF Base Amberley (QLD)	32.2
Anglesea Paterson Project	Anglesea Barracks (TAS) Launceston (TAS)	57.4
Resonant Acoustic Mixing Capability Installation Project	Mulwala (NSW)	3.0
Total		199.9

## Audit

The Defence internal audit program provides independent assurance to senior internal stakeholders on departmental controls and the effectiveness of those controls in mitigating enterprise risks. During 2020–21 a total of 29 internal audit tasks were completed. This included one task commenced in 2019–20 but completed in 2020–21. The remaining 28 tasks comprised 26 annual audit program tasks (22 full audits and four health checks) and two management-directed audits.

Defence also supported audit activities undertaken by the ANAO. In 2020–21, the Auditor-General completed six performance audits on Defence, the audit of the Defence financial statements for the period ended 30 June 2021, and the priority assurance review (Major Projects Report).

Defence also monitors the implementation of recommendations from internal audits and ANAO audits, and reports on these to the Defence Audit and Risk Committee.



Two F-35A Lightning II, A35-022 and A35-028, fully loaded with inert GBU-12 laser guided ordnance for the very first time, en route to the Delamere Air Weapons Range in the Northern Territory during Exercise Arnhem Thunder 21.

Table 5.7: Auditor-General's performance audit reports on Defence, 2020–21

Report	Date presented to Parliament	Audit objective
Design and Implementation of the Defence Export Strategy	10 September 2020	To assess the effectiveness of the Department of Defence's design process and implementation to date of the Defence Export Strategy.
Defence's Procurement of Offshore Patrol Vessels – SEA 1180 Phase 1	12 October 2020	To assess the effectiveness to date of the Department of Defence's procurement and contract management of the Offshore Patrol Vessel program.
Defence's Procurement of Combat Reconnaissance Vehicles (LAND 400 Phase 2)	26 November 2020	To assess the effectiveness and value for money to date of the Department of Defence's acquisition of combat reconnaissance vehicles under project Land 400 Phase 2.
Delivery of Security Vetting Services Follow-up	7 December 2020	To examine the Department of Defence's implementation of agreed recommendations made in Auditor-General Report No. 38 of 2017–18 Mitigating Insider Threats through Personnel Security and the related report provided to ministers under section 37(5) of the <i>Auditor-General Act 1997</i> , and by the Parliament's Joint Committee of Public Accounts and Audit in Report 479 of 2019: Australian Government Security Arrangements.
Implementation of ANAO and Parliamentary Committee Recommendations – Department of Defence	12 April 2021	To examine whether the Department of Defence implemented a selection of agreed parliamentary committee recommendations and ANAO performance audit recommendations.
Defence's Implementation of Cultural Reform	20 May 2021	To assess the effectiveness to date of the Department of Defence's implementation of its Pathway to Change – Evolving Defence Culture 2017–2022 cultural reform strategy.

Table 5.8: Auditor-General's priority assurance review involving Defence, 2020–21

Report	Date presented to Parliament	Review objective
2019–20 Major Projects Report	30 November 2020	To provide the Auditor-General's independent assurance over the status of the selected major projects.

## Inspector-General of the Australian Defence Force

Section 110B of the *Defence Act 1903* establishes the position of the Inspector-General of the Australian Defence Force (IGADF). The IGADF operates outside the ordinary chain of command to provide an independent and impartial integrity, inquiry and assurance function.

The functions of the IGADF are to:

- provide the Chief of the Defence Force (CDF) with a mechanism for internal audit and review of the military justice system;
- provide an avenue by which failures in the military justice system may be examined, and remedied;
- provide advice on matters concerning the military justice system;
- conduct reviews of complaints made under the statutory redress of grievance scheme;
- conduct inquiries into deaths of ADF members;
- inquire into or investigate matters concerning the ADF as directed by the Minister or CDF.

The operating tempo in the Office of the IGADF (OIGADF) was higher than in previous reporting periods; the number of submissions OIGADF received was almost 80 per cent higher than the annual average.

The IGADF inquiry into rumours and allegations of misconduct, including potential breaches of the laws of armed conflict, by members of the Special Operations Task Group during deployments in Afghanistan between 2005 and 2016 was concluded on 29 October 2020. The inquiry report was delivered to the CDF on 6 November 2020.

Since the conclusion of the inquiry, OIGADF staff have met with the Office of the Special Investigator and have been providing support to the Special Counsel to the Office of the Special Investigator.

There were 52 military justice performance audits and 12 focus group activities conducted by IGADF staff during the reporting period. A further 24 audits were postponed due to COVID-19 restrictions. Two units were subjected to a re-audit, due to the previous audit identifying material deficiencies in the military justice arrangements of these units. During the conduct of military justice performance audits in the reporting period, 3,558 ADF personnel participated in focus group discussions.

The IGADF received 116 new submissions alleging military justice failures in 2020–21, representing a significant increase in submissions received in previous years. As at 30 June 2021, 88 submissions (some of which were received in previous reporting periods) had been finalised based on the results of an IGADF inquiry or assessment.

An additional 55 complaints received by the IGADF related to possible breaches of Military Police professional standards. In total, 51 complaints into Military Police professional standards were finalised.

There were 269 new applications for redress of grievance received by the IGADF in 2020–21. During the same period, the IGADF finalised 288 applications for redress of grievance (some of which were received in previous reporting periods).

During 2020–21 the IGADF initiated 45 new reviews and finalised 17 inquiries into the death in service of ADF members. Fifty-eight inquiries were ongoing at the end of the reporting period. In addition, OIGADF staff continued to work closely with the interim National Commissioner for Defence and Veteran Suicide Prevention.

The IGADF completed an own-initiative inquiry into the first 12 months of the practice of publishing lists and outcomes of courts martial and Defence Force magistrate trial outcomes.

The IGADF prepares an annual report on the operations of the OIGADF for the Minister and for presentation to the Parliament, in accordance with section 110R of the Defence Act. This report is prepared at the end of each financial year and, once tabled in Parliament, can be accessed at [www.defence.gov.au/mjs/reports.asp](http://www.defence.gov.au/mjs/reports.asp).

## **Defence (Inquiry) Regulations 2018**

Regulation 73 of the Defence (Inquiry) Regulations 2018 requires the Chief of the Defence Force to report on the operation of administrative inquiries conducted in Defence during each reporting period. The Australian Defence Force Administrative Inquiry Tracking System (ADFAITS) was established to track these inquiries.

During 2020–21 there were 25 administrative inquiries recorded on ADFAITS. Since July 2006, when the collection of statistical information concerning inquiries conducted under the Defence (Inquiry) Regulations 1985 became mandatory, 790 inquiries have been recorded on ADFAITS.

## **Defence Response to the IGADF Afghan Inquiry**

The Afghanistan Inquiry was conducted by Major General Justice Paul Brereton, as Assistant IGADF, over the four and a half year period from mid-2016 to the end of 2020. It was commissioned by Defence in response to rumours and allegations relating to possible breaches of the law of armed conflict by members of the Special Operations Task Group over the period 2005 to 2016.

On 6 November 2020, CDF received the Afghanistan Inquiry report from the IGADF. On 19 November 2020, CDF made a public statement and released a public version of the report. In total, the Afghanistan Inquiry made 191 findings and 143 recommendations. Defence is addressing all recommendations.

Defence has established the Afghanistan Inquiry Response Task Force to manage the Defence response to the Afghanistan Inquiry.



The Afghanistan Inquiry Reform Plan sets the Defence strategy for responding to the Afghanistan Inquiry and establishes the Afghanistan Inquiry Reform Program to coordinate and drive this work. The Afghanistan Inquiry Reform Program has two objectives:

- **Objective 1 (address the past)** – Consider and take appropriate action to address organisational, collective and individual responsibility for past failures and wrongdoing;
- **Objective 2 (prevent recurrence)** – Build the best possible organisation for the future, comprehensively understanding and addressing the root causes of the failures and wrongdoing; and developing the systems, culture and accountability that will prevent, and promptly detect and respond to, departures from required standards.

Substantial effort continued during the reporting period to ensure all persons involved in the inquiry were provided with relevant information on access to legal assistance and welfare support services.

## Exercise of the Defence Minister's powers under the Customs Act

In accordance with the requirements of section 112BC in Division 1AA of the *Customs Act 1901*, the Minister for Defence must table a statement on the exercise of the Minister's powers under Division 1AA of the Act for each preceding year. For the period 1 July 2020 to 30 June 2021, the Minister for Defence did not exercise the powers pursuant to Division 1AA of the Act.

## Judicial and administrative tribunal decisions

In *Private R v Cowen* [2020] HCA 31 (9 September 2020), the High Court of Australia dismissed an application by Private R challenging the jurisdiction of a Defence Force Magistrate to try a charge against the accused soldier. The High Court unanimously held that the Defence Force Magistrate could hear the charge brought under section 61(3) of the *Defence Force Discipline Act 1982* (the territory offence provision) and, by majority decision, that the territory offence provision was valid in all its applications.

## Commonwealth Ombudsman and Defence Force Ombudsman reports

In July 2020 the Commonwealth Ombudsman published the third report in a series of Defence Health Check inquiries titled, Inquiry into behaviour training for Defence recruits. The inquiry assessed the recruit training curriculum and content, delivery and evaluation approach for measuring the effectiveness of training related to required behaviours that is delivered to ADF recruits. Overall, the findings were positive and the Commonwealth Ombudsman was largely satisfied that the training curriculum appropriately reflects Defence's policies and procedures on required behaviours. The Commonwealth Ombudsman made five recommendations aimed at supporting Defence to provide greater assurance that recruit behaviour training effectively addresses issues related to unacceptable behaviour in the ADF which Defence agreed to implement in their entirety.

## Organisational capability reviews

The Australian Public Service Commission did not conduct a review into Defence's organisational capability in 2020–21.

Australian Army soldier Corporal Meg Reeves uses a Ghost Robotics quadruped robot for a reconnaissance task at Mount Pleasant, Canberra.



## Army innovation enabling continuous adaptation

**Commercial investment and consumer demand is accelerating the development of artificial intelligence, machine learning, robotics and autonomous systems, biotechnology, and new forms of energy. To understand these new technologies, Defence works with industry and experiments widely. This informs the development of new equipment, tactics and training.**

Army is the largest user of unmanned aerial systems in Australia, with more than 700 systems in service. Army also experiments with uncrewed vehicles, quadruped robots, counter unmanned systems weapons, and advanced leader-follower technology. This experimentation is helping Defence to understand the limitations and strengths of these systems in cluttered, ambiguous and degraded environments. Experiments and trials are also informing our thinking about how to provide electric and processing power in austere conditions, future command and control, and human-machine interfaces.

To strengthen Defence's innovation culture, Army is putting design and innovation in the hands of our soldiers through the Makerspace program. Eight Makerspace labs in regional locations provide practical experimentation and prototyping in artificial intelligence, robotics, 3D printing, coding and advanced manufacturing equipment that inform technical solutions to the challenges of land warfare. Experiments and trials informed by the experience of soldiers are a continuous and ongoing effort to allow Defence to adapt to changing threats and new tasks.

Industry is an important partner in Defence's endeavours. Army Innovation Day, the Army Robotics Exposition and the Quantum Technology Challenge are some of the annual activities that allow small and medium companies to engage directly with Defence operators and decision-makers. In 2021 these events were supported by approximately 70 companies. These companies are actively growing the workforce and developing ideas that will support Defence's delivery of the *2020 Force Structure Plan*.



## STRATEGIC WORKFORCE MANAGEMENT

# 6

Left to right – Ludovica Celentano,  
Lieutenant Colonel Roger Grose, Warrant  
Officer Nikolai Rofe OAM RAN, and Wing  
Commander Belinda Johnson at Russell  
Offices in Canberra.

## Workforce summary

Defence continues to pursue a capable, agile and resilient workforce that delivers outcomes in a dynamic strategic environment. The pursuit of continuous improvement, rebalance and reshaping of Defence's workforce is guided by the *2020 Defence Strategic Update*, the *2020 Force Structure Plan* and the recently launched *Lead the Way: Defence Transformation Strategy*.

Defence is in the fifth year of implementing the Defence Strategic Workforce Plan 2016–2026. The plan contains actions designed to best enable the workforce and provide an integrated, enterprise approach to:

- recruitment;
- career and talent management;
- workforce mobility;
- education and professionalisation;
- transition and re-engagement;
- partnerships with other Government departments, industry and academia.

These actions are supported by Defence White Paper People Initiatives valued at \$384.3 million over the decade to financial year 2024–25, along with initiatives to implement a more contemporary Australian Defence Force (ADF) employment model and remuneration framework. An updated workforce plan will be released in late 2021, to support the workforce growth needed for the complex capabilities outlined in the *2020 Force Structure Plan* and to respond to changes in Australia's strategic, social and economic circumstances.

Defence has positioned its workforce to support the \$270 billion Integrated Investment Program and meet rapidly evolving national security challenges. Defence is building its skill base through training and education, targeted recruitment and balancing our integrated workforce to best meet critical need.

Defence's Total Workforce System provides a versatile approach to managing the ADF workforce, allowing greater flexibility and agility. The system enables Defence to utilise its workforce more effectively and identifies opportunities for employment in key growth areas, including leveraging offers to provide more work to part-time and standby components of the ADF workforce.

In 2020–21 Defence continued efforts in recruitment and retention of our shipbuilding; cyber; science, technology, engineering and mathematics (STEM); intelligence; and information and communications technology workforces.

Retention of our workforce and their skills and experience is critical to the effective delivery of Defence capability. *Pathway to Change: Evolving Defence Culture 2017–2022* strategy is integral to embedding the Defence Values and Behaviours. Additionally, the strategy is key to developing a safety culture, which is critical to our operational effectiveness and attraction and retention of a potent workforce.

Throughout 2020–21 the Defence workforce continued to meet the challenge of operating in a global pandemic, delivering outcomes in support of the Australian community with a focus on the safety and wellbeing of Defence people and their families.

## Recruiting of ADF personnel

During 2020–21 Defence recruited more than 8,000 personnel to permanent and Reserve roles in the ADF, which accounted for 90 per cent of permanent force targets being filled.

Defence faces an ongoing strategic challenge to meet targets in STEM and in some specialist professions and trades, and to attract the required numbers of women and Indigenous Australians. Additionally, challenges presented by sustained COVID-19 restrictions required innovative recruiting methods to overcome candidate engagement difficulties. During 2020–21 targeted ADF recruitment activities continued with Specialist Recruiting Teams for women, Indigenous Australians and trades. These teams focused on mentoring candidates throughout the recruiting process, including the use of virtual information sessions and tools to engage with regional candidates.



## Families and transition support

Defence offers a broad range of programs and services to commanders, ADF members and their families to help enhance Defence capability. The total number of ADF dependants is approximately 86,000. Key programs designed to support Defence members and their families fall into four main areas: mobility and absence from home support; critical incident support; command advice; and transition support.

In 2020–21 Defence continued the reform of transition services to provide tailored support to transitioning ADF members and their families on a needs basis, including up to 24 months after transition.

Due to the ongoing uncertainty created by COVID-19, Defence has embedded flexible delivery of transition services, offering choice to transitioning members and their families as to the way they receive services. This includes a virtual transition seminar providing 24/7 worldwide access to relevant information and connection to transition service providers across Government and community services, including ex-service organisations. To support transitioning members and to avoid burdening a stressed health system, Defence also held in abeyance a number of members' transition out of service until such time as the economy and the COVID-19 threat improved, or the members had been able to put sound plans in place to provide for their own health and employment.

In response to recommendation 7.1 of the 2019 Productivity Commission inquiry report *A Better Way to Support Veterans*, the Australian Government established the Joint Transition Authority in October 2020. The purpose of the JTA is to better prepare and support ADF personnel and their families as they transition from military to civilian life. The JTA is currently in an implementation phase, identifying how services could be better connected and improved across the transition system. It is working closely with our partner agencies the Department of Veterans' Affairs and the Commonwealth Superannuation Corporation.

## Defence 2022 reforms

Defence has a significant human resources (HR) transformation agenda to be delivered in coming years. The drivers for this work include the Defence Strategic Workforce Plan, the Defence Transformation Strategy and the Enterprise Resource Planning (ERP) program.

In 2020–21 Defence established the HR Transformation Branch to oversee and execute the program of work needed to deliver HR transformation. Work completed to date has included a full scoping of activities needed to support the HR component of the ERP; successfully completing a technical upgrade of Defence's existing payroll system; and revising existing HR information systems roadmaps to consider Defence's rollout of the ERP over the forward estimates.

## Defence Values

Defence APS employees conduct their duties in accordance with the APS Code of Conduct, the APS Values, and the Defence Values. The purpose of the *Defence Force Discipline Act 1982* is to maintain and enforce military discipline necessary for ADF capability.

The unifying set of Defence Values and Behaviours launched in October 2020 was implemented to strengthen organisational alignment and reinforce the One Defence ethos: we are stronger and more capable when we train, work, learn, lead and fight as a team. The Defence Values and Behaviours are the tenets by which all Defence personnel are expected to conduct themselves.

The Defence Values, underpinned by the Defence Behaviours, provide a common and unifying thread for all people working in Defence.

The Defence Values are:

- **Service.** The selflessness of character to place the security and interests of our nation and its people ahead of my own;
- **Courage.** The strength of character to say and do the right thing, always, especially in the face of adversity;
- **Respect.** The humanity of character to value others and treat them with dignity;

- **Integrity.** The consistency of character to align my thoughts, words and actions to do what is right;
- **Excellence.** The willingness of character to strive each day to be the best I can be, both professionally and personally.

The Defence Behaviours are:

- Act with purpose for Defence and the nation;
- Be adaptable, innovative and agile;
- Collaborate and be team-focused;
- Be accountable and trustworthy;
- Reflect, learn and improve;
- Be inclusive and value others.

## Cultural reform

Defence has been on a cultural journey for many years. *Pathway to Change: Evolving Defence Culture 2017–2022* underpins Defence's ongoing commitment to driving cultural reform and reinforces that all personnel are accountable for creating a more positive and inclusive culture. In 2020–21 Defence continued to progress its work on the six key cultural reform priorities:

- leadership accountability;
- capability through inclusion;
- ethics and workplace behaviours;
- health, wellness and safety;
- workplace agility and flexibility;
- leading and developing integrated teams.

The findings and recommendations from the recent Australian National Audit Office audit of the Pathway to Change program will guide the development of Defence's next phase of its cultural journey under the *Defence Transformation Strategy*.

## Honours and awards

In 2021, in recognition of their distinguished service on operations, significant dedication, outstanding application of skill or meritorious service, 203 ADF members were awarded honours or decorations in the Australia Day and Queen's Birthday Honours lists.

In 2020–21 Defence issued 12,487 operational medals and long service awards to current Australian Defence Force members, and 11,214 service medals to veterans and their families in recognition of service in conflicts since World War I. During this year, Defence also recognised 1,050 APS employees for their commitment to service and awarded Secretary's Awards for Long Service.

It is vital Defence protects and preserves historical records to ensure the Department can efficiently assess honours and awards requests into the future. In March 2021 Defence commenced a new project to digitise over 1.7 million medal slips related to World War II and postwar service. This project, which is aligned with the Government's Digital Transformation agenda, is expected to be completed in 2021–22.



## Key workforce initiatives

During 2020–21 a range of new initiatives, combined with enhancements to previous programs, have been implemented to attract, recruit and build the required workforce, and support ADF members and their families.

- The Total Workforce System continued to mature. The application of an integrated workforce, drawing on the diverse skills and strengths in both the permanent and Reserve elements, was demonstrated during Defence's contribution to the national responses to the bushfire emergency and the COVID-19 pandemic;
- The ADF recruiting services contract was retendered, providing the opportunity to design a system that will improve the ability of Defence to attract its future workforce;
- Defence continued to use Specialist Recruiting Teams comprising current serving Defence women, to assist with the promotion of Defence careers for women and provide mentoring support through the recruiting process;
- The Defence Industry Secondment Program pilot was launched in April 2021. The program is designed to enhance the relationship between Defence and industry and build the commercial skills of Defence Australian Public Service (APS) and ADF personnel, positioning the Department as a stronger and better informed client for industry. As at 30 June 2021, nine individuals have completed their secondments;
- The Defence STEM Council continues to lead a collaborative approach across Defence and other agencies to develop the talent pipeline for careers in science, technology, engineering and mathematics in the national security sector;
- The ADF Cyber Space Professional Framework was developed to support a common workforce taxonomy and foundational job requirements for cyberspace operator roles. A Cyber Professional Development Blueprint and roadmap outlines key activities to continue professionalisation of the cyber workforce;
- In delivering on the Naval Shipbuilding Plan, demand and supply strategies have been developed. This includes a dedicated Maritime Engineering and Naval Construction APS graduate stream, supported by a mentoring program to best develop the technical and professional skills of this foundation workforce. Recruitment is currently underway for the fifth intake of graduates;
- Services to support ADF families continued to expand, including through the Defence Childcare Program Individual Case Management Service, which assisted 70 families in 2020–21 to source appropriate childcare arrangements when a Defence childcare centre was not available;
- The Joint Transition Authority (JTA) was established in October 2020, with final implementation planned for December 2022. The JTA's purpose is to better prepare and support Australian Defence Force personnel and their families as they transition from military to civilian life;
- A range of mental health initiatives were progressed, including the Periodic Mental Health Screen in all garrison health centres, to provide early identification and intervention for ADF members.

# Defence 2022 workforce

## Developing staff

Defence's focus on staff development is fundamental to continuous improvement under the Defence Transformation Strategy. Defence embraces leading-edge approaches to staff development by incorporating digital transformation into learning products and activities to support an agile, proactive and effective people capability.

Initiatives continued or launched in 2020–21 include:

- the Defence Online Academy, which has received 1.5 million visits since its inception in July 2019. This is Defence's 'one stop shop' for learning products available to both APS and ADF personnel. It enables learners to develop relevant and high-impact learning plans and engage with managers in critical conversations to support skill and career development;
- rapid transitioning of leadership programs from face-to-face to virtual, with extremely positive participant evaluation;
- LinkedIn Learning, a global platform that provides learners with access to a wide range of online learning modules, aimed at assisting in developing both personal and professional skills;
- Voice of the Customer, a customer-centric training program, introduced in June 2020, that focuses on how to keep up with customer needs, perceptions, understanding and product improvement. Since its introduction there have been over 1,200 completions;
- the Indigenous Learning Portal, which provides all Defence personnel with ongoing nationwide access to a range of online courses, key documents, websites and policies. Increased cultural intelligence enables reconciliation, capability and ability to contribute to the National Agreement on Closing the Gap. Cultural learning also promotes a more culturally safe workplace for our Aboriginal and Torres Strait Islander personnel and more meaningful engagement with Indigenous communities across Australia;
- the Build on You program, which was refreshed in 2021 to align with the Defence Future Focused Capabilities. Over 1,800 users are now registered. The high calibre of experts facilitating the live labs and practical application of the learning has resulted in overwhelmingly positive feedback from learners.

## Culture

*Lead the Way: Defence Transformation Strategy* draws together the strategy, capability and reform needed for Defence to lead the way and create a high-performing organisation with culture as a key priority. Cultural change continues to be implemented in Groups and Services through:

- Next Generation Navy, which formally places the leadership of people and culture and the development of high-functioning teams at the forefront of Navy's strategy. The program is supported by the Defence Values and Behaviours, and five Navy cultural pillars: value our people; develop leaders who value their team; enhance resilience; instil a sense of purpose; and drive to professional mastery;
- Army's cultural initiative Good Soldiering, which promotes an enduring culture of optimal performance as individuals, as teams and as an Army. It is founded on a platform of trust, exemplary character through adherence to the Defence Values and Behaviours, compliance with Our Contract with Australia, and achieving inclusion through teaming;
- Our Air Force, Our Culture, Air Force's new cultural direction, which focuses on redefining and clarifying purpose and identity within the context of the Defence Values and Behaviours. It builds on the foundations laid by the previous cultural program, New Horizon, to move towards an air-minded, values-based, inclusive, resilient and consistent culture which supports superior performance in the air and space domains both now and in the future;
- Defence is moving into the fourth year of *Pathway to Change: Evolving Defence Culture 2017–2022*, and continues to build on the progress made to foster a continuous improvement culture and drive high performance at all levels.

## Diversity and inclusion

*Lead the Way: Defence Transformation Strategy* recognises that Defence's ability to successfully deliver on the Government's strategic objectives hinges on our people, and that continuous improvement efforts are supported by a workforce that reflects the Australian community Defence serves. A diverse workforce with an inclusive culture enhances Defence's capability and effectiveness and is a key priority in Pathway to Change.

During 2020–21 a suite of inclusion courses were delivered through Campus to train a large number of employees about inclusion and cultural awareness.

Furthermore, Defence partners with the following external organisations that provide strategic and operational-level advice to build Defence capability through inclusion:

- Australian Human Rights Commission;
- Diversity Council of Australia;
- Australian Disability Network;
- Champions of Change Coalition;
- Pride in Diversity.

## Women in Defence

As at 30 June 2021, the participation rate of women in the Defence APS reached 45.8 per cent – an increase from 45.4 per cent as at 30 June 2020. In this period, the proportion of women in Executive Level positions increased from 35.7 per cent to 37.5 per cent. There has also been an improvement in the proportion of women in Senior Executive Service (SES) positions, increasing from 42.2 per cent to 45.1 per cent. Additionally, Defence provided board readiness training for women to increase the number of women on Defence boards. As at 30 June 2021, Defence boards have 48 per cent representation by women, an increase of 2.1 per cent from last year.

Defence has implemented a number of gender equality initiatives, including mentoring opportunities for women designed to enable talented female professionals to build their career resilience and develop their leadership skills through group coaching and peer mentoring.

Defence continues to shape the agenda on women in STEM in Australia and has increased the number of women in undergraduate STEM scholarships to 25, as well as achieving over 40 per cent female APS STEM cadetships for 2020.

As at 30 June 2021, the participation rate of women in the permanent ADF reached 19.7 per cent – an increase from 19.2 per cent at 30 June 2020. In the same period, the number of women serving in the ADF increased by 412, with seven more women in senior officer positions.

Defence has targets for female representation in the ADF, including 15 per cent for Army and 25 per cent for Navy and Air Force by 2023. As at 30 June 2021 both Army and Air Force have achieved their targets, with 15.1 per cent and 25.4 per cent respectively. Navy is improving, with 23 per cent female representation.

Service-specific initiatives provide mentoring, sponsorship and leadership development opportunities for women:

- The Navy Women's Development Program 2019–21 is designed to empower Navy's female workforce through initiatives to support the Service-mandated target of 25 per cent female participation rate by 2023. Under this program the Navy Women's Mentoring Program has been established, along with Navy Women's Mentoring and Networking Forums. The Navy Women's Development Program has sponsored more than 100 Navy women to take part in professional development courses provided through Women and Leadership Australia and has secured Navy representation at numerous women in leadership summits and symposiums around the country. The Navy Women's Mentoring Program continues its sponsorship of The Future Through Collaboration women in engineering mentor/mentee program and is working with Navy Engineering on initiatives to increase female representation in STEM;



Left to right, Private Seema Muthia, Private Shamila Muthia Azami (mother), Private Uma Muthia, and Private Anissa Muthia took a rare opportunity to parade together on a Tuesday night as a family when they took part in a photo shoot for Mother's Day at Oakleigh Barracks, Melbourne.

- Army provides a range of professional development activities designed to improve leadership, resilience and mentoring. Current programs include sponsorship of The Future Through Collaboration; Great Leaders Are Made; Chief Executive Women's Leaders Program groups and executive coaching; and the Army Industry and Corporate Development Program. Army is committed to the successful integration of women into combat roles, and to ensuring they have positive, viable careers;
- Air Force sponsored women to attend and participate in various internal and external conferences and events. These include The Future Through Collaboration; Women Speaking, a public-speaking development program; the Women's Integrated Networking Group, a facilitated program providing professional development and networking opportunities for all Air Force women; the Leadership Exchange Program, a professional development forum to enhance leadership effectiveness and share ideas and experiences with other Air Force members from different ranks and occupations; and the Australian Women Pilots' Association Grant, providing two scholarships annually to support women pilots to further their career and enhance their skills.

## Indigenous participation and engagement

Defence's commitment to the National Agreement on Closing the Gap is outlined in the Defence Reconciliation Action Plan 2019–2022.

Defence, as an integrated workforce, has achieved the Australian Government target of 3 per cent, and remains focused on achieving the Indigenous representation targets of 5 per cent by 2025 for the ADF and 3 per cent by 2022 for the APS.

Overall, Indigenous representation among APS employees remains relatively static at 2.2 per cent compared to last year. The permanent ADF Indigenous workforce increased from 3.2 per cent on 1 July 2020 to 3.3 per cent on 30 June 2021 and is currently exceeding the Australian Government target of 2.7 per cent.

Defence employs a variety of initiatives for Indigenous Australians to develop professional and personal skills and to obtain exposure to a career in the Navy, Army or Air Force. For example:

- The Defence Work Experience Program attracts talent from across Australia through community engagement activities, work experience opportunities and partnering with Indigenous organisations to improve future outcomes for Indigenous youth.
  - During 2020–21 the Defence Work Experience Program was affected by the COVID-19 pandemic, with all work experience activities suspended from March 2020;
  - In November 2020, Chief of the Defence Force approved the recommencement of Defence work experience placements in alignment with the Australian Government Framework for a COVID-safe Australia;
  - From January to June 2021 the Defence Work Experience program had six confirmed Indigenous placements scheduled across Navy, Army and Air Force;
- The Indigenous ADF Pre-Recruit Program is aimed at Indigenous Australians who meet the general entry recruiting standards for medical, education and aptitude but need to develop their confidence, resilience and/or physical fitness to enable them to succeed during recruitment and initial training. This six-week program is conducted at Kapooka (NSW) and Wagga Wagga (NSW). During 2020–21 there were 21 Navy participants, 25 Army participants and 14 Air Force participants in the Pre-Recruit Program;
- The Navy and Army Indigenous Development Programs provide language, literacy, and numeracy training; military skills; physical fitness; vocational education and training; cultural appreciation; and leadership and character development. These six-month programs are conducted in Cairns (QLD), Darwin (NT) and Kapooka (NSW). During 2020–21, 23 people participated in the Navy Indigenous Development Program and 105 people participated in the Army Indigenous Development Program;
- The Air Force Indigenous Youth Program provides Indigenous candidates with hands-on experience, highlighting the range of career opportunities available within Air Force. During 2020–21 the program was suspended due to COVID. It was reinstated in June 2021 with eight participants.

Table 6.1: Indigenous participation

	30 June 2020 <sup>1</sup>		30 June 2021	
	Number	% of total	Number	% of total
<b>Navy</b>				
Permanent	548	3.6%	560	3.7%
Reserves <sup>2</sup>	47	1.3%	48	1.2%
<b>Army</b>				
Permanent	1,027	3.5%	1,021	3.5%
Reserves <sup>2</sup>	633	3.2%	699	3.5%
<b>Air Force</b>				
Permanent	367	2.5%	394	2.6%
Reserves <sup>2</sup>	71	1.3%	79	1.4%
<b>Total ADF</b>				
Permanent	1,942	3.3%	1,975	3.3%
Reserves <sup>2</sup>	751	2.6%	826	2.8%
<b>Total APS<sup>3</sup></b>				
	418	2.4%	384	2.2%

**Notes:**

Data for this table is reliant on self-identification on the Defence human resources system; therefore the data is likely to under-report actual participation rates.

1. Data for 2019–20 does not match the data provided in the *Defence Annual Report 2019–20*, due to retrospective transactions.
2. Reserves include all members (Service Categories 5, 4 and 3) and Reserves undertaking continuous full-time service (Service Option C). This does not include Reserve Service Category 2.
3. Figures include paid, unpaid, full-time, part-time, ongoing and non-ongoing employees.

## People from culturally and linguistically diverse backgrounds

Defence aims to provide an inclusive work environment that respects, values and utilises the contributions of people of different backgrounds, experiences and perspectives and reflects the varied cultures within the broader Australian community. A culturally diverse workforce assists Defence in combat and in building effective relationships with our counterparts and allies around the world.

Of the 173 candidates recruited for the 2021 Defence Graduate Program, approximately 39 per cent of graduates indicated they either spoke or wrote a second language (other than English). Collectively, the cohort has proficiency in 27 languages including Cantonese, French, German, Hindi, Japanese, Mandarin, Russian and Spanish.

## Lesbian, gay, bisexual, transgender and intersex people

Defence is a foundation member of Pride in Diversity, Australia's first and only national not-for-profit employer support program for all aspects of lesbian, gay, bisexual, transgender and intersex (LGBTI) workplace inclusion. As part of Defence's Pride in Diversity membership, it holds regular training sessions throughout the year which aim to build the capacity of individuals and teams to manage diversity and strengthen Defence capability.



## People with disability

Defence holds Gold membership status in the Australian Network on Disability, a not-for-profit organisation resourced by its members to advance the inclusion of people with disability in all aspects of business.

Defence continues to enhance capability and build positive and sustainable employment through a number of disability employment initiatives. In 2020–21 these initiatives included:

- the Defence Administrative Assistance Program, employing approximately 100 people with intellectual disability across Australia through partnerships with Australian Disability Enterprises;
- the Inclusive Employment Program, employing 19 people with intellectual disability at the APS 1 and APS 2 levels across several Defence locations.

Defence has a client-centric approach to supporting people with disability and their managers. This includes workplace adjustments and assistive technology to eliminate workplace barriers; participation in supervisor training courses; and a dedicated Accessibility Hub to provide employees with disability, ill health or injury and their managers with information on creating a flexible and inclusive work environment.

## Disability reporting mechanisms

Defence's disability reporting mechanisms include both self-identified human resources reporting and anonymous survey-based data capture.

As at 30 June 2021, 3.2 per cent of Defence APS employees identified as having a disability. Other reporting mechanisms include the annual Australian Public Service Commission (APSC) APS Employee Census, and the Defence Census, which captures the proportion of Defence APS employees who identify as having a disability or chronic medical condition. The Defence Census is conducted every four years, with the most recent survey completed in 2019, as reported in the *Defence Annual Report 2019–20*.

Defence has strategies in place to address stigma in the workplace in order to increase the willingness of individuals to share information regarding their disability.

Disability reporting is included in the APSC's State of the Service reports and the APS Statistical Bulletin. These reports are available at [www.apsc.gov.au](http://www.apsc.gov.au).

# Workforce planning

This section provides information on average workforce strength during 2020–21. Defence uses average workforce strength figures for planning and budgeting purposes.

The Defence Strategic Workforce Plan 2016–2026 continued to implement initiatives focused on recruiting, retention, career management, transition support and professionalisation of the APS workforce through Job Families. ADF recruiting achieved 90 per cent of targets for enlistments into the permanent ADF (ab initio and prior service). Women represented 23.3 per cent of enlistments and, combined with retention efforts, this has resulted in 412 more women serving in the ADF (Service Categories 7 and 6, excluding Service Option G) than 12 months ago. Retention in the ADF permanent force declined, with an increase in separations from 9.0 per cent to 9.5 per cent. The APS workforce also saw an increase in separations over the year, from 9.4 per cent to 11.2 per cent.

Indigenous representation in the permanent ADF improved, with more than 400 Indigenous personnel recruited in 2020–21. Indigenous representation in the permanent ADF is now at 3.3 per cent.

In relation to transition services, Defence provided individualised career coaching and mentoring services to 6,512 ADF personnel transitioning from Defence, with the aim of assisting them to achieve meaningful employment or meaningful engagement.

## Staffing levels and statistics

All workforce information in this report is at 30 June 2021, and will differ to the rounded workforce achievement figures stated in the *2020 Force Structure Plan*, which reflects data at an earlier point in time.

Defence budgets for its ADF workforce on an average funded strength basis and for the APS workforce on an average staffing level basis. Defence uses actual full-time equivalent (FTE), which is paid strength on a particular date, to provide the most accurate indicator of current staffing levels. Workforce planning is based on average funded strength for the ADF and average staffing levels for the APS for the financial year; these averages are used to plan for an affordable workforce.

Defence also records some statistical data by headcount. All personnel are counted equally regardless of the number of hours worked. The figures include all personnel recorded as on duty or on leave, full-time or part-time, with or without pay. This statistical basis is used for information by gender, employment categories and employment location. Defence does not base its workforce planning on headcount figures.

## Total Workforce System

Table 6.2: Total Workforce System – Service Spectrum continuum

Previous description	Service Spectrum continuum	Additional information
Permanent	Full-time service (Service Category 7)	Reservists on continuous full-time service (Service Option C) are included in permanent force funded strength numbers but not in headcount figures.
	Other than full-time service (Service Category 6)	Members of the permanent forces rendering a pattern of service other than full time, who are subject to the same obligations as Service Category 7.

Previous description	Service Spectrum continuum	Additional information
Reserves	Specific pattern of service and number of days served (Service Category 5)	Members of the Reserves who provide a contribution to capability that extends across financial years and who have security of tenure for the duration of their approved commitment to serve. They are liable for a call out. They can undertake continuous full-time service (Service Option C).
	Providing service, which includes an availability (Service Category 4)	Members of the Reserves who serve in a contingent capability at short notice, with their notice to move defined by their Service. They are liable for call out and available to be 'called for'. They can undertake continuous full-time service (Service Option C).
	Available for service or providing service (Service Category 3)	Members of the Reserves who provide a contingent contribution to capability by indicating their availability to serve or who are rendering service to meet a specified task within a financial year. They are liable for call out. They can undertake continuous full-time service (Service Option C).
	Not providing service but can be called out in specific circumstances if required (Service Category 2)	Members of the Reserve forces who do not render service and have no service obligation. They are liable for call out.
Defence APS employees on deployment	Employees of the Defence APS who are force assigned (Service Category 1)	APS employees of Defence who have been seconded or attached to the ADF and are force assigned on operations.
ADF Gap Year	Full-time service (Service Option G)	The ADF Gap Year is a program that enables 17 to 24 year olds with Year 12 education to experience segments of ADF training and employment for up to 12 months.

## Australian Defence Force staffing

ADF staffing figures for 2019–20 and 2020–21 are shown in Table 6.3.

Table 6.3: **ADF figures, 2019–20 and 2020–21**

ADF staffing measure <sup>1,2</sup>	2019–20 <sup>3</sup>	2020–21	Variation
<b>For workforce planning purposes</b>			
Actual funded strength (paid strength as at 30 June)	59,760	60,596	836
Average funded strength (over the financial year)	59,109	60,330	1,221
<b>For other statistical data</b>			
Permanent headcount (on duty/leave and paid/unpaid)	59,104	59,569	465

### Notes:

- Funded strength figures include the ADF Gap Year (Service Option G). For consistency with other tables in this chapter, the headcount figures do not include the ADF Gap Year, which had 587 participants on 30 June 2020, rising to 664 participants on 30 June 2021.
- Funded strength figures do not include the Reserve workforce other than those on continuous full-time service (Service Option C), who are paid through the same mechanism as permanent force members. For consistency with other tables in this chapter, the headcount figures do not include Reserves (Service Categories 5, 4, 3 and 2) or those on continuous full-time service (Service Option C).
- 2019–20 headcount figures have been adjusted from those reported in the *Defence Annual Report 2019–20* to account for retrospective transactions.

Table 6.4 details ADF permanent force average funded strength for 2020–21, which includes ADF Reserves on continuous full-time service. ADF strength was 60,330 in 2020–21, an increase of 1,221 from 2019–20. Average funded strength for Reserves on continuous full-time service was 1,089 (comprising Navy 331, Army 573 and Air Force 185)—an increase of 34 from 2019–20.

**Table 6.4: ADF permanent force (Service Categories 7 and 6) and Reserves undertaking continuous full-time service (Service Option C), average funded strength**

	2019–20 Actual	2020–21 Budget estimate <sup>1</sup>	2020–21 Revised estimate <sup>2</sup>	2020–21 Actual	Variation	%
Navy	14,821	15,063	15,066	15,464	398	2.6%
Army	29,923	30,996	30,996	30,099	-897	-2.9%
Air Force	14,365	14,767	14,769	14,767	-2	0.0%
<b>Total average funded strength</b>	<b>59,109</b>	<b>60,826</b>	<b>60,831</b>	<b>60,330</b>	<b>-501</b>	<b>-0.8%</b>

**Notes:**

Figures in this table are average strengths; they are not a headcount. Reserves undertaking full-time service (Service Option C) are included in the figures. Employees on forms of leave without pay are not included.

1. As published in the *Portfolio Budget Statements 2020–21*.
2. As published in the *Portfolio Additional Estimates Statements 2020–21*.

## ADF enlistments and separations

Defence generates workforce via both ab initio recruitment and re-enlistment of personnel. In 2020–21 Defence recruited more than 8,000 people to permanent and Reserve roles in the ADF.

While there are specific areas that require further improvement to attain the desired workforce numbers, overall Defence has achieved 90 per cent of its target for the recruitment of full-time ADF members (ab initio and re-enlistment).

In 2020–21 the ADF enlisted 6,135 permanent members, made up of 4,707 men, 1,427 women and one member of indeterminate/intersex/unspecified gender. This was 153 fewer enlistments than in 2019–20.

Of the 6,135 ADF permanent members enlisted, 1,102 entrants had prior military service in the Reserves (Service Categories 5, 4 and 3), the Gap Year program (Service Option G) or another country, or they had previous permanent force service. There were 5,033 ab initio entrants.

The permanent ADF headcount (Service Categories 7 and 6) increased by 465 in 2020–21. This reflects the net difference between enlistments and separations. The Reserve headcount increased by over 850, reflecting the implementation of the Total Workforce System for how Defence generates personnel capability. This is also reflected in the increased number of days that personnel provided to the Reserve Service.

The Gap Year program (Service Option G) for 2020–21 achieved 100 per cent of recruiting targets, which is a slight increase from 99 per cent in 2019–20. The Gap Year program is now established as a key avenue of entry to the ADF, with a high proportion of entrants electing to remain in either the permanent or Reserve workforce.

Tables 6.5 and 6.6 provide comparative information about ADF permanent force (Service Categories 7 and 6) separations over the last two years.

Table 6.5: **ADF permanent force (Service Categories 7 and 6) and ongoing APS, 12-month rolling separation rates as at 30 June 2020 and 30 June 2021**

	12-month rolling separation rate (%)	
	30 June 2020	30 June 2021
Navy	6.6%	7.4%
Army	11.0%	11.9%
Air Force	7.3%	7.1%
<b>Total ADF permanent force<sup>1</sup></b>	<b>9.0%</b>	<b>9.5%</b>
<b>APS</b>		
<b>Ongoing APS</b>	<b>9.4%</b>	<b>11.2%</b>

**Notes:**

For improved accuracy, separation rates are calculated using monthly average headcounts, not end of financial year headcount figures.

1. ADF figures are for permanent members (Service Categories 7 and 6) and does not include Reserves (Service Categories 5, 4 and 3), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).

Table 6.6: **ADF permanent force (Service Categories 7 and 6) separations, 2019–20 and 2020–21**

		Voluntary separations <sup>1</sup>	Involuntary separations <sup>2</sup>	Age retirement	Trainee separations	Total
<b>2019–20<sup>3</sup></b>						
Navy	Officers	100	25	6	36	167
	Other ranks	407	251	14	126	798
Army	Officers	217	102	22	97	438
	Other ranks	1,537	746	19	484	2,786
Air Force	Officers	192	57	15	30	294
	Other ranks	444	225	22	69	760
<b>Total ADF permanent force</b>	<b>Officers</b>	<b>509</b>	<b>184</b>	<b>43</b>	<b>163</b>	<b>899</b>
	<b>Other ranks</b>	<b>2,388</b>	<b>1,222</b>	<b>55</b>	<b>679</b>	<b>4,344</b>
	<b>Total</b>	<b>2,897</b>	<b>1,406</b>	<b>98</b>	<b>842</b>	<b>5,243</b>
<b>2020–21</b>						
Navy	Officers	105	41	24	41	211
	Other ranks	393	348	15	150	906
Army	Officers	222	121	26	81	450
	Other ranks	1,419	1,100	19	521	3,059
Air Force	Officers	170	60	23	22	275
	Other ranks	424	244	25	76	769
<b>Total ADF permanent force</b>	<b>Officers</b>	<b>497</b>	<b>222</b>	<b>73</b>	<b>144</b>	<b>936</b>
	<b>Other ranks</b>	<b>2,236</b>	<b>1,692</b>	<b>59</b>	<b>747</b>	<b>4,734</b>
	<b>Total</b>	<b>2,733</b>	<b>1,914</b>	<b>132</b>	<b>891</b>	<b>5,670</b>

**Notes:**

Figures in this table show permanent force (Service Categories 7 and 6) substantive headcount numbers. Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G) are not included. Separation groupings are mutually exclusive – an individual is placed in only one group, with age retirement and trainee separations taking precedence over voluntary and involuntary separations. ADF members commencing leave or leave without pay are not included.

1. Voluntary<sup>1</sup> includes voluntary redundancies and resignations.
2. 'Involuntary' primarily comprises members who are medically transitioned from Defence, and personnel who were unsuitable for further duty, died while serving or were part of 'Command Initiated Transfer to the Reserve'.
3. Data for 2019–20 does not match the data provided in the *Defence Annual Report 2019–20*, due to retrospective transactions.

## ADF Reserves

The number of days each ADF Reserve member (Service Categories 5, 4 and 3) works in a year can vary substantially depending on personal circumstances and organisational need. To reflect this, Table 6.7 shows both the total number of days served by Reserve members in 2020–21 and the number of Reservists who rendered paid service.

In 2020–21 there was an increase of 48,012 days service, compared to 2019–20, to a total of 1,168,861 (118,135 Navy; 798,640 Army; and 252,086 Air Force), and the number of Reservists undertaking service days increased to 21,445 (1,757 Navy; 15,949 Army; and 3,739 Air Force).

Table 6.7 shows, the figures for number of days served by Navy, Army and Air Force Reserve members varied (by -1.6 per cent, 3.1 per cent and 5.9 per cent respectively). This was primarily due to the support provided for Operation BUSHFIRE ASSIST 2019–2020 and also for COVID-19 support.

**Table 6.7: ADF Reserve paid strength (Service Categories 5, 4 and 3), 2019–20 and 2020–21<sup>1,2</sup>**

	2019–20 Actual: days served (members paid)	2020–21 Budget estimate <sup>3</sup> : days served (members paid)	2020–21 Revised estimate <sup>4</sup> : days served (members paid)	2020–21 Actual: days served (members paid) <sup>5</sup>	Variation: days served (members paid)	Percentage variation days served (members paid)
Navy	112,514	120,000	120,000	118,135	-1,865	-1.6%
	(1,823)	(1,850)	(1,850)	(1,757)	-(93)	-(5.0%)
Army	775,012	775,000	775,000	798,640	23,640	3.1%
	(15,721)	(15,750)	(15,750)	(15,949)	(199)	(1.3%)
Air Force	233,323	238,037	238,037	252,086	14,049	5.9%
	(3,645)	(3,461)	(3,461)	(3,739)	(278)	(8.0%)
<b>Total paid Reserves</b>	<b>1,120,849</b>	<b>1,133,037</b>	<b>1,133,037</b>	<b>1,168,861</b>	<b>35,824</b>	<b>3.2%</b>
	<b>(21,189)</b>	<b>(21,061)</b>	<b>(21,061)</b>	<b>(21,445)</b>	<b>(384)</b>	<b>(1.8%)</b>

### Notes:

1. Because the number of days or hours worked by Reserve members can vary greatly, figures in this table show the total number of days' service rendered, with a headcount of members rendering paid service in brackets.
2. This table includes Service Categories 5, 4 and 3. Reserves on continuous full-time service (Service Option C) are not included in this table; they are included in Table 6.3.
3. As published in the *Portfolio Budget Statements 2020–21*.
4. As published in the *Portfolio Additional Estimates Statements 2020–21*.
5. This represents the Reserve personnel who rendered service from the around 29,000 personnel across Service Categories 5, 4 and 3 who have indicated availability to render service. It does not include around 11,000 personnel in Service Category 2 who are not rendering service and may be called on as required.



## Australian Public Service workforce

APS staffing figures for 2019–20 and 2020–21 are shown in Table 6.8.

Table 6.8: **APS staffing figures, 2019–20 and 2020–21**

APS staffing measure	2019–20 <sup>1</sup>	2020–21	Variation
<b>For workforce planning purposes</b>			
Actual full-time equivalent (paid strength as at 30 June)	16,505	16,232	-273
Average full-time equivalent (over the financial year)	16,129	16,454	325
<b>For other statistical data</b>			
Headcount figure (on duty/leave, full-time or part-time, paid/unpaid)	17,450	17,108	-342

**Notes:**

Figures include both ongoing and non-ongoing APS employees.

- 2019–20 headcount figures have been adjusted from those reported in the *Defence Annual Report 2019–20* to account for retrospective transactions.

Table 6.9 shows details of the APS average strength, expressed as average FTE, for 2020–21. APS average strength was 16,454 in 2020–21. This was an increase of 141 from the 2019–20 figure of 16,129.

Table 6.9: **APS workforce, average full-time equivalent, 2019–20 and 2020–21**

	2019–20 Actual	2020–21 Budget estimate <sup>1</sup>	2020–21 Revised estimate <sup>2</sup>	2020–21 Actual	Variation	%
APS	16,129	16,313	16,313	16,454	141	0.9%

**Notes:**

These figures are average FTE; they are not a headcount.

- As published in the *Portfolio Budget Statements 2020–21*.
- As published in the *Portfolio Additional Estimates Statements 2020–21*.

Table 6.10 shows the actual FTE at the last pay in 2020–21, which at 16,232 was 273 less than the final pay figure in 2019–20 of 16,505.

Table 6.10: **APS workforce, end-of-year actual full-time equivalent, 2019–20 and 2020–21**

	2019–20 Actual	2020–21 Actual	Variation	%
APS	16,505	16,232	-273	-1.7%

**Note:**

Figures in this table are actual FTE for the last payday of 2020–21. Employees on forms of leave without pay are not included. The figures differ from Table 6.9 as that table shows the average FTE across the full year.

## Australian Public Service recruitment and separations

Defence recruited 1,832 APS employees during 2020–21, including 173 as part of the graduate program.

The APS headcount increased by 342, which reflects the net difference between recruitment and separations. The majority of separations were due to resignation or retirement from Defence (Table 6.11).

Table 6.11: **APS separations, 2019–20 and 2020–21**

	Voluntary redundancy <sup>1</sup>	Involuntary separations <sup>2</sup>	Resignation/retirement <sup>3</sup>	Transfers <sup>4</sup>	Total
<b>2019–20<sup>5</sup></b>					
Senior Executive Service	-	-	11	7	18
Executive Levels 1 and 2	46	17	309	92	464
Other levels	125	59	894	173	1,251
<b>Total APS</b>	<b>171</b>	<b>76</b>	<b>1,214</b>	<b>272</b>	<b>1,733</b>
<b>2020–21</b>					
Senior Executive Service	-	-	5	11	16
Executive Levels 1 and 2	120	10	329	118	577
Other levels	204	57	1,100	220	1,581
<b>Total APS</b>	<b>324</b>	<b>67</b>	<b>1,434</b>	<b>349</b>	<b>2,174</b>

### Notes:

Figures in this table show ongoing and non-ongoing headcount numbers (substantive headcount).

1. Voluntary redundancies are those that are program initiated. Defence is realigning its Australian Public Service (APS) workforce to deliver the *2020 Defence Strategic Update* and the *2020 Force Structure Plan*. This has resulted in the number of employees who separated through voluntary redundancy in Financial Year 2020–21 being higher than the average over the previous three years.
2. Involuntary figures include breach of conduct, invalidity retirement, involuntary redundancies, lack of qualifications, non-performance, term probation and death.
3. Resignation/retirement figures include resignation, retirement (minimum age and Senior Executive Service) and completion of non-ongoing engagements.
4. Transfers are those who have transferred to other Government departments.
5. Some 2019–20 figures have been adjusted from those reported in the *Defence Annual Report 2019–20* to account for retrospective transactions.

## Actual workforce

This section provides workforce information as at 30 June 2021 and outlines changes in the workforce that occurred during 2020–21. Tables 6.12 to 6.18 show numbers of people, employment categories, locations and gender information. The numbers of Star-ranked and Senior Executive Service officers are also provided at Tables 6.14 and 6.15. The information is based on headcount.

At 30 June 2021, Defence had a permanent workforce of 76,420, comprising 59,569 permanent ADF members (Service Categories 7 and 6), and 16,851 ongoing APS employees. An additional 257 APS employees were employed on a non-ongoing basis (Table 6.12).

The Reserve (Service Categories 5, 4 and 3) headcount increased by 863 to 29,740 (including Reserve members on continuous full-time service (Service Option C)). The total ADF workforce was 89,309 and included 19,217 Navy permanent and Reserve members, 49,522 Army permanent and Reserve members, and 20,570 Air Force permanent and Reserve members. At 30 June 2021, 1,120 Reservists were also Defence APS employees.

Table 6.12: Defence workforce headcount as at 30 June 2020 and 30 June 2021

	Navy	Army	Air Force	ADF <sup>2</sup>	APS <sup>3</sup>
Headcount 30 June 2020 <sup>1</sup>	15,030	29,633	14,441	59,104	17,450
Additions	1,372	3,275	1,488	6,135	1,832
Separations	1,117	3,509	1,044	5,670	2,174
Headcount 30 June 2021	15,285	29,399	14,885	59,569	17,108
Change	255	-234	444	465	-342

**Notes:**

Figures in this table show substantive headcount numbers.

1. Some 2019–20 figures have been adjusted from those reported in the *Defence Annual Report 2019–20* to account for retrospective transactions.
2. ADF figures are for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4 3 and 2), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
3. APS figures include paid and unpaid employees, which covers full-time, part-time, suspended, ongoing and non-ongoing employees.

The APS figures in Table 6.13 have historically been reported using substantive location. A review of the location figures in 2020–21 identified that actual location provides a more reliable indication of an APS employee's location, so actual location has been used for the report this year.

Table 6.13: Defence workforce by employment location as at 30 June 2021

	NSW	VIC <sup>1</sup>	QLD	SA	WA	TAS	NT	ACT <sup>2</sup>	O/S <sup>3</sup>	Total
<b>Permanent force<sup>4</sup></b>										
Navy	6,626	1,851	803	120	2,913	19	743	1,988	222	15,285
Army	5,422	3,188	12,048	1,785	878	50	2,702	3,069	257	29,399
Air Force	4,375	1,199	3,432	1,984	315	11	938	2,324	307	14,885
<b>Subtotal</b>	<b>16,423</b>	<b>6,238</b>	<b>16,283</b>	<b>3,889</b>	<b>4,106</b>	<b>80</b>	<b>4,383</b>	<b>7,381</b>	<b>786</b>	<b>59,569</b>
<b>Reserves<sup>5</sup></b>										
Navy	1,205	344	510	106	91	363	1,230	79	4	3,932
Army	5,588	3,466	5,136	1,648	514	2,019	1,078	669	5	20,123
Air Force	1,562	406	1,419	696	52	229	1,211	110	–	5,685
<b>Subtotal</b>	<b>8,355</b>	<b>4,216</b>	<b>7,065</b>	<b>2,450</b>	<b>657</b>	<b>2,611</b>	<b>3,519</b>	<b>858</b>	<b>9</b>	<b>29,740</b>
<b>Total ADF</b>	<b>24,778</b>	<b>10,454</b>	<b>23,348</b>	<b>6,339</b>	<b>4,763</b>	<b>2,691</b>	<b>7,902</b>	<b>8,239</b>	<b>795</b>	<b>89,309</b>
<b>APS<sup>6</sup></b>										
<b>Total APS</b>	<b>2,357</b>	<b>3,271</b>	<b>1,222</b>	<b>2,017</b>	<b>468</b>	<b>62</b>	<b>204</b>	<b>7,380</b>	<b>127</b>	<b>17,108</b>

**Notes:**

Figures in this table are based on substantive location for the ADF and actual location for the APS.

1. Victorian figures include individuals located in Albury NSW.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).
3. Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.
4. Permanent force (Service Categories 7 and 6) does not include the ADF Gap Year program (Service Option G), which had 664 participants on 30 June 2021. Gap Year participants may be employed in multiple locations during their period of service.
5. Reserves include all members (Service Categories 5, 4 and 3) and Reservists undertaking continuous full-time service (Service Option C). This does not include Service Category 2.
6. Includes paid and unpaid employees, which covers full-time, part-time, ongoing and non-ongoing employees. The 30 June 2021 figures for the APS include 1,120 APS employees who are also counted as Reserve members.

Table 6.14: **Star-ranked officers as at 30 June 2021**

	Star-ranked officers <sup>1</sup>			2019–20 engagements <sup>2</sup>			2019–20 separations		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Four-star</b>									
Navy	–	–	–	–	–	–	–	–	–
Army	1	–	1	–	–	–	–	–	–
Air Force	–	–	–	–	–	–	–	–	–
<b>Three-star</b>									
Navy	4	–	4	1	–	1	–	–	–
Army	4	–	4	1	–	1	–	–	–
Air Force	1	–	1	–	–	–	1	–	1
<b>Two-star</b>									
Navy	8	3	11	3	1	4	2	–	2
Army	16	5	21	2	1	3	3	–	3
Air Force	8	2	10	1	1	2	1	–	1
<b>One-star</b>									
Navy	41	4	45	13	1	14	8	2	10
Army	52	9	61	8	2	10	5	–	5
Air Force	36	8	44	11	3	14	6	–	6
<b>Total</b>	<b>171</b>	<b>31</b>	<b>202</b>	<b>40</b>	<b>9</b>	<b>49</b>	<b>26</b>	<b>2</b>	<b>28</b>

**Notes:**

- Figures in this table show members in Service Categories 7 and 6 (Permanent Service), at their substantive rank. Reserves undertaking full-time service (Service Option C) are not included in the figures.
- Figures in this table show substantive promotions only.

Table 6.15: **APS SES employees as at 30 June 2021**

	Total Senior Executive Service <sup>1</sup>			2020–21 engagements <sup>2,3</sup>			2020–21 separations <sup>2,4</sup>		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Senior Executive</b>									
Secretary	1	–	1	–	–	–	–	–	–
Band 3	7	3	10	–	–	–	–	–	–
Band 2 <sup>5</sup>	22	10	32	3	1	4	4	1	5
Band 1 <sup>6</sup>	47	55	102	5	4	9	5	3	8
<b>Chief of Division</b>									
Grade 2	7	3	10	–	1	1	1	–	1
Grade 1	1	–	1	–	–	–	–	–	–
<b>Total</b>	<b>85</b>	<b>71</b>	<b>156</b>	<b>8</b>	<b>6</b>	<b>14</b>	<b>10</b>	<b>4</b>	<b>14</b>

**Notes:**

- Figures in this table show employee numbers at their substantive level, but not employees on long-term leave (6), secondment (6) and temporary transfer to other departments (6).
- Gains and losses do not reflect movement of officers between levels in each of the Senior Executive Service and Chief of Division streams.
- Engagement figures include new engagements and transfers from other agencies only.
- Separation figures include resignations, retirements, redundancies, and promotions and transfers to other departments.
- Senior Executive Service Band 2 includes Medical Officer Grade 6.
- Senior Executive Service Band 1 includes Medical Officer Grade 5.

Table 6.16: APS Executive Level employees and below, by gender and classification as at 30 June 2021

	30 June 2021 headcount			2020–21 engagements			2020–21 separations		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Executive Level</b>									
Executive Level 2	1,185	538	1,723	51	46	97	152	54	206
Executive Level 1	2,184	1,489	3,673	128	113	241	225	146	371
<b>Subtotal</b>	<b>3,369</b>	<b>2,027</b>	<b>5,396</b>	<b>179</b>	<b>159</b>	<b>338</b>	<b>377</b>	<b>200</b>	<b>577</b>
<b>Other staff</b>									
APS Level 6	2,862	2,205	5,067	253	228	481	337	276	613
APS Level 5	1,448	1,388	2,836	149	172	321	186	153	339
APS Level 4	653	983	1,636	64	148	212	83	148	231
APS Level 3	399	777	1,176	39	51	90	61	85	146
APS Level 2	306	298	604	200	80	280	115	74	189
APS Level 1	137	79	216	51	33	84	34	28	62
<b>Subtotal</b>	<b>5,805</b>	<b>5,730</b>	<b>11,535</b>	<b>756</b>	<b>712</b>	<b>1,468</b>	<b>816</b>	<b>764</b>	<b>1,580</b>
<b>Total APS</b>	<b>9,174</b>	<b>7,757</b>	<b>16,931</b>	<b>935</b>	<b>871</b>	<b>1,806</b>	<b>1,193</b>	<b>964</b>	<b>2,157</b>

**Note:**

Figures in this table show ongoing and non-ongoing employee substantive headcount numbers. Figures include paid, unpaid, full-time and part-time employees. Figures exclude SES employees. Figures exclude employees who do not exclusively identify as either male or female.

Table 6.17: APS employees by gender as at 30 June 2020 and 30 June 2021

	30 June 2020 <sup>1</sup>			30 June 2021		
	Full time	Part time <sup>2</sup>	Total	Full time	Part time <sup>2</sup>	Total
<b>Ongoing employees</b>						
Men	9,146	200	9,346	8,955	190	9,145
Women	6,791	961	7,752	6,779	917	7,696
Unspecified <sup>3</sup>	3	1	4	9	1	10
<b>Total ongoing</b>	<b>15,940</b>	<b>1,162</b>	<b>17,102</b>	<b>15,743</b>	<b>1,108</b>	<b>16,851</b>
<b>Non-ongoing employees</b>						
Men	157	22	179	99	19	118
Women	151	18	169	117	17	134
Unspecified <sup>3</sup>	–	–	0	3	2	5
<b>Total non-ongoing</b>	<b>308</b>	<b>40</b>	<b>348</b>	<b>219</b>	<b>38</b>	<b>257</b>
<b>Total APS employees</b>						
Men	9,303	222	9,525	9,054	209	9,263
Women	6,942	979	7,921	6,896	934	7,830
Unspecified <sup>3</sup>	3	1	4	12	3	15
<b>Total</b>	<b>16,248</b>	<b>1,202</b>	<b>17,450</b>	<b>15,962</b>	<b>1,146</b>	<b>17,108</b>

**Notes:**

Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees.

- Some 30 June 2020 figures have been adjusted from what was reported in the *Defence Annual Report 2019–20* to account for retrospective transactions.
- Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions.
- Figures include employees who have identified as indeterminate, intersex or unspecified.

Table 6.18: **ADF permanent (Service Categories 7 and 6), Gap Year (Service Option G) and Reserve forces (Service Categories 5, 4 and 3) and APS by gender as at 30 June 2020 and 30 June 2021**

	30 June 2020 <sup>1</sup>				30 June 2021			
	Men	%	Women	%	Men	%	Women	%
<b>Navy permanent<sup>2</sup></b>								
<b>Trained force</b>								
Officers	2,201	14.6%	623	4.1%	2,259	14.8%	655	4.3%
Other ranks	7,601	50.6%	2,168	14.4%	7,780	50.9%	2,276	14.9%
<b>Training force</b>								
Officers	689	4.6%	233	1.6%	767	5.0%	278	1.8%
Other ranks	1,176	7.8%	337	2.2%	958	6.3%	309	2.0%
<b>Total Navy</b>	<b>11,667</b>	<b>77.6%</b>	<b>3,361</b>	<b>22.4%</b>	<b>11,764</b>	<b>77.0%</b>	<b>3,518</b>	<b>23.0%</b>
<b>Army permanent<sup>2</sup></b>								
<b>Trained force</b>								
Officers	4,613	15.6%	946	3.2%	4,649	15.8%	979	3.3%
Other ranks	17,801	60.1%	2,834	9.6%	17,434	59.3%	2,838	9.7%
<b>Training force</b>								
Officers	727	2.5%	220	0.7%	715	2.4%	208	0.7%
Other ranks	2,079	7.0%	411	1.4%	2,167	7.4%	407	1.4%
<b>Total Army</b>	<b>25,220</b>	<b>85.1%</b>	<b>4,411</b>	<b>14.9%</b>	<b>24,965</b>	<b>84.9%</b>	<b>4,432</b>	<b>15.1%</b>
<b>Air Force permanent<sup>2</sup></b>								
<b>Trained force</b>								
Officers	3,446	23.9%	1,063	7.4%	3,547	23.8%	1,129	7.6%
Other ranks	6,417	44.4%	2,008	13.9%	6,291	42.3%	2,136	14.4%
<b>Training force</b>								
Officers	605	4.2%	254	1.8%	651	4.4%	254	1.7%
Other ranks	416	2.9%	230	1.6%	606	4.1%	270	1.8%
<b>Total Air Force</b>	<b>10,884</b>	<b>75.4%</b>	<b>3,555</b>	<b>24.6%</b>	<b>11,095</b>	<b>74.5%</b>	<b>3,789</b>	<b>25.5%</b>
<b>ADF permanent<sup>2</sup></b>								
<b>Trained force</b>								
Officers	10,260	17.4%	2,632	4.5%	10,455	17.6%	2,763	4.6%
Other ranks	31,819	53.8%	7,010	11.9%	31,505	52.9%	7,250	12.2%
<b>Training force</b>								
Officers	2,021	3.4%	707	1.2%	2,133	3.6%	740	1.2%
Other ranks	3,671	6.2%	978	1.7%	3,731	6.3%	986	1.7%
<b>Total ADF permanent</b>	<b>47,771</b>	<b>80.8%</b>	<b>11,327</b>	<b>19.2%</b>	<b>47,824</b>	<b>80.3%</b>	<b>11,739</b>	<b>19.7%</b>
<b>ADF Gap Year</b>								
Navy	65	11.1%	90	15.3%	55	8.3%	67	10.1%
Army	207	35.3%	76	12.9%	231	34.8%	96	14.5%
Air Force	65	11.1%	84	14.3%	107	16.1%	108	16.3%
<b>Total ADF Gap Year</b>	<b>337</b>	<b>57.4%</b>	<b>250</b>	<b>42.6%</b>	<b>393</b>	<b>59.2%</b>	<b>271</b>	<b>40.8%</b>



	30 June 2020 <sup>1</sup>				30 June 2021			
	Men	%	Women	%	Men	%	Women	%
<b>Reserves<sup>2,3</sup></b>								
Navy	2,825	9.8%	809	2.8%	3,036	10.2%	896	3.0%
Army	16,684	57.8%	2,989	10.4%	17,006	57.2%	3,117	10.5%
Air Force	4,380	15.2%	1,190	4.1%	4,442	14.9%	1,243	4.2%
<b>Total Reserves</b>	<b>23,889</b>	<b>82.7%</b>	<b>4,988</b>	<b>17.3%</b>	<b>24,484</b>	<b>82.3%</b>	<b>5,256</b>	<b>17.7%</b>
<b>APS<sup>2,4</sup></b>								
<b>Total APS</b>	<b>9,525</b>	<b>54.6%</b>	<b>7,921</b>	<b>45.4%</b>	<b>9,263</b>	<b>54.2%</b>	<b>7,830</b>	<b>45.8%</b>

**Notes:**

Figures in this table show substantive headcount numbers. Percentage figures are calculated within each section, so that the subtotal for each section adds to 100 per cent. Percentages may not sum due to rounding.

1. Some 30 June 2020 figures have been adjusted from what was reported in the *Defence Annual Report 2019–20* to account for retrospective transactions.
2. Figures exclude employees who do not exclusively identify as either male or female.
3. Reserves include all members (Service Categories 5, 4 and 3) and Reservists undertaking continuous full-time service (Service Option C). This does not include Reserve Service Category 2.
4. Figures include paid, unpaid, full-time, part-time, ongoing and non-ongoing employees. The 30 June 2021 figures for the APS include 1,120 APS employees who are also counted as Reserve members.

## ADF Gap Year program

The ADF Gap Year program aims to give Australian school-leavers and young adults exposure to the military way of life and the roles and opportunities on offer in the ADF. It is full-time service and referred to as Service Option G in reporting. A total of 614 participants enlisted in the 2020 program. (Navy, 145; Army, 300; Air Force, 170). A total of 635 participants have enlisted in the 2021 program (Navy, 111; Army, 304; Air Force, 220). As at 30 June 2021, 81 members from the 2020 program and 581 members from the 2021 program (a total of 662) were still participating.



ADF Gap Year Navy Officer Midshipman Anna Roberts conducting first aid training at the Royal Australian Navy College at HMAS Creswell, Jervis Bay.

Table 6.19: ADF Gap Year (Service Option G) participants as at 30 June 2021

	Navy			Army			Air Force			ADF			Total
	Men	Women	Indeterminate	Men	Women	Indeterminate	Men	Women	Indeterminate	Men	Women	Indeterminate	
2020 Program													
Participants	64	80	–	220	80	–	77	93	–	361	253	–	614
Separated or inactive Reserves	21	17	–	28	11	–	14	14	–	63	42	–	105
Transferred to permanent ADF	32	47	–	107	37	–	56	67	–	195	151	–	346
Transferred to Reserves	1	4	–	51	10	–	7	9	–	59	23	–	82
Still participating in 2019 program	10	12	–	34	22	–	–	3	–	44	37	–	81
2021 Program													
Participants	52	59	–	223	81	–	111	109	–	386	249	–	635
Separated or inactive Reserves	3	1	–	25	9	–	4	4	–	32	14	–	46
Transferred to permanent ADF	4	3	–	–	–	–	–	–	–	4	3	–	7
Transferred to Reserves	–	–	–	1	–	–	–	–	–	1	–	–	1
Still participating in program	45	55	–	197	72	–	107	105	–	349	232	–	581

**Note:**

Some 2019–20 figures have been adjusted from those reported in the *Defence Annual Report 2019–20* to account for retrospective transactions.

## Reserve Service protection

*The Defence Reserve Service (Protection) Act 2001* (DRSP Act) provides for the protection of ADF Reserve members in their civilian employment and education. The Act mitigates some of the employment and financial disadvantages that Reserve members may face when undertaking Defence service, making service easier to undertake and so enhancing Defence capability.

Under the DRSP Act, employers and education providers are prohibited from discriminating against Reserve members or hindering them from rendering Defence service. A Reserve member rendering Defence service is entitled to be absent from their employment during that service, and must be permitted to resume work after their Defence service ends. Education providers are required to make reasonable adjustments to accommodate a Reserve member's Defence service. Under the DRSP Act, employers, education providers and others may be subject to criminal prosecution or civil penalties. An affected person may bring an action for compensation or an injunction in a court, or Defence may bring such an action on behalf of the affected person.

Since April 2019, telephone calls regarding Reserve service protection issues have been directed through the 1800-DEFENCE call centre. This service provides ADF Reservists and employers with extended access to advice, and Defence with accurate data collection on phone enquiries regarding issues related to the DRSP Act. Access to the call centre function proved particularly valuable during Operation BUSHFIRE ASSIST 2019–2020, when the call centre was operating for extended hours.

Between 1 July 2020 and 30 June 2021, 272 calls were received and 72 online enquiries related to the DRSP Act. Of the calls, 98 enquiries were resolved at the time of contact through the provision of general information regarding protections and obligations provided by the DRSP Act; and 174 complex enquiries were referred to Employer Support and Service Protection staff for specific advice. There were a total of 344 enquiries, all of which were resolved. The average time for enquiries to be resolved was within seven business days.

## ADF Cadets

Throughout 2020–21 Defence continued to deliver and administer several youth development and engagement activities. Foremost among these is the Australian Defence Force Cadets (ADF Cadets) program. ADF Cadets is a personal development program for young people, supported by the ADF in partnership with the community. The ADF Cadets program benefits the nation by developing the capacity of young Australians to contribute to society. The Cadets are ADF administered, but the delivery of the Service programs is entirely reliant on adult volunteers, drawn from local communities.

ADF Cadets comprises three Cadet organisations, which are commanded, resourced and administered by the respective Services. The ADF Cadets Headquarters is a separate organisation that provides complementary supporting and enabling functions and seeks to achieve standardisation across the three Service programs where practicable. The ADF Cadets Headquarters is tasked with the development of youth policy, the enterprise-level assurance of youth protection, and coordination of common elements of the ADF Cadets program through its Lead Enabler Manager construct.

As of 30 June 2021, 28,029 Cadets are enrolled in the three Cadets programs; there are 4,222 officers and instructors of Cadets and 'approved helpers' who supervise and support the young people in the programs; and there are 584 ADF Cadet units across all states and territories.

## 2020–21 highlights

A review of One Cadet, a 2016 reform program to standardise cadet organisation governance with a focus on youth safety, commenced in February 2021 to confirm the current status of transformation against the One Cadet objectives and to confirm lines of effort to transition to an enduring ADF Cadets management approach. The report was finalised in June 2021. Key among its 10 recommendations to the Chief of Joint Capabilities were the formalisation of roles and responsibilities of the ADF Cadets Headquarters, and reviewing the organisational structure for future sustainability.

The Youth Policy Manual was significantly revised during 2020–21. Part 1 (generic Defence Youth Policy) and Part 2 (specific policy for ADF Cadets) have been revised to ensure that Defence meets its obligations under the Commonwealth Child Safe Framework and that its policies are aligned with the National Principles for Child Safe Organisations.

The effective administration of ADF Cadets is dependent upon a bespoke IT system, CadetNet, which also provides reporting functions critical to enterprise-level youth protection assurance of ADF Cadets. Over the past 12 months, there has been continuous development of an ICT strategy business case in partnership with CIOG. The strategy aims to align business and technology, providing a coordinated approach to resolving challenges and issues identified during two key analysis activities. The proposed solutions will better enable the ADF Cadets units in the effective delivery of Cadets programs – including creation of an online collaboration platform and improved usability.

## Australian Navy Cadets

Despite COVID 19 challenges, the Australian Navy Cadets (ANC) has returned to routine activities including tours of Navy ships and submarines, ceremonial support in regional areas, inter-flotilla team challenges, and on-water and overnight camps. Navy activities and experiences continue to prove valuable in strengthening the ANC–Navy nexus, and ceremonial support is enhancing ANC community engagement. The ANC participated in various Anzac Day activities around the nation, albeit in much smaller numbers than in the years before COVID-19, due to state and ADF restrictions. There were also a small number of inter-flotilla activities. The largest of these was in the Taipan Flotilla (northern NSW), where six of the eight training ships participated, involving 60 Cadets and 13 adult members.

Two adult member courses were conducted in the last 12 months, with an initial leadership and management course held at HMAS *Cairns* in May 2021 and the CO/XO course held at Gallipoli Barracks in June 2021.

The ANC Strategic Plan (*ANC – A Passage Plan to 2023*), authorised by Chief of Navy and the National Commander ANC (NCANC) was released in December 2020. A key element of the reform is restructuring the ANC Directorate (Defence) and ANC (volunteers) into a single organisation under the Director General ANC. The main effort towards the reform sees the ANC and the ANC Directorate working together to improve training for both ANC adult members and Cadets.

Following a review of sustainability three units – TS Gambier (March 2021), TS Pilbara (April 2021) and TS Cockburn (May 2021 – were assessed as unsustainable and were disestablished. The ANC engaged with the affected adult members and parents of Cadets to explain the reasons for the closure and to identify other youth development opportunities in their local areas.

The ANC has 2,245 Cadets and 428 adult volunteers. Of the Cadets, 726 (32 per cent) are female and 125 (5.6 per cent) are Indigenous.

## Australian Army Cadets

The Australian Army Cadets (AAC) adapted well to the COVID-19 environment in 2020–21. It built upon the earlier innovation of 2019–20 regarding adapting to online training and activities, much of which was led by the senior Cadets, and has been able to return to face-to-face activities and training. Most regions were able to conduct an annual field exercise and Cadet leadership courses in this period and Headquarters AAC was able to deliver a hybrid training solution of a face-to-face hub and online satellites to deliver adult volunteer training courses and begin to address a critical training backlog.

AAC teams performed strongly in CyberTaipan (a national cyber security competition for youth) in 2020, and STEM – specifically cyber, drone racing and robotics – remains a priority focus for the Cadet Development Continuum.

The priority for 2020–21 was the delivery of a national-level activity for the Cadets. Continuing COVID-19 restrictions necessitated a regionally based solution, and the Adventure Training Award (the premier AAC activity for individual Cadets in their last two years of the program) has been disaggregated to regional commands, supported by very clear concept guidance to ensure standards are maintained and the award retains its significance. This has been very well managed by regions and strongly welcomed by Cadets.

Organisationally, the AAC is transitioning from the Transformation Program (2016–2021) to a business-as-usual model, underpinned by a new command system which includes continuous improvement as an enduring output. It is testament to the resilience of the AAC program that both Cadet and adult volunteer numbers have continued to grow during the COVID-19 pandemic.

The AAC has 18,306 Cadets and 2,191 adult volunteers. Of the Cadets, 4,472 (24 per cent) are female and 695 (3.8 per cent) are Indigenous.

## Australian Air Force Cadets

In response to the easing of COVID-19 restrictions during 2020–21, the Australian Air Force Cadets (AAFC) started a phased recovery program to reintroduce home parades (under mandated safety controls) for the eight regional wings across Australia. During the pandemic, the AAFC conducted technology-based solutions to support the delivery of virtual Cadet programs across Australia. This included webinars, virtual parades and other Cadet engagement activities (virtual meetings, aeromodelling, 3D printing sessions and e-learning quiz sessions).

During 2020–21, the Air Force Board approved the AAFC concept for the AAFC Strategic Plan (2021–2026). The Strategic Plan states that the mission of the AAFC is 'To inspire and develop young people in an air and space environment to achieve and maximise their potential to contribute to Australia's future success'. The plan is to provide a measured and prioritised approach to enable the AAFC to grow into a contemporary youth development organisation of 10,000 Cadets and 2,000 adult volunteers by 2026. The AAFC Strategic Plan will align with the intent of the Chief of Air Force, the Air Force Strategy 2020 and the Air Force Business Plan 2020–2024. As a priority within the Strategic Plan, the AAFC continues to progress the development of a contemporary adult and Cadet curriculum.

During 2021, Defence commenced providing the General Purpose Uniform (GPU) to Air Force Cadets and staff across Australia. This is a major initiative for the AAFC involving a significant logistical exercise for a volunteer organisation of approximately 9,000 Cadets and staff. This year, ADF and AAFC logistics staff have supplied the GPU to AAFC units in Tasmania and the Northern Territory, with the remainder of the AAFC units in Queensland, New South Wales, Victoria, South Australia, Western Australia and the Australian Capital Territory scheduled to receive their GPU in the second half of 2021.

The AAFC has 7,478 Cadets and 1,603 adult volunteers. Of the Cadets, 1,959 (26 per cent) are female and 187 (2.5 per cent) are Indigenous.

## Defence Graduate Program

The Defence Graduate Program continues to deliver vital people capability to address workforce challenges and emerging needs of the organisation. In 2020–21 Defence redesigned the Graduate Program from 14 recruitment streams to four functional pathways to support the delivery of key organisational priorities. This reform supports a One Defence methodology that encourages strategic talent management, supports increased attraction, mobility and retention of graduates to broader APS priorities, and aligns our workforce to Government requirements.

Defence also participates in the Australian Government Graduate Program by recruiting corporate, enabling, Indigenous and data graduates through a centralised process. This approach maximises efficiencies across the APS and allows candidates to be considered for a number of Commonwealth agencies with one application.

In 2020–21, 173 graduates commenced the Defence Graduate Program representing 9.4 per cent of the total ongoing APS workforce recruited to Defence.

## Defence entry-level programs

In addition to the Graduate Program, Defence has entry-level programs that are scalable and provide an ongoing contribution in developing future workforce capability requirements. Defence is able to target priority workforce segments through marketing and recruitment campaigns to ensure a consistent supply of entry-level talent meets current and future APS workforce needs. In 2021, 107 individuals commenced in entry-level programs in Defence.

## Remuneration and benefits

Remuneration is a key component of the Defence employment package. It attracts people to join Defence and plays a significant role in retaining talent. Defence's employment offer provides fair and competitive remuneration, consistent with the parameters laid down by the Government.

The diverse remuneration structures of the ADF and APS are explained further in this section.

### Australian Defence Force members

The independent Defence Force Remuneration Tribunal, established under section 58G of the *Defence Act 1903*, is responsible for setting salary and salary-related allowances for ADF members.

The Workplace Remuneration Arrangement 2017–2020 is the framework that allows for annual wage adjustments for ADF members. It is part of the ADF remuneration initiative aimed at attracting and retaining military personnel, and forms a significant part of ADF members' total employment package.

The Workplace Remuneration Arrangement increases salary and salary-related allowances in return for enhanced Defence capability. Other conditions of service are determined by the Minister for Defence under section 58B of the Defence Act. The new Workplace Remuneration Arrangement came into effect on 13 May 2021.

In addition to the Workplace Remuneration Arrangement, the introduction of Military Salary, which also took effect on 13 May 2021, resulted in the full rate of Service Allowance and Uniform Maintenance Allowance being incorporated into regular and Reserve salaries. This significant reform provides consistency across the total ADF workforce.

Table 6.20 details salary ranges for permanent ADF members as at 30 June 2021.



Table 6.20: Permanent Australian Defence Force salary ranges as at 30 June 2021

Rank	Salary range (\$)	
	Minimum	Maximum
<b>Officer of the permanent force (equivalent)</b>		
Lieutenant General (E) <sup>1,6</sup>	\$413,896	\$490,614
Major General (E) <sup>2,6</sup>	\$245,795	\$298,914
Brigadier (E) <sup>2,3,6</sup>	\$201,782	\$274,030
Colonel (E) <sup>2,3,5</sup>	\$157,500	\$314,106
Lieutenant Colonel (E) <sup>2,4</sup>	\$134,055	\$301,560
Major (E) <sup>2,4</sup>	\$108,957	\$290,907
Captain (E) <sup>2,4</sup>	\$88,705	\$280,197
Lieutenant (E) <sup>5</sup>	\$76,358	\$143,037
2nd Lieutenant (E) <sup>5</sup>	\$72,362	\$134,562
<b>Other rank of the permanent force (equivalent)</b>		
Warrant Officer Class 1 (E)	\$98,214	\$142,885
Warrant Officer Class 2 (E)	\$91,670	\$133,523
Staff Sergeant (E)	\$89,111	\$129,353
Sergeant (E)	\$81,301	\$124,377
Corporal (E)	\$72,255	\$114,961
Lance Corporal (E)	\$67,689	\$107,929
Private Proficient (E)	\$66,606	\$106,846
Private (E)	\$65,544	\$105,789

**Notes:**

1. Some Lieutenant General (E) rates are set by the Remuneration Tribunal.
2. Includes rates for Medical Officers.
3. Includes rates for Chaplains.
4. Excludes Medical Procedural Specialists.
5. Includes transitional rates for other rank appointed as officer.
6. ADF Star Rank salaries were paused on 26 March 2020 in line with government policy. The pause was lifted on 25 June 2021.

## Australian Public Service employees

APS (non-SES) employees have their terms and conditions of employment set out in an Enterprise Agreement made under the *Fair Work Act 2009*. The agreement is developed through consultation with employees and their representatives and is negotiated consistent with legislation and the Government's bargaining policy.

The Defence Enterprise Agreement 2017–2020 nominally expired on 16 August 2020; however, it will continue to operate alongside a determination under section 24(1) of the *Public Service Act 1999* signed by the Secretary, which provides three consecutive annual increases to salary and salary-related allowances, and preserves current conditions throughout the three-year period to August 2023.

Given the unprecedented nature of the global COVID-19 pandemic, the Government announced on 9 April 2020 that all Commonwealth agencies were to defer by six months their next scheduled increase to salaries and salary-related allowances. For the APS, this decision came into effect via a determination under section 24(3) of the *Public Service Act 1999* signed by the Minister for the Public Service. This power is rarely used, being limited to situations where the circumstances are exceptional. The decision delayed the first Defence APS pay rise by six months from August 2020 to February 2021. The other pay rise dates in August 2021 and August 2022 remain unchanged.

Table 6.21 details Defence APS salary rates as at 30 June 2021. The majority of APS Defence employees receive salaries within the standard ranges. However, the Enterprise Agreement allows for remuneration and other benefits to be varied so that Defence can develop, attract and retain selected employees with the necessary skills and knowledge to deliver capability.

Table 6.21: Australian Public Service salary ranges as at 30 June 2021

Classification	Minimum	Maximum	Individual arrangements <sup>1</sup>
<b>Senior Executive Service salary arrangements</b>			
SES Band 3	\$247,687	\$295,107	540,600
SES Band 2 <sup>2</sup>	\$199,189	\$248,879	375,438
SES Band 1 <sup>3</sup>	\$164,152	\$210,047	212,492
<b>Non-Senior Executive Service salary arrangements<sup>4</sup></b>			
	Minimum	Maximum	Special pay points
Executive Level 2	\$120,744	\$144,929	\$194,035 <sup>5</sup>
Executive Level 1	\$103,994	\$117,305	\$144,929 <sup>6</sup>
APS Level 6	\$82,282	\$93,993	\$96,829 <sup>7</sup>
APS Level 5	\$75,109	\$80,450	\$81,071 <sup>8</sup>
APS Level 4	\$68,442	\$74,721	–
APS Level 3	\$60,422	\$66,575	–
APS Level 2	\$53,044	\$59,632	\$60,246 <sup>9</sup>
APS Level 1	\$46,871	\$52,615	–

**Notes:**

SES salaries were paused on 26 March 2020 in line with Government policy. The pause was lifted on 25 June 2021.

1. Maximum salary paid under an individual remuneration arrangement shown.
2. Includes rates for Chief of Division Grade 2 and Medical Officer Class 6.
3. Includes rate for Chief of Division Grade 1 and Medical Officer Class 5.
4. Salary ranges provided under the Defence Enterprise Agreement 2017–2020.
5. Maximum rate for Executive Level 2.1, Executive Level 2.2, Legal and Science specialist structures and Medical Officer Class 3 and 4.
6. Maximum rate for Public Affairs and Legal specialist structures and Medical Officer Class 1 and 2.
7. Maximum rate for Public Affairs Grade 2 retained pay point.
8. Maximum rate for Senior Technical Officer Grade 1 retained pay point.
9. Maximum rate for Technical Assistant Grade 2 retained pay point.

Table 6.22 shows the number of employment arrangements for SES and non-SES employees.

Table 6.22: Employment arrangements of SES and non-SES employees

	SES	Non-SES	Total
Enterprise Agreement	–	16,946	16,946
Section 24(1) Public Service Act Determination	161	–	161
<b>Total</b>	<b>161</b>	<b>16,946</b>	<b>17,107</b>

**Note:** The Secretary and the Inspector-General of the Australian Defence Force are not included in the above figures as they are statutory appointments.

## Australian Public Service benefits

All Defence APS employees enjoy a range of non-salary-related benefits. These include generous leave entitlements and access to flexible working arrangements such as flex time, part-time work and teleworking. Defence invests heavily in training and development of staff and has a number of formal and informal schemes to recognise exemplary performance and achievements.

## Australian Defence Force superannuation

The Defence Legislation Amendment (Miscellaneous Measures) Bill 2020 was passed on 14 May 2020, with an effect date of 6 July 2020, allowing ADF members to continue contributing to ADF superannuation after leaving ADF employment.

## Senior Leadership Group

In accordance with Government direction as part of the response to the COVID-19 pandemic, Defence implemented a stay on increases to remuneration, entitlements and allowances, as well as any performance or incremental adjustments in salary for all SES and Star-ranked officers. Increases for higher duties and promotion were exempt from the deferrals.

During the reporting period to 30 June 2021, Defence had 24 executives who met the definition of key management personnel. Their names and lengths of term as key management personnel are shown in Table 6.23.

**Table 6.23: Key management personnel, 2020–21**

Name	Position	Term as key management personnel
Mr Greg Moriarty	Secretary of Defence	Full-year
GEN Angus Campbell	Chief of the Defence Force	Full-year
VADM David Johnston RAN	Vice Chief of the Defence Force	Full-year
Ms Katherine Jones	Associate Secretary	Full-year
VADM Michael Noonan RAN	Chief of Navy	Full-year
RADM Mark Hammond RAN	Acting Chief of Navy	Part-year – 02/07/2020–17/07/2020 and 27/08/2020–05/09/2020
RADM Christopher Smith RAN	Acting Chief of Navy	Part-year – 18/01/2021–27/01/2021 and 22/04/2021–12/05/2021 and 08/06/2021–21/06/2021
LTGEN Richard Burr	Chief of Army	Full-year
AIRMSHL Mel Hupfeld	Chief of Air Force	Full-year
Mr Steven Groves	Chief Finance Officer	Full-year
Mr Stephen Pearson	Chief Information Officer	Full-year
Mr Peter Tesch	Deputy Secretary Strategic Policy and Intelligence	Full-year
LTGEN Gregory Bilton	Chief Joint Operations	Full-year
RADM Jaimie Hatcher RAN	Acting Chief Joint Operations	Part-year – 01/08/2020–23/08/2020 and 19/09/2020–24/10/2020 and 29/12/2020–15/01/2021 and 27/03/2021–05/04/2021
Ms Justine Greig	Deputy Secretary Defence People	Full-year
AIRMSHL Warren McDonald	Chief of Joint Capabilities	Part-year – Ceased 26/11/2020
VADM Jonathan Mead RAN	Chief of Joint Capabilities	Part-year – Appointed 23/11/2020
RADM Ian Murray RAN	Acting Chief of Joint Capabilities	Part-year – Acting from 12/04/2021
Mr Steven Grzeskowiak	Deputy Secretary Estate and Infrastructure	Full-year
Prof Tanya Monro	Chief Defence Scientist	Full-year
Mr Tony Fraser	Deputy Secretary Capability Acquisition and Sustainment	Full-year
Mr Tony Dalton	Deputy Secretary National Naval Shipbuilding	Full-year
LTGEN John Frewen	Commander Defence COVID-19 Taskforce <sup>1</sup>	Part-year – Secondment from 06/06/2021
LTGEN Gavan Reynolds	Chief of Defence Intelligence	Full-year

**Note:**

1. This position was downgraded and no longer holds key management personnel status, from 8 June 2021.

Table 6.24: Key management personnel remuneration, 2020–21

	\$
<b>Short-term benefits:</b>	
Base salary <sup>1</sup>	9,474,768
Bonus	–
Other benefits and allowances	485,409
<b>Total short-term benefits</b>	<b>9,960,177</b>
Superannuation	2,035,177
<b>Total post-employment benefits</b>	<b>2,035,177</b>
<b>Other long-term benefits:</b>	
Long service leave	213,928
<b>Total other long-term benefits</b>	<b>213,928</b>
Termination benefits	–
<b>Total key management personnel remuneration<sup>2</sup></b>	<b>12,209,282</b>

**Notes:**

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Minister for Defence, the Minister for Defence Industry, the Minister for Veterans and Defence Personnel and the Assistant Minister for Defence. The remuneration and other benefits for these ministers are not paid by the Department of Defence.
2. During 2020–21 a number of minor overpayments to KMP were identified, totalling \$21,622.52. The overpayments were calculated with reference to the *Remuneration Tribunal Act 1973* and its associated Determinations. All of the amounts relate to the inclusion of reportable fringe benefits (non-cash), predominately the provision of access to a motor vehicle. Overpayments are recoverable under s16A(1) of the *Remuneration Tribunal Act 1973*.

## Australian Defence Force senior officers

All ADF senior officers (excluding statutory/public office holders) are remunerated under the 2017–2020 ADF Workplace Remuneration Arrangement. Other non-pay-related conditions of service are determined by the Minister for Defence under section 58B of the *Defence Act 1903*.

## Public officeholders

Public officeholders, including the Secretary and the Chief of the Defence Force, are remunerated under determinations decided by the independent Remuneration Tribunal under the *Remuneration Tribunal Act 1973*.

The Remuneration Tribunal determined no adjustment to remuneration for public offices in its jurisdiction for the period from 1 July 2020.

## Senior Executive Service

SES terms and conditions of employment are set by a single determination made under section 24(1) of the *Public Service Act 1999*. The determination is supplemented on an individual basis by a common law agreement covering remuneration.

## Performance pay

Non-SES APS employees move through their salary range subject to fully effective or better performance. Employees at the top of the range receive a 1 per cent lump sum bonus or a minimum payment of \$725, whichever is the greater. This bonus is considered a form of performance pay.

Performance-based pay is not a feature of any existing ADF remuneration framework. Career development opportunities, including promotion, are the key means of recognition of performance.

Table 6.25: APS employee performance bonus payments, 2020–21

Classification	Number of employees	Aggregated amount	Average amount
Trainee	12	\$8,700	\$725
APS Level 1	36	\$24,118	\$670
APS Level 2	369	\$255,502	\$692
APS Level 3	895	\$617,240	\$690
APS Level 4	915	\$636,369	\$695
APS Level 5	1,682	\$1,350,858	\$803
APS Level 6	2,945	\$2,675,919	\$909
Executive Level 1	2,384	\$2,647,389	\$1,110
Executive Level 2	997	\$1,660,241	\$1,665
<b>Total</b>	<b>10,235</b>	<b>\$9,876,336</b>	<b>\$965</b>

**Notes:**

1. Performance cycle is 1 September – 31 August.
2. There were no performance payments made to SES employees.
3. Averages for the APS 1 to APS 4 classifications reflect amounts below the minimum bonus payment. This occurs for part-time employees and employees within 1 per cent of the top of the salary range who receive both performance progression and a partial lump sum payment.

## Health and wellbeing of Defence personnel and veterans

Defence continues to deliver services to support the health and wellbeing of ADF personnel and veterans. These services are planned and delivered as a collaborative effort between Joint Health Command, Defence People Group, Navy, Army, Air Force and the Department of Veterans' Affairs.

### Contribution to COVID-19

Just as Joint Health Command demonstrated agility in policy development and provision of specialist advice in response to a rapidly evolving threat landscape during the bushfire crisis in January 2020, it has continued to demonstrate similar agility, over a prolonged period, as part of the ADF's COVID-19 response. Joint Health Command's contribution to the COVID-19 response has included customised vaccination implementation plans and commander's/manager's guides, educational posters, and FAQs for health staff and non-health Defence personnel. Liaison with relevant stakeholders, including state and territory health departments, enabled Joint Health Command to adapt to the evolving health landscape and provide specialist public health, infectious diseases, and epidemiological advice and reporting. Joint Health Command's efforts ensured that all policy and guidelines were aligned with the strategic intent of Government and remained compliant with changing legislative requirements. Ultimately, Defence personnel had access to the most current information available to keep them informed, protected and safe.

Mental health screening processes were amended to support the domestic deployment of personnel during Operation COVID-19 ASSIST. This included development of an online mental health screening tool that augments existing systems and provides greater access to services, particularly for remote personnel and Reserve members. A COVID-19 deployment experiences survey was also designed and implemented to help Joint Health Command better understand the operational stressors of a pandemic environment.

Joint Health Command has continued to adjust clinical services and prioritise resources to support the Defence response to the COVID-19 pandemic. This has included the provision of dedicated COVID-19 testing clinics; telehealth and direct clinical support; and welfare checks, including mental health checks, for Defence personnel undergoing hotel quarantine. Joint Health Command has conducted over 60,000 COVID-19 tests on personnel and also provided the Force Health Preparation medical screening of ADF members prior to their deployment on Operation COVID-19 ASSIST.

Joint Health Command commenced vaccination of the Defence workforce in March 2021. As at 30 June 2021, 32,505 ADF members (53 per cent) have received their first dose, and 17,238 (28 per cent) have completed their course of vaccination. Joint Health Command facilitated access to the Commonwealth Australian Immunisation Register to enable recording of COVID-19 vaccinations across all garrison health facilities, and the bulk upload of vaccinations to the Australian Immunisation Register.

Between 12 March and 5 May 2021, Joint Health Command deployed vaccine delivery teams in the Northern Territory, Queensland, New South Wales, Victoria and Western Australia to provide vaccinations to residents of aged care and disability facilities and to staff and carers. The teams visited 181 facilities and provided 7,008 doses to residents and staff. Of particular note was the deployment of contracted health professionals in support of this task. These contractors were force assigned for operational service to deliver COVID-19 vaccinations in aged care facilities alongside ADF and APS team members. This exemplifies the strategic partnership between Defence, BUPA and its subcontractors.

Joint Health Command facilitated continued support to the Commonwealth Department of Health, with the secondment of three Defence public health and epidemiology specialists to the National Incident Room and in direct support of the Chief Medical Officer. This secondment commenced in the previous fiscal year. The Defence specialists provided invaluable support to the National Incident Room and the Chief Medical Officer in analysing data, forecasting trends and generating highly detailed reports. The requirement for these individuals ceased progressively from October to December 2020. For a period of six weeks during August and September 2020, Joint Health Command seconded a Medical Officer into the Aged Care Response Centre in Melbourne, to provide technical health support. From March to May 2021, a number of Defence personnel were also seconded to key positions within the Vaccine Operations Centre in the Department of Health, including one senior Nursing Officer from Joint Health Command, who provided technical health planning expertise.

Joint Health Command personnel have supported the Prime Minister's overseas travel commitments through the provision of COVID-19 screening and Medical Officer support capabilities. The Joint Health Command COVID-19 Operations and Coordination Cell supports the Surgeon General ADF in providing situational awareness of COVID-19 ADF cases, both domestic and overseas, and in coordinating strategic health effects in support of the Defence COVID-19 Task Force. The cell interfaces with the COVID-19 Task Force to provide subject-matter expert information into strategic briefs and updates on case numbers and vaccination statistics. It also maintains stakeholder engagement with Headquarters Joint Operations Command, Military Strategic Commitments Branch and Service Directors of Health. Externally, the cell regularly communicates with the health emergency coordination teams of state and territory departments of health, as well as the National Incident Room. The cell has reported on, and maintained observation of, the 148 COVID-19 Defence cases recorded in this fiscal year.

## New health facilities

Under a major facilities upgrade project (J0105) a number of health centre rebuilds and refurbishments have been completed:

- The rebuilt ACT Health Centre commenced operations in May 2021 consolidating Russell, Duntroon and Harman Health Centres;
- The Campbell Health Centre in Perth commenced operations in May 2021;
- The Pearce Health Centre at RAAF Base Pearce (WA) commenced operations in January 2021;
- The Robertson Health Centre in Robertson Barracks (NT) commenced operations in May 2021;
- Refurbishment work is underway at RAAF Edinburgh, HMAS *Cerberus*, RAAF Amberley, HMAS *Albatross* and HMAS *Creswell*.



## Operational and strategic mental health

**Defence Mental Health and Wellbeing Strategy (2018–2023).** During 2020–21, Joint Health Command has continued to work towards the six strategic objectives outlined in the Defence Mental Health and Wellbeing Strategy (DMHWS). These initiatives align with the *Defence Strategic Update 2020*, with a direct focus on delivery of initiatives and services for ADF personnel that directly contribute to capability and support the deployable force on both global and domestic operations. Biannual reports are now provided to the Defence People Committee, ensuring enhanced governance and accountability for the DMHWS.

**Continuous Improvement Framework Project.** The Continuous Improvement Framework Project commenced in January 2021. This project is conducted in partnership with experts in evaluation and mental health from the University of Canberra. The outcomes of this project will assist Defence to monitor and evaluate both the overarching DMHWS and the programs that comprise it. An interim evaluation of the Suicide Prevention Program has been completed. The project is expected to take three years to complete. An economic analysis will also be conducted, to help Joint Health Command understand the costs associated with mental health care in Defence.

**Resilience Initiatives.** Joint Health Command has reviewed ADF resilience training (BattleSMART), and a revised package is being trialled at three single Service training establishments. This also supported Australia's contribution to the collaborative five-nation international forum of The Technical Cooperation Program's Technical Panel 21, optimising resilience training activity. The Defence Resilience Forum was held in June 2021, with an emphasis on recovery and uncertainty in a post-2020 world.

## Mental health research

**Project RESTORE.** Project RESTORE is a clinical trial for a post-traumatic stress disorder (PTSD) treatment called Prolonged Exposure Therapy. The trial is a collaboration between Defence, the Department of Veterans' Affairs, Open Arms and Phoenix Australia, and will seek to determine whether intensive delivery of Prolonged Exposure Therapy will deliver outcomes consistent with the Prolonged Exposure Therapy treatment protocol. The trial was successfully adapted to include online delivery during the COVID-19 outbreak. The first report is expected to be released in late 2021. Ongoing collaborations with the Department of Veterans' Affairs, Open Arms and Phoenix Australia in 2021 include the development of a moral injury outcomes scale.

**LASER-Resilience.** Two further reports from the \$1.7 million Longitudinal ADF Study Evaluating Resilience (LASER-Resilience) were released in 2021. LASER-Resilience is a 10-year study examining ADF members across their early careers to identify the personal and environmental factors that contribute to psychological resilience and mental wellbeing. This information will continue to guide mental health policy and the development of preventive health initiatives within the ADF.

## Transition from Australian Defence Force

Defence has a comprehensive employment package consisting of housing, medical, remuneration, superannuation and professional development opportunities that support our people to provide military service for Australia. When a Defence member transitions from undertaking permanent military service to civilian life, this can bring significant change and uncertainty for them and their family.

The goal of Defence's transition support is to ensure that the ADF member and their family are well prepared for civilian life in relation to adjustment of social customs, community connection, having civilian health care in place, having considered the financial implications of transition and, where appropriate, being able to secure and maintain civilian employment or meaningful engagement.

To assist ADF members and their families with the transition to civilian life, Defence is working collaboratively with the Department of Veterans' Affairs to ensure the case management of those who require additional support.

# Work Health and Safety

Defence continued to make the health and safety of its people a key priority in 2020–21.

## Defence Work Health and Safety Strategy

The Defence Work Health and Safety Strategy sets the direction for Defence to achieve its safety vision. It focuses on embedding an inclusive, proactive and mindful safety culture in support of the health, wellness and safety priority in *Pathway to Change: Evolving Defence Culture 2017–2022*.

## Prosecution under the Work Health and Safety Act 2011

On 16 March 2021 the Commonwealth of Australia (through its responsible agency the Department of Defence) was fined \$350,000 by the Townsville Magistrates Court in relation to an incident involving an Air Force Corporal that occurred on 16 August 2017.

Defence has taken all reasonably practicable steps to implement recommendations in direct response to this incident to ensure a safe work environment for Defence personnel. Defence also has a program of audits and assurance which feeds into ongoing improvements in ensuring the safety of our people.

## Mental health and wellbeing

The Defence Mental Health and Wellbeing Strategy 2018–2023 is a joint ADF and APS strategy that focuses on supporting a coordinated approach to mental health and wellbeing within Defence. A number of projects and initiatives are accessible – and are complementary to the mental health and wellbeing support offered to the ADF – to enable Defence to target prevention and early intervention, decrease stigma, build skills and knowledge, and facilitate access to support when needed. These include:

- the Defence Employee Assistance Program – a confidential professional counselling service available to APS personnel, ASD personnel, ADF Reservists, ADF Cadets, officers and instructors of ADF Cadets, and their immediate families. Support can be for matters of a personal or work-related nature. Sessions are available face-to-face or via telephone. The program provides short-term preventive and proactive interventions to address issues that may adversely affect performance and wellbeing;
- the Defence NewAccess Stress and Anxiety Coaching program, which provides coaching support to Defence personnel, both APS and ADF, experiencing low levels of anxiety and depression. NewAccess is provided in addition to the Defence Employee Assistance Program and is best suited to individuals wanting to learn new strategies to manage stress. Referral pathways are available for more intensive support as required;
- a range of APS Assist programs, including Career Assist, Conflict Assist, Nutrition and Lifestyle Assist, Family Assist, Money Assist, Legal Assist and Manager Assist. The Manager Assist program provides APS and ADF managers with support and advice. This includes navigating unexpected organisational restructures and unprecedented operational flexibility, and becoming an ‘accidental counsellor’ for staff experiencing a whole range of difficulties;
- online wellbeing webinars, which focus on practical tips for taking care of oneself, including the use of emotional regulation and coping strategies. These skills include managing during and post COVID-19;
- Mental Health Speakers Series presentations, which take place a few times a year to raise awareness and to reduce stigma by inviting those with a lived experience of mental ill health to share their perspective on vulnerability and strategies that have helped, instilling a sense of hope for the future.

These initiatives have helped Defence to provide targeted and agile mental health support. In particular, they have contributed to providing support to personnel involved in or affected by the Afghanistan Inquiry, Defence’s response to COVID-19, Operation BUSHFIRE ASSIST 2019–2020 and the Royal Commission into Defence and Veteran Suicide. This effort has increased Defence’s focus on vicarious trauma training, targeted guidance and training, and connecting personnel to the right support.

# Comcare

Defence continues to maintain a strong and collaborative relationship with Comcare. The biannual Defence–Comcare liaison forum and Comcare representation on Defence senior work health and safety advisory boards ensure sharing of information and a better understanding of the priorities of Comcare as a regulator.

In 2020–21 Comcare undertook 242 interactions across Defence, based on known high-risk areas, and issued four notices.

In 2020–21 Comcare interactions focused on being hit by falling objects, contact with electricity, and contact with a chemical or substance.

Defence has identified electrical hazards and hazardous chemicals as part of a number of work health and safety focus areas. Defence is progressing programs to improve work health and safety performance in these areas.

Defence is working closely with Comcare on a series of Comcare-led reviews into three regulatory priority areas (contractor safety management, psychosocial impact of organisational change, and transport industry body stressing) as part of Comcare’s Regulatory Work Activity Program 2020–21. The program aims to improve compliance across the jurisdiction and promote and enable healthy and safe work.

Table 6.26: Number of Comcare work health and safety notices, 2018–19 to 2020–21

Type of notice	2018–19	2019–20	2020–21
Improvement notice <sup>1</sup>	6	–	1
Prohibition notice <sup>2</sup>	3	–	1
Non-disturbance notice <sup>3</sup>	–	2	2

Notes:

1. Improvement notices are based on incidents and occurrences that contravene work health and safety legislation.
2. Prohibition notices are issued to remove an immediate threat to the health and safety of workers.
3. Non-disturbance notices are issued for a specific period of time to remove a threat to the health or safety of personnel.

## Work health and safety audits

In 2020–21 there were eight enterprise work health and safety audits conducted across Defence. This comprised three safety management systems audits, with a focus on the enterprise focus areas of body stressing – hazardous chemicals, electrical, mental stress, noise, and vehicle incidents – and five targeted audits of body stressing.

Defence developed an Enterprise Work Health and Safety Assurance Framework that outlines our approach and principles for assessing and reporting on work health and safety assurance activities. Implementation of the framework will occur over 2021–22 and will contribute to improved assurance outcomes at the enterprise level.

# Notifiable incidents

The number of work health and safety incidents reduced in 2020–21, as shown in Table 6.27.

Table 6.27: Number of work health and safety incidents and number of people involved, 2018–19 to 2020–21

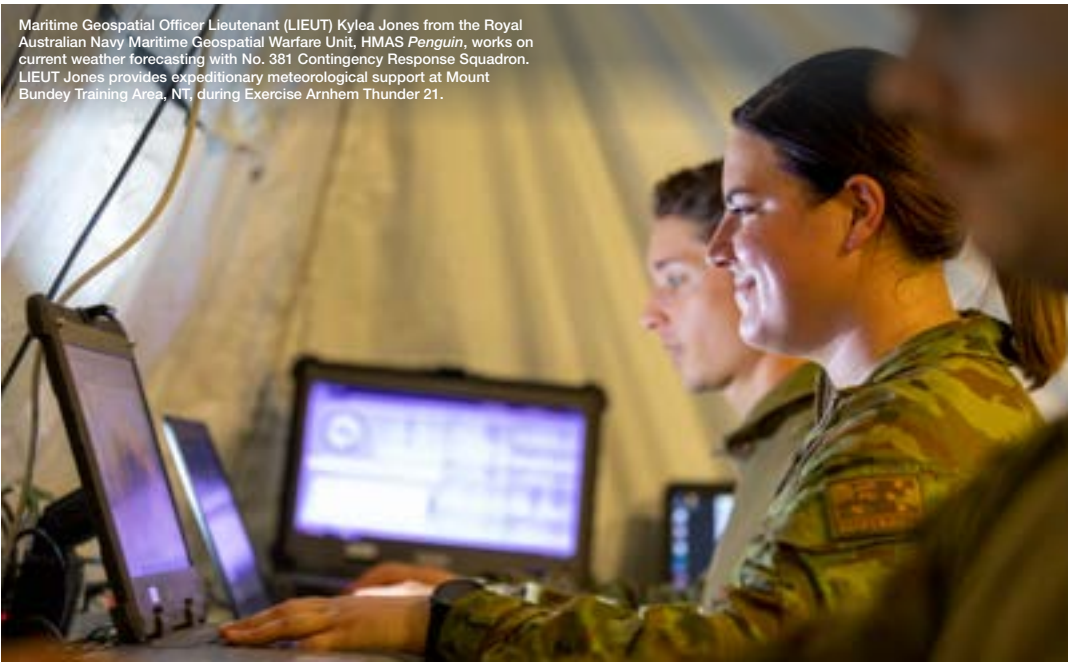
	2018–19		2019–20		2020–21	
	Number of incidents <sup>2</sup>	Number of people involved in an incident <sup>3</sup>	Number of incidents <sup>2</sup>	Number of people involved in an incident <sup>3</sup>	Number of incidents <sup>2</sup>	Number of people involved in an incident <sup>3</sup>
Fatality <sup>1</sup>	4	4	9	9	11	11
Serious injury or illness <sup>1</sup>	195	197	132	136	166	169
Dangerous incident <sup>1</sup>	212	309	261	476	245	444
<b>Subtotal</b>	<b>411</b>	<b>510</b>	<b>402</b>	<b>621</b>	<b>422</b>	<b>624</b>
Minor injury	9,288	9,548	8,173	8,394	7,869	8,012
Near miss	1,548	2,399	1,940	3,041	2,171	3,646
Exposure	906	6,623	1,000	5,241	758	3,495
Subtotal	11,742	18,570	11,113	1,676	10,798	15,153
<b>Total</b>	<b>12,153</b>	<b>19,080</b>	<b>11,515</b>	<b>17,297</b>	<b>11,220</b>	<b>15,777</b>

## Notes:

Incidents are reported from the date of occurrence. Figures in Table 6.27 can vary from previous Defence annual reports, as incidents can be reported well after the occurrence date and severity statuses can be updated. The figures in the 2020–21 columns reflect the financial year up to 30 June 2021; however, the data is as at 5 July 2021 to ensure recent updates have been captured.

Fatalities, serious injuries or illnesses, and dangerous incidents are notifiable to Comcare but incidents of these severities that occur while on a Defence declared operation are not notifiable to Comcare and have not been included.

1. The 'Number of incidents' columns show the number of incidents occurring in that financial year. A single incident can include multiple individuals.
2. The 'Number of people involved in an incident' columns show the number of people involved in the incident. One incident may result in multiple injuries or none.



# Complaint handling and resolution

Defence personnel have the right to complain if they are aggrieved by matters relating to their employment. ADF members (permanent and Reserve) may apply for redress of grievance under the Defence Regulation 2016. APS employees may seek a review of actions under the *Public Service Act 1999*.

## Complaints

Defence policies and frameworks encourage individuals to raise complaints, knowing that incidents will be addressed; and to seek support services, feeling safe to do so. Complaints can cover a range of topics and may relate to matters such as unacceptable behaviour, security, privacy, fraud, work health and safety, and compliance.

All Defence personnel complete four mandatory annual training packages, which highlight responsibilities, processes and reporting avenues related to workplace behaviour, security awareness, work health and safety, and fraud and integrity awareness.

When incidents do occur, Defence has robust systems and processes in place to resolve matters and to hold personnel to account for poor behaviour. The Complaints and Alternative Resolutions Manual is the key policy and resource document for all Defence people, with guidance and processes for complainants, respondents and managers to follow to ensure a consistent and considered approach to complaint management.

## Resolution

Defence has a longstanding Alternative Dispute Resolution Program. Alternative dispute resolution is designed to address workplace conflict and restore working relationships at the earliest opportunity and at the lowest appropriate level, ensuring personnel are working together effectively to deliver Defence capability. All Defence personnel, regardless of ADF rank, employee classification or contractor status can access alternative dispute resolution services delivered by qualified and experienced dispute resolution practitioners located around Australia.

Early intervention strategies empower individuals to proactively work towards resolution, with a range of dispute resolution options available for all Defence personnel, including mediation, facilitated conversations, and conflict coaching. In 2020–21 1,418 interventions were delivered by Defence's Alternative Dispute Resolution Program, supported by a comprehensive network of workplace behaviour advisers to foster early resolution of disputes and effective management of complaints.

## APS review of actions

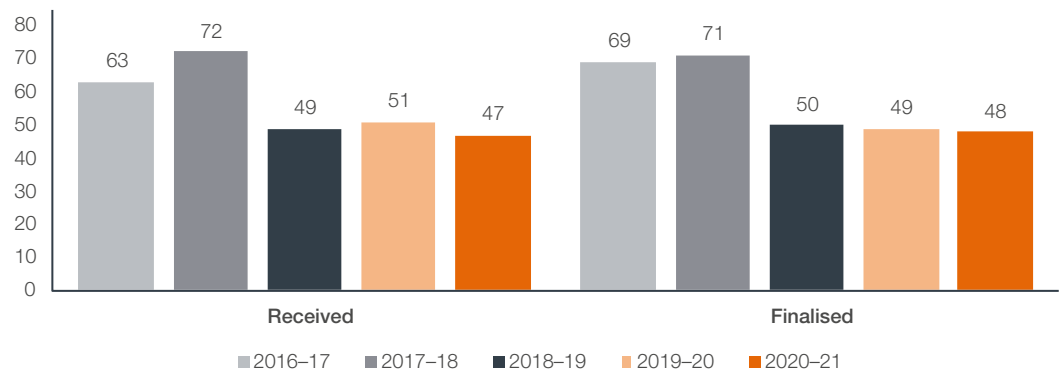
Non-SES APS employees who have a complaint about an action or a decision relating to their employment can seek to have the matter considered for review as part of the APS review of action process under section 33 of the *Public Service Act 1999*.

In 2020–21, Defence received 47 applications for review of actions, which is comparable with the previous year. Ten applicants then sought secondary review from the Merit Protection Commissioner. One of these applications resulted in a decision being varied.

The following subjects featured in the applications for review this financial year:

- Management of unacceptable behaviour by line management;
- Leave and salary entitlements;
- Performance, Feedback and Development Scheme outcomes.

Figure 6.1: APS review of actions applications, 2016–17 to 2020–21



## Unacceptable behaviour

The Defence Values and Behaviours are the tenets by which all personnel are expected to conduct themselves. When Defence personnel display behaviour that is not of the standard expected of them, action is taken. Importantly the vast majority of our personnel are a credit to Defence and the nation.

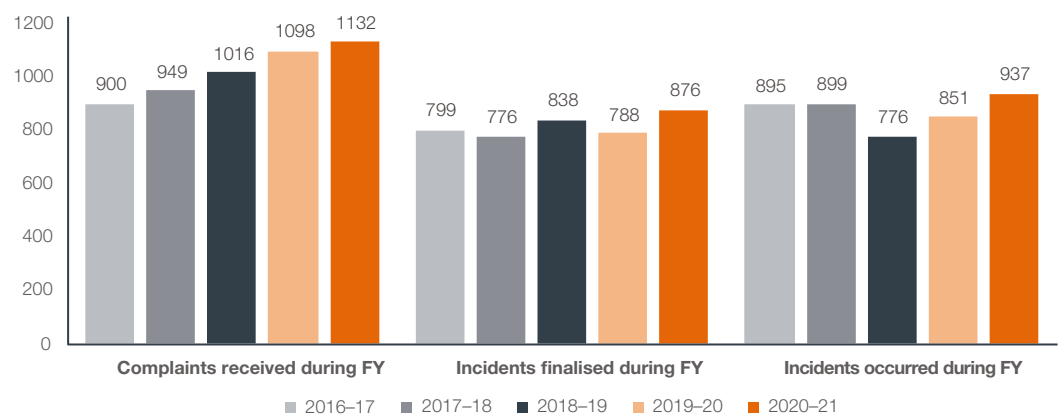
In 2020–21 Defence:

- completed a comprehensive review of the Complaints and Alternative Resolutions Manual towards the development of a user-friendly interactive resource for complaint management across Defence;
- strengthened commander, manager and supervisor capability in the management of unacceptable behaviour incidents through the delivery of training workshops delivered by qualified dispute resolution practitioners;
- released a series of micro-learning videos to strengthen complaint management capability and sustainable skills towards resolution of interpersonal conflict;
- updated the mandatory annual Workplace Behaviour training, reinforcing the Defence Values and Behaviours and the process for submitting and managing complaints.

Defence is committed to creating a safe environment where individuals feel supported to report unacceptable behaviour, knowing that incidents will be addressed and support services provided in a timely and effective manner. The 2020 Workplace Behaviours Survey confirms that Defence participants feel safe in their workplace, showing an upwards trend over a three-year period.

Personnel are responding to encouragement to report incidents of unacceptable behaviour, with a total of 1,132 complaints reported during 2020–21. Of this total, 937 incidents were reported to have occurred during the financial year, and 198 in previous financial years.

Figure 6.2: **Unacceptable behaviour complaints reported as received, finalised and having occurred, 2016–17 to 2020–21**



The confidence of the workforce in reporting incidents of unacceptable behaviour continues to be reflected in the Defence Enterprise attitudinal surveys. The 2020 YourSay Workplace Experience Survey indicates that the majority of Defence personnel perceive:

- that incidents of unacceptable behaviour are being managed well;
- that Defence has a culture that supports individuals who report fraud, corruption or unethical behaviour (note that data is only available for this measure from 2017 onwards, as the question was not asked before 2017).

Figure 6.3: **Incidents of unacceptable behaviour are managed well in my workplace**

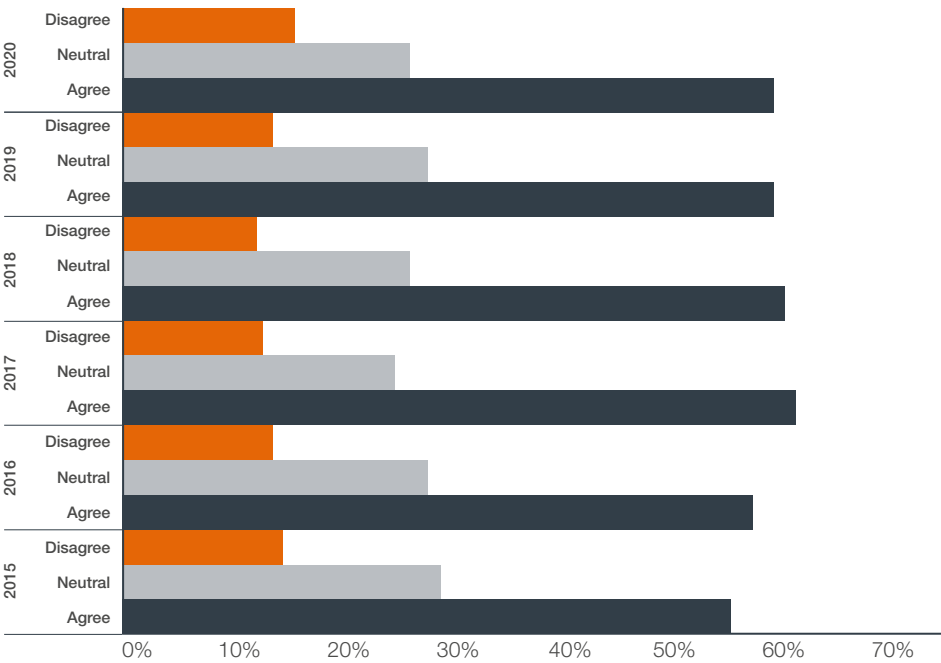
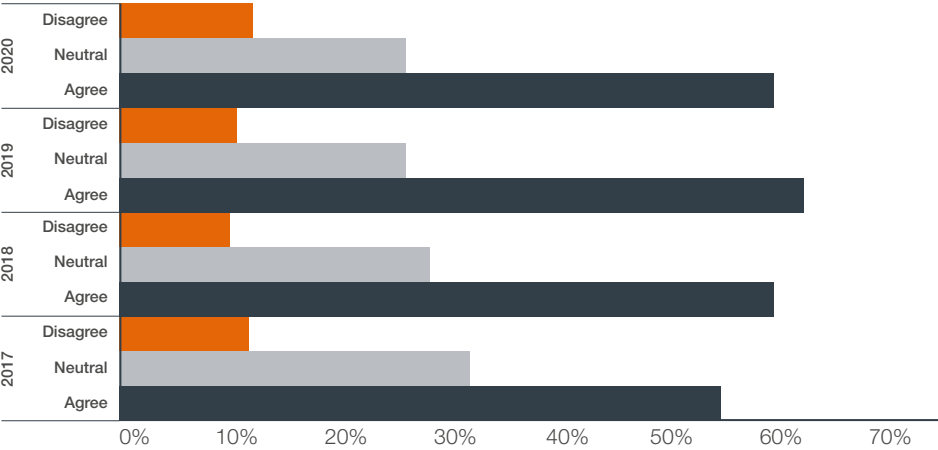




Figure 6.4: **Defence has a culture that supports individuals who report fraud, corruption or unethical behaviour**



## Sexual misconduct response

Defence provides opportunities for personnel to disclose or report sexual misconduct. Reporting is a description or a formal account that triggers further inquiry or investigation by the Joint Military Police Unit (JMPU) or state/territory police. Disclosure is an opportunity for an affected person to account their experience and ask for support or advice. Defence's Sexual Misconduct Prevention and Response Office is a dedicated avenue for accessing services inside and outside Defence.

### Reported sexual assault in the ADF

Australian state and territory police use the Australian and New Zealand Standard Offence Classification (ANZSOC) definitions from the Australian Bureau of Statistics. In 2018, Defence adopted ANZSOC for statistical reporting on sexual assaults in Defence to ensure consistency across Government agencies.

Defence's reports between 2013–14 and 2017–18 used the definitions in the Model Criminal Code, which classifies non-penetrative sexual offences as indecent acts. Reports from 2017–18 onwards use the broader ANZSOC definition of sexual assault, which includes penetrative and non-penetrative sexual offences.

Table 6.28: **Reported Defence sexual assault incidents per year, as at 7 July 2021**

Model Criminal Code					ANZSOC		
2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
60	96	98	84	170	166	160	187

**Note:** Figures from 2012–13 to 2016–17 cannot be directly compared to figures from 2017–18 onward, due to the use of different reporting frameworks for sexual offences.

The figure of **187** sexual assaults reported to JMPU for 2020–21 (as at 7 July 2021 – see Table 6.28) comprises:

- **116** aggravated sexual assaults (penetrative acts committed without consent, threat of penetrative acts committed with aggravating circumstances, or instances where consent is proscribed);
- **71** non-aggravated sexual assaults (for example, touching of a sexual nature without consent where penetration does not occur).

The **187** aggravated and non-aggravated sexual assault complaints can be categorised as follows noting that some complaints are in multiple categories:

- **83** investigations that were not conducted or were ceased because no complaint was forthcoming (68) or the complaint was withdrawn (15). In 10 of these matters the victims indicated that they were happy for the matter to be reported to the unit for administrative action;
- **68** cases of reported allegations where the ADF member did not wish to make a statement of complaint or did not want the matter investigated by JMPU or state/territory police;
- **15** cases where the complaint was withdrawn and **20** cases where there was a determination of insufficient evidence to proceed (10 cases with civilian police and 10 cases with military police);
- **nine** cases where there was no ADF jurisdiction as the alleged offender either could not be identified or was a civilian, an ex-serving member, a Cadet, or a member of another military force; or the victim indicated they wanted the civil police to investigate and did not want Defence to know any details;
- **63** cases that remain ongoing, with civil police responsible for 36 cases, military police responsible for 19 cases and the Office of the Director of Military Prosecutions (ODMP) responsible for eight cases;
- **nine** cases that proceeded to military trial, with five guilty outcomes, three not guilty outcomes and one trial held in abeyance due to a technical issue;
- **two** cases that resulted in administrative and disciplinary action at unit level and **one** case that ceased as the alleged offender was deceased.

Approximately 44 per cent of allegations of sexual assault made to JMPU were made by members who did not wish to make a statement of complaint, did not want the matter investigated by JMPU or state/territory police, or withdrew their complaint. Respecting the wishes of the victim is consistent with policing principles of maintaining a victim-centric approach but it can inhibit Defence's ability to substantiate or conclude matters.

The sexual assault figures are drawn from a live policing database and reflect JMPU's understanding of matters as at 7 July 2021. As initial reports are investigated and/or finalised, these figures may change.

## Sexual misconduct prevention and response

Defence's Sexual Misconduct Prevention and Response Office (SeMPRO) provides confidential support services to Defence personnel directly affected by sexual misconduct, debriefing services for personnel exposed to difficult material at work, assistance with incident management to promote personnel wellbeing, and educational programs and resources.

The SeMPRO team develops and delivers educational packages, and directly assists all Defence personnel, to foster workplaces that uphold Defence Values. The following key milestones were achieved in 2020–21:

- Delivery commenced across a full suite of Service-specific sexual misconduct incident management and wellbeing workshops for commanders, managers, and personnel in supervisory and first-response roles. SeMPRO incident management and wellbeing workshops emphasise trauma-informed application of Defence policy;
- In-person education sessions were significantly impacted by COVID-19 safety requirements throughout 2020–21. The remote learning courses were expanded to match all in-person offerings to ensure education service continuity across Defence. SeMPRO workshops are high-quality interactive experiences that facilitate discussion between peers without being co-located. Each remote workshop preserves the collaborative and inquiry-based learning practices, cognitive loading theory, and relevance principles used in the in-person workshop design.

SeMPRO is the only organisation of its kind in any Australian Government department. In 2020–21 the team provided advice and assistance to various departments on policies, procedures, the trauma-informed approach, and preventive education products.

SeMPRO provides a 24/7 telephone response service for those seeking help. The demand for all client services, detailed below, increased from 368 in 2019–20 to 446 in 2020–21.

Defence promotes help-seeking behaviour through SeMPRO and other services. SeMPRO social workers and psychologists provide assistance with system navigation and service coordination, resources and referrals, and education for individuals and their families. These interventions assist wellbeing, build resilience, and facilitate developing self-management strategies and skills. The number of clients seeking help from SeMPRO after being directly impacted by sexual misconduct (sexual offences, sexual harassment, or sex-based discrimination) increased from 125 in 2019–20 to 159 in 2020–21.

The SeMPRO client response team provides a separate advice service to aid commanders, managers, colleagues, family members and friends to improve responses to disclosures and reports. Advice clients are people who seek help to ensure that a person directly impacted by sexual misconduct receives the best response possible. Commanders, managers and supervisors receive assistance to apply Defence’s policy requirements while focusing on the wellbeing of those involved. Colleagues, family members and friends receive advice on aiding a person who has disclosed being subjected to sexual misconduct. The uptake of one-on-one assistance with sexual misconduct incident management and disclosures increased from 235 in 2019–20 to 275 in 2020–21 (see Table 6.31). The personalised advice provided through the SeMPRO telephone service complements the interactive workshops on sexual misconduct incident management and wellbeing delivered across Defence.

**Table 6.29: SeMPRO new incident management advice clients, 2014–15 to 2020–21**

Financial year	Number of SeMPRO advice
2014–15	147
2015–16	131
2016–17	223
2017–18	253
2018–19	266
2019–20	235
2020–21	275
Total	1,530

**Note:**

The data in this table is client data collected during service provision and is subject to change as clients reveal additional information.

In 2020–21, SeMPRO provided confidential debriefing to 12 clients. Debriefing services are designed to prevent psychological injuries arising from workplace exposure to trauma.

Defence continues to drive best practice in sexual misconduct prevention, incident management, and personnel response. SeMPRO aims to give all personnel a clear understanding of Defence’s behaviour expectations, increases awareness on the nuanced understanding of consent, particularly as it applies to areas such as technology use and young people, and enhances the ability of commanders and managers to speak about sexual misconduct prevention and response in a trauma-informed way.

## Support services

Defence provides a range of support services and measures of practical assistance for ADF members, their families and Defence APS employees. This includes support during crises including bereavement, serious illness or injury, assistance to families managing the opportunities and challenges associated with military life, support for members and their families when the member transitions from military to civilian life, and a number of health and wellbeing initiatives.

Defence continues to work closely with the Department of Veterans' Affairs to deliver the best possible health and wellbeing outcomes for current and former members of the ADF and their families. These outcomes have been delivered through the Transition Transformation Program.

## ADF members and their families

Defence provides a broad range of programs and services to assist Defence families to make the most of the challenges and opportunities provided by the military way of life. This includes information and advice, brief intervention and counselling, referrals to specialised community services, and assistance and support in crisis situations. Specific support available to families include:

- support in adjusting to illness and injury;
- 24/7 counselling and support for personal or family issues;
- information about and referral to community services, for example parenting support, family counselling services and relationship counselling;
- information on benefits, entitlements and practical assistance, for example Centrelink payments, disabled parking permits, transport services for injured or ill individuals and financial counselling services;
- absence from home support for ADF members and their families, including pre- and post-deployment briefs, absence from home support calls to family members, a range of online resources including the absence from home support booklet, and webinars and resilience programs;
- advice to command about how to respond to and support family situations including family assessments and reports, and 24/7 telephone advice;
- counselling and practical assistance in emergency or crisis situations, for example in situations where there are concerns about an individual's welfare and or family safety;
- coaching, practical guidance and support to assist when planning to leave Defence to move back into civilian life.

## Partner Employment Assistance Program

The Partner Employment Assistance Program provides funding towards employment-related initiatives aimed at contributing to ADF partners' employability in their new posting. These initiatives include professional employment services and mandatory fees for professional re-registration required under legislation. Professional employment services can include résumé development, interview coaching, assistance with identifying transferrable skills, employment options or job placement advice, development of an online employment profile, selection criteria coaching, and interview preparation and presentation.

Since opening up the eligibility for support in April 2020 in response to the COVID-19 pandemic, Defence has seen a continued increase in applications as ADF partners are able to participate in job search preparation workshops at any time to enhance their preparedness for employment, including seeking promotion.

## Childcare, schools and communities

Defence also provides childcare support services through the Defence Childcare Program, comprising 16 long day-care and three out-of-school-hours centres and the Individual Case Management Service. Since its launch in 2017, the Individual Case Management Service has assisted over 845 Defence families in finding placements at local childcare centres, family day care and before and after school care.

The Defence School Mentor Program provides funding to minimise the impact of mobility on education and build schools' capability to support Defence students, particularly during transitions into and out of the school and during

parental absences. In 2020–21 a total of 256 schools and approximately 14,000 Defence children were provided with support under the program.

The Family Support Funding Program provides grants to community organisations to assist them to deliver support and services of value to Defence families and the community they live in. In 2020–21, 50 not-for-profit community organisations had grant funds approved under the annual program, and an additional nine organisations had funding approved in the short-term opportunity offered under the program for projects delivered during January to June 2021.

The Community Support Coordinator Program funds Defence community groups to employ a coordinator to manage the delivery of services to Defence families. During 2020–21, 28 Defence community support coordinators were employed through the program.

## Transition support

Transition services are offered to members who have at least one day of permanent military service.

Since 2017 Defence has used a coaching model to deliver support to transitioning ADF members. Our transition coaches are integral to supporting ADF members, and their families, to plan and prepare for their transition to civilian life. Every transitioning member is assigned a transition coach to guide and mentor them through transition, including for up to 24 months after transition.

The role of the coach is to facilitate the members' transition, by assisting them to develop the skills and capabilities they will need to establish themselves in the civilian community through achieving and maintaining their chosen lifestyle. Our coaches draw on the broad range of transition programs, benefits and services that are available across Defence, the Australian Government, state and territory governments, ex-service organisations and the broader community to support transitioning members and their families.

The coach provides a single point of entry for Defence transition support and services, and builds a personalised package of support based on the circumstances and post-transition goals of the member and their family. The coach remains with the member and their family for up to two years post transition. This includes providing additional support through the transition programs or service referrals as their needs and circumstances change.

Defence's transition support includes:

- ADF member and family transition seminars. Each seminar provides an awareness of the support that is available and an opportunity to speak with a transition coach to ensure that they are prepared to leave Defence. A virtual transition seminar is also available;
- Career planning with a transition coach for every member, including the ability to access transition coaching and assistance for up to 24 months after leaving the ADF. The ADF member and their family work with their transition coach to determine the best package of support based on their needs;
- Individualised transition plans. Every member leaves with access to full documentation including their medical and dental records, and a copy of the ADF Member and Family Transition Guide;
- A skills recognition program that translates the training and skills that members have obtained in the ADF to civilian qualifications;
- Résumé preparation and job search programs to assist in obtaining future employment;
- Financial literacy education;
- The Personalised Career Employment Program, which provides up to three months of support, targeting early service leavers through accelerated job search and employment support;
- The Transition for Employment Program, which provides those with complex medical conditions tailored assistance to gain civilian employment or other meaningful engagement.

Defence uses a post-transition survey that assists in evaluating the effectiveness of these programs, informs gaps and also provides a mechanism to reach out to former members and offer support. People are requested to participate in the survey every three months for up to 24 months after transition.

ADF members ceasing permanent service are provided with support from both Defence and the Department of Veterans' Affairs before and after transition.

Through the COVID-19 pandemic, comprehensive support continued virtually via phone, video call and email to ensure the safety of staff and of ADF members and their families. This included targeted contact with families who were impacted by COVID-19.

In addition, Defence adapted to virtual presentation of deployment briefs and also delivered a series of psychosocial webinars to the Defence community. Webinar content included information about mental health and wellbeing, healthy relationships, and supporting children in isolation.

During 2020–21 a review of absence from home support was completed and key recommendations were implemented, including the provision of a range of resources to assist members and families with active coping, and specific products for children. Programs were also delivered with the aim of enhancing family resilience during a member's absence from home, plus webinars to assist families during different stages in the deployment cycle.



## Defence COVID-19 vaccination rollout

**Joint Health Command (JHC) has planned, led and executed the rollout of COVID-19 vaccines across Defence.**

In March 2021, the JHC Health Material, Logistics and Pharmacy directorate secured an ongoing supply of COVID-19 vaccines enabling the commencement of the Defence COVID-19 Vaccination Plan. Vaccination took place at 53 garrison health centres and clinics across Australia. The Defence rollout focused on enabling Defence capability, preserving the force, protecting vulnerable individuals and disrupting potential transmission networks. All Defence personnel were strongly encouraged to access a COVID-19 vaccine, and, for the first time, vaccination was also made available to all Defence APS staff and ASD Commonwealth officers through the Defence health system. One of the first priority vaccination

parades involved delivering the crew of HMAS *Sydney* their first dose of COVID-19 vaccine before a critical deployment to North America. With a first dose administered, JHC then partnered with Joint Logistics Command to facilitate the delivery of their second dose to the ship while on deployment. This ensured the crew could move with additional freedom once they were fully vaccinated. The vaccination of the Defence workforce is an important health protection and work health and safety measure. It protects the fighting capability of the ADF. During the peak of the vaccination rollout, over 1,100 vaccine doses were delivered in a single day. By 27 August 2021, 87 per cent of full-time ADF members had at least one dose of a COVID-19 vaccine and 76 per cent were fully vaccinated with two doses. Since the pandemic began the Defence health system has conducted more than 78,000 COVID-19 tests.







Air Movements Operators from No. 23 Squadron load pallets of AstraZeneca vaccines and COVID-19 medical supplies bound for Fiji onto a C-130J Hercules, at RAAF Base Amberley.

## ASSET MANAGEMENT



## Asset management

Defence has one of the largest and most diverse property, plant, equipment and inventory holdings in the Commonwealth.

The Defence Statement of Financial Position set out in Appendix A highlights:

- \$74.5 billion of specialist military equipment;
- \$30.8 billion of plant, equipment, land, buildings, infrastructure and intangible assets;
- \$7.8 billion of inventory;
- \$0.5 billion of heritage and cultural assets.

Other items such as cash, receivables, prepayments, and assets held for sale valued \$5.3 billion make up the rest of Defence's asset base.

During 2020–21 over \$11.8 billion of assets were purchased, adding to Defence capability. This included \$9.0 billion of specialist military equipment, \$1.2 billion of new land and building works across the Defence estate, \$0.8 billion in additional infrastructure and \$0.8 billion across all other asset classes. Ongoing investment through procurement and construction of new capability set out in the *2020 Force Structure Plan* is designed to ensure that Defence remains ready and able to deliver expected outcomes.

Inventory holdings have grown 7 per cent over the last 12 months. Most of this growth is in Explosive Ordnance holdings and aligns with Defence's strategy of increasing Explosive Ordnance stores.

## Defence Single Information Environment

Defence is supported by one of the largest and most complex information and communications technology (ICT) undertakings in the nation, operated by the Chief Information Officer Group (CIOG). As well as provisioning and supporting more than 100,000 Defence employees' corporate ICT requirements, CIOG delivers mission-critical systems and services to enable the warfighting capabilities of the Australian Defence Force (ADF) globally.

CIOG leads the integrated design, cost-effective delivery and sustained operation of Defence's Single Information Environment (SIE). The SIE encompasses Defence's information, computing and communications infrastructure, along with the management systems and people to deliver that infrastructure. It includes Defence's information assets, computing networks, business applications and the data that they generate and carry, as well as the communication standards and spectrum required for battlespace networks. The infrastructure CIOG provides is essential and integral to core Defence functions such as intelligence, surveillance, reconnaissance, communications, information warfare, command and management. This includes the dispersed, fixed, deployable and mobile networks that underpin ADF operations. CIOG also provides strategic (satellite, high and low frequency communications) capabilities to support ADF training and operations across the globe and is responsible for maintaining interoperability with our allies and coalition partners and across Government agencies.

CIOG is dedicated to providing a dependable, secure and integrated ICT environment and is investing in delivering the future of Defence ICT. Investment in new and emerging technology will ensure we maintain our technological edge, with faster and more contemporary ICT systems. This will ensure that the right information is available to Defence decision-makers at the right time. Investment in Defence's ICT will guarantee the ADF is able to respond quickly to emerging threats and enable Defence business processes to become more efficient and effective.

CIOG is leading the enhancement of Defence's cybersecurity apparatus through a renewed Defence Cyber Security Strategy that will deliver mission-focused, threat-centric and contemporary Defence enterprise cybersecurity, enabled by best practice and strong partnerships. This will be underpinned by investment in people and technology to a level commensurate with the scale of Defence's terrain, the threats we face, and the significance of the risks. This will ensure our investment in Defence's cybersecurity capability is aligned to Defence priorities, supports ADF operations, and ultimately supports our ability to fight in and through a congested and contested cyberspace.

An assured supply chain is critical to the security and sovereignty of the SIE and continues to represent a significant risk to many organisations. In 2020 CIOG completed development of Defence's Supply Chain Risk Management Framework. It is now in the process of operationalising this framework progressively through integrating it into key procurement and assurance processes and practices.

Through the Integrated Investment Program, Defence will continue to increase its cyber defence capabilities to support governance and risk management, vulnerability management, detection and response, and threat intelligence. These capabilities protect not only the SIE but also deployed and standalone networks that support ADF operations. They include an uplift to training ranges and deployable capabilities that will better enable the ADF to defend its mission systems and platforms.

A cyber-aware workforce is critical to ensuring the human dimension is factored into our cyber protections. Social engineering is still one of the most frequent vectors employed by adversaries. To address this, the Cyber Cultural Change Program will continue to mature its education and awareness initiatives and, through delivery of a Defence-wide cyber awareness study, will provide a baseline of cyber awareness and better position Defence to effectively manage this risk.

Defence is also playing its part in supporting other government agencies in improving their security posture. Under Australia's Cyber Security Strategy 2020 – Hardening Government IT, Defence is one of three lead agencies acting as a pilot for the Cyber Hubs program. Defence, along with Home Affairs and Services Australia, will provide cybersecurity services to smaller agencies to improve their security posture and ensure they are also protected from the pervasive cyber threat.

## Purchasing

Defence undertakes its procurement in accordance with the Commonwealth Procurement Rules and Procurement Connected Policies and with Defence-specific procurement policies. These mandatory procurement requirements are expanded, explained and operationalised through the Defence Procurement Policy Manual. To assist Defence officials to comply, Defence also provides procurement guidance, fact sheets, tools and templates that guide, inform and ensure proper consideration and good governance of Defence procurements.

In accordance with the Commonwealth Procurement Rules, Defence publishes the Defence Annual Procurement Plan on AusTender ([www.tenders.gov.au](http://www.tenders.gov.au)). The Defence Annual Procurement Plan provides notice to industry of proposed Defence procurements and enables industry to prepare for the competitive tendering phase. Defence also publishes all open tenders on AusTender.

## Procurement initiatives to support small business

Defence supports small business participation in the Commonwealth Government procurement market. Small business participation statistics are available on the Department of Finance website.

Non-corporate Commonwealth entities' payment terms reflect the Resource Management Guide No 417 – Supplier On-Time or Pay Interest Policy. The Government is also introducing the Payment Times Procurement Connected Policy, requiring large businesses (annual income of over \$100 million) awarded government contracts of over \$4 million to pay their new subcontracts (up to \$1 million) within 20 calendar days. The results of the most recent survey of Government payments to small business are available on the Treasury website.

Important measures were also implemented in 2020 to allow for Defence to accelerate payments to Australian suppliers in defence industry to mitigate the effects of COVID-19. The extraordinary payment measures to expedite payments to Defence suppliers in response to COVID-19 reverted to normal contracted payment terms on 1 July 2021, although there may be instances where it is appropriate to apply consideration of hardship in defence industry.

In line with the whole of Australian Government e-invoicing initiative to support timely payment to business, Defence is committed to the implementation of this capability by August 2021.

Defence has also incorporated the new Commonwealth Procurement Rules Appendix A, Exemption 17 into its procurement guidance. This allows entities to directly engage small and medium enterprises (SMEs) for procurements valued up to \$200,000 (including GST), provided value for money can be demonstrated. SMEs may include local businesses, including manufacturers; social enterprises; veteran-owned businesses; and Australian Disability Enterprises.

## Indigenous procurement policy

Defence contributes to enhancing Indigenous entrepreneurship and business development, through procurement opportunities in regional and rural Australia to support and grow the Indigenous business sector.

Since the introduction of the Commonwealth Indigenous Procurement Policy, Defence has consistently exceeded its targets. In 2020–21 the Defence target for the number of contracts remains at 3 per cent of eligible domestic contracts, equalling 676 contracts for the Defence portfolio. In addition, the Government introduced a value-based target for contracts awarded to Indigenous businesses. The value target commenced at 1 per cent in 2019–20 and increases by 0.25 per cent each year to reach 3 per cent by 2027. The Defence portfolio value target for 2020–21 is \$110 million.

To date, over each reporting period, Defence has significantly exceeded its number and value targets. Defence's performance against the portfolio's annual targets is published on the National Indigenous Australians Agency website (see Appendix D).

Defence's commitment and pathway to meeting the outcomes of the Commonwealth Indigenous Procurement Policy are articulated in our Indigenous Procurement Strategy. Through strong leadership, raised awareness and clear communication, Defence is well positioned to deliver on supplier diversity and Indigenous engagement outcomes across our procurement environment.

In recognition of Defence's efforts to support Indigenous procurement, we received the Supply Nation Government Member of the Year Award for 2021. This award recognises exceptional commitment, engagement and leadership in supplier diversity.

## Capital investment

In 2020–21, three major capital facilities and infrastructure projects, valued at a total of approximately \$1.15 billion, were referred to the Parliamentary Standing Committee on Public Works. The committee conducted public hearings on two of those projects (valued at \$404.9 million). Both subsequently achieved parliamentary approval. A hearing is pending on the third referred project (valued at \$747.0 million).

Also in 2020–21, seven medium works capital facilities and infrastructure projects, valued at a total of \$199.9 million, were notified to the committee. All seven were subsequently approved. Further information on the Parliamentary Standing Committee on Public Works can be found in Chapter 5 – 'Management and Accountability'.

## Defence economic stimulus

On 26 August 2020 in response to the impacts of bushfires and COVID-19, the Government announced a \$1 billion investment package to boost Australia's defence industry and support thousands of jobs over the 2020–21 and 2021–22 financial years. These initiatives provide investment, through COVID-19 recovery measures, into small and medium enterprises, regional areas and bushfire-affected communities.

The package is directed towards nationwide projects and jobs across Australia, including:

- increasing the employment of ADF Reservists who have lost their civilian income, with an allocation of up to an extra 210,000 days, and the targeted recruitment of an additional 500 ADF Reservists;
- increasing employment opportunities for current and former ADF personnel and their families;

- a \$300 million national estate works program that will focus on regional areas (including bushfire-affected regions) such as Jervis Bay and Eden; RAAF Bases East Sale, Pearce, Wagga and Amberley; the Albury Wodonga Military Area; and Blamey Barracks;
- accelerating the sustainment of ADF platforms and capabilities, including the upgrade of Bushmaster protected mobility vehicles; modernisation of ADF uniforms; and additional C-27J maintenance, which will engage ex-Qantas and ex-Virgin technicians;
- bringing forward around \$190 million of investment in approved infrastructure projects in the Northern Territory;
- increasing funding for Defence innovation, industry grants, skilling and micro-credentialling, and cyber training for defence industry;
- accelerating important ADF capability development projects, targeting key manufacturing, construction and high-tech sectors.

## Achievements in 2020–21

Since the Defence economic stimulus package was announced, contracting, procurement and detailed design work has been underway, resulting in the commencement of key initiatives.

- An additional 165,813 additional Reserve days above a three-year average have been expended in support of Reservists who have lost civilian income;
- Expenditure of \$146 million on the national estate works program has focused on regional areas (including bushfire-affected regions) such as Jervis Bay and Eden; RAAF Bases East Sale, Pearce, Wagga and Amberley; the Albury Wodonga Military Area and Blamey Barracks;
- Of the \$200 million provisioned to the accelerated capability project development and delivery initiatives, \$174 million worth of contracts have been signed and \$50.7 million has been expended;
- Of the \$200 million provisioned to the sustainment of existing capabilities and platforms, \$124 million worth of contracts have been signed and \$44.2 million has been expended;
- Of the \$110 million provisioned for the Defence Innovation Hub and Defence Industry Grants Program, \$45 million worth of contracts/grants have been signed/issued and \$33.6 million has been expended.

## Capability investment

On 25 February 2016, the Government released the *2016 Defence White Paper* and the 2016 Integrated Investment Program (IIP), which set out \$195 billion in investment in Defence capabilities from financial year 2016–17 through to financial year 2025–26.

On 1 July 2020, the Government released the *2020 Defence Strategic Update* and *2020 Force Structure Plan (FSP)*, which outline a new strategic policy framework for Defence and new capability investments in the IIP to deliver it. In line with Defence's strategic objectives to shape, deter and respond with credible military capability, the FSP and IIP set out approximately \$270 billion in capability investment over the decade to 2029–30.

Building on the Government's commitments, the FSP set out more than 100 new and adjusted capability investments. These investments will provide new and enhanced capabilities for Defence across its five operational domains: Information and Cyber, Maritime, Air, Space, and Land, supported by the critical enabling capabilities of the Defence enterprise.

These investments also support continued growth of Australia's defence industry. The Government remains committed to maximising opportunities for Australian defence industry to benefit from this investment.

The dynamic nature of recent events underscores the importance of maintaining an IIP which is affordable and agile in responding to changing priorities, technology advancements, emerging threats and strategic drivers in the region. The IIP is reviewed by Defence and Government biannually to respond to these changing priorities and threats while balancing capability, strategy and resources.

During 2020–21, the Government approved 114 capability-related submissions (as at 23 June 2021). It gave 16 ‘First Pass’ approvals, 23 ‘Second Pass’ approvals and 75 ‘Other Pass’ approvals.

Of the 75 ‘Other Pass’ approvals, 13 were granted for submissions that provided advice to Government on current and future capability, and 62 projects were approved for early access to IIP funding. This early funding is used to complete critical capability development work and risk-reduction activities ahead of seeking First Pass and/or Second Pass approval from Government.

## Significant Government announcements in 2020–21

### • Maritime domain

- Approval of an element of the Navy Guided Weapons Sub-Program to boost maritime security. This investment of \$1 billion will provide the Royal Australian Navy with leading-edge long-range anti-ship missiles, extended-range surface-to-air missiles, advanced lightweight torpedoes, and maritime land strike capabilities. These new weapons will enhance the protection of our maritime resources and borders, and hold adversaries at risk at much greater distances;
- Approval of the Aegis Baseline project, which will invest in an Aegis combat system upgrade for the Navy’s Hobart class destroyers. The upgraded version of the Aegis combat system for the Hobart class destroyers will also be installed in the new Hunter class frigates, providing Defence with world-leading technology while improving sovereign shipbuilding capability. The investment in upgrades will ensure the Navy is equipped and jointly networked to protect from future air and missile threats, and grow jobs in key Australian combat system development and integration areas;
- Approval of the Fleet Information Environment Modernisation project, valued in the order of \$600 million, to strengthen maritime communications. This project will include upgrades to naval systems and computer networks, enhancing the Navy’s ability to securely and reliably exchange information while at sea. More than 100 new Australian high-tech jobs will be created through this investment in areas such as computer systems design and engineering, and platform and system integration;

### • Land domain

- Approval of the Night Fighting Equipment Replacement project, valued in the order of \$173 million, to acquire more than 5,500 cutting-edge helmet-mounted fused night-vision systems. The new systems combine image intensification with thermal imaging to improve visibility and target detection in low or no light situations, and will be delivered by Australian subsidiary company Mission Systems Australia;
- Approval of the Army Littoral Manoeuvre – Light project, valued in the order of \$800 million, to acquire new fleets of Australian-built amphibious vehicles and landing craft. The capability will be able to transport land forces with enhanced speed and protection, and provide independent shore-to-shore, ship-to-shore and over-the-shore capabilities to better manoeuvre and sustain the ADF in littoral and riverine environments;

### • Air domain

- Approval of the Maritime Patrol Aircraft Replacement project. This project will acquire two more P-8A Poseidon surveillance and response aircraft through Defence’s existing cooperative program with the United States Navy, bringing the total fleet size to 14. The Poseidon is a highly versatile, long-endurance platform capable of a range of mission types including maritime intelligence surveillance and reconnaissance and striking targets above and below the ocean’s surface. This investment will enhance the Air Force’s flexibility to support multiple operations and will play an important role in ensuring Australia’s maritime region is secure;

### • Space domain

- The Government did not make any public announcements on approvals for this domain in 2020–21, but is continuing to deliver the capability Defence needs to meet its strategic objectives;

### • Information and Cyber domain

- The Government did not make any public announcements on approvals for this domain in 2020–21, but is continuing to deliver the capability Defence needs to meet its strategic objectives;



• Defence enterprise

- Approval of the United States Force Posture Initiatives Northern Territory Training Areas and Ranges Upgrades project, valued in the order of \$747 million. This project will upgrade four key training areas and ranges in the Northern Territory to enable the ADF to conduct simulated training exercises and remain battle ready. Essential upgrades will be made to four key military training areas and weapon ranges in the Northern Territory: Robertson Barracks, Kangaroo Flats, Mount Bunday and Bradshaw. These Defence training areas and facilities will support greater engagement with Australia’s Indo-Pacific neighbours and allies, and enable Defence to conduct small and large scale military exercises across a number of different scenarios.

Projects of concern

The Projects of Concern regime is a proven process for managing the remediation of underperforming projects. This is done by implementing an agreed plan to resolve significant commercial, technical, cost and/or schedule difficulties and increasing senior management and ministerial oversight. A Projects of Concern Summit was held with the Minister for Defence and the Minister for Defence Industry on 4 December 2020.

Table 7.1 provides a list of Projects of Concern as at 30 June 2021. There has been no change in the 2020–21 reporting period.

Table 7.1: Projects of Concern as at 30 June 2021

Project	Project number and phase	Date added
Multi-Role Helicopter (MRH-90)	AIR 9000 Phases 2, 4 and 6	November 2011
Deployable Defence Air Traffic Management and Control System	AIR 5431 Phase 1	August 2017

Defence will continue to actively manage the remaining Projects of Concern in 2021–22.





## Reduced risk in explosives removal thanks to science and technology innovation

**Defence has introduced a world-leading and award-winning semi-automated explosives removal capability, reducing the risk of impacts on our people and increasing the precision in delivery.**

Advanced Ordnance Technologies, part of the Defence Science and Technology Group, has significantly automated the hazardous removal of high-explosive fill from ordnance such as aircraft bombs, artillery shells and warheads.

The team has achieved this by developing a semi-automated robotic system that removes personnel from direct harm.

At the Ordnance Research Facility Woomera in South Australia, operators are able to execute commands remotely through a specialised computer system and a robotic arm, from within a hut.

Previously the team worked in the open in full protective clothing, in dangerous temperatures and arduous desert conditions. An on-site medical team was required because of the danger the work posed.

The labour-intensive task of explosives removal required intense concentration and precision. Once started, the removal process could not be

stopped and the work extended well beyond a standard working day.

Since the introduction of the robotic system there has been a 50 per cent reduction in human risk factors such as fatigue, heat stress and muscular strains. There has also been a substantial reduction in the number of people required on site and the time needed to complete the work.

The new system has reduced the team's workload and enabled a 400 per cent efficiency improvement in the explosives removal process.

A task that previously took about 16 hours now takes less than eight, while a smaller task that took eight hours now takes less than an hour and a half.

Apart from operating a leading-edge facility, the Advanced Ordnance Technologies team won a 2021 Comcare National Work Health and Safety Award for its efforts.

The team has produced a world-leading technological capability in explosive ordnance extraction. Experts from the US and UK defence forces will visit the Woomera facility as soon as COVID-19 border restrictions are lifted, with a view to either replicating Defence's system or using it themselves through joint operations.

Australian Army soldiers from the 3rd Combat Engineer Regiment conduct beach landing drills during Exercise Thunder Strike in Townsville, Queensland on 20 May 2021.



ENVIRONMENTAL  
PERFORMANCE

8

# Defence Environmental Policy and Environmental Strategy 2016–2036

The Defence Environmental Strategy sets five strategic aims:

- Defence will deliver a sustainable estate across Defence maritime, land and aerospace areas, activities and operations;
- Defence will understand and manage its environmental impacts;
- Defence will minimise future pollution risks and manage existing contamination risks;
- Defence will improve the efficiency of its resource consumption and strengthen resource security;
- Defence will recognise and manage the Defence estate heritage values.

Defence's Environment and Heritage Manual, re-issued in June 2021, provides instruction and policy guidance for all Defence personnel on Defence's legislative obligations and stewardship goals in line with the Defence Environmental Policy and the Defence Environmental Strategy 2016–2036.

## Land and water management

### Pest management

Defence continues to collaborate with and support external agencies in the management of pests across the Defence estate. In 2020–21 this included supporting the South Australian Department for Environment and Water in the release of cochineal (*Dactylopius* spp.), a microscopic insect, to tackle an infestation of hundreds of coral cactus (*Cylindropuntia fulgida* var. *mamillata*), which is a Weed of National Significance, in Woomera. A site of 8.7 ha has been treated to date, resulting in extensive dieback occurring in a six-month period, and is actively monitored.

Defence has also supported the trial and use of Felixer™ grooming traps in Cultana Training Area as part of its program of management of feral cats on the Defence estate. These traps are specifically engineered to target feral cats. This method is one of many tools that will be used in the management of feral cats, which kill billions of native animals each year in Australia.

Defence continues to collaborate with the Commonwealth Department of Agriculture, Water and the Environment in management of biosecurity risks, including through support of mosquito vector monitoring programs at Defence owned and managed properties that are first points of entry to Australia.

### Soil management

The Department of Defence recognises that it is a custodian of the environment and is committed to sustainable environmental management, including the mitigation of soil run-off into the Great Barrier Reef through hazard reduction burn planning, riparian and gully vegetation management, and improved infrastructure development. In 2020–21, Defence also facilitated sampling by CSIRO for its Australian Microbiome Initiative, as part of the Bush Blitz citizen science program currently on site.

Defence continues a 20-year collaboration with CSIRO in the management and monitoring of Townsville Field Training Area, aimed at providing the ADF with a training area that is a sustainable capability enabler, through maintenance of ground cover, management of erosion sources and a focus on improving water quality in large Great Barrier Reef catchments, while also contributing data to broader Burdekin River catchment sustainability management and research initiatives.

## Biodiversity

Defence has agreed to deliver an environmental offset at Defence Establishment Orchard Hills for the Western Sydney Airport development, under an arrangement with the Department of Infrastructure, Transport, Regional Development and Communications. Defence's obligations are set out in a 20-year memorandum of understanding between the two departments. The core obligation is to improve the condition of the offset area through pest and weed management, replanting programs, reintroduction of native fauna, and applied research. The improvements go beyond Defence's extant obligations for management of environmental values for the Commonwealth Heritage List and previous Government commitments. An existing base services contractor to Defence has delivered on-ground offset works and planning since early 2019, soon after the memorandum of understanding came in to effect. Defence will engage a specialist contractor following a tender process to take over management of offset actions and implement the detailed requirements of the offset plan.

## Waste and recycled materials

Defence supports delivery of the National Waste Policy through its Waste and Recycled Materials policy which includes the following objectives:

- Avoid the generation of waste;
- Improve resource recovery;
- Increase the use of recycled material and build demand for recycled products;
- Support industry innovation, evidence-based change and continuous improvement to implement waste and sustainable material management policy objectives.

Defence has adopted the National Waste Policy Action Plan target to phase out problematic and unnecessary plastics by 2025. This will be achieved in a staged approach starting on 1 July 2021 with a focus on catering and health products.

Defence is implementing a Waste Optimisation Program that aims to increase the recovery of recyclable material, including the diversion of food waste from landfill. The Waste Optimisation Program targets domestic and commercial waste streams generated on the Defence estate, and includes a focus on innovation for resource recovery and beneficial reuse.

In addition, Defence has programs to manage some specific end-of-life waste streams. Defence-issued ICT waste is declassified and materials are recovered through certified processes. End-of-life Defence materiel is managed and resold where practicable through the Defence single disposals agency.

Defence delivered a small number of recycled content projects in 2020 and will increase this over the forward years in collaboration with industry, with a focus on infrastructure, textiles and packaging.

## Referrals under the Environment Protection and Biodiversity Conservation Act

Defence maintains an environmental assessment and approval program to meet the requirements of Commonwealth environmental legislation, including identifying and understanding potential adverse impacts of its activities.

Defence continues to conduct self-assessments under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) in order to determine whether a referral to the Commonwealth Environment Minister is required. In 2020–21, Defence did not refer any projects or activities to the Minister for the Environment for assessment and approval under the EPBC Act.

# Environmental improvement initiatives and review

## Remediation programs

Defence is undertaking ongoing contamination and unexploded ordnance assessments and remediation across priority areas on and off the Defence estate. The program has achieved a review of contaminated site records across two-thirds of the estate by collecting data, monitoring site conditions and verifying risk assessments. Defence is continuing to plan and deliver remediation of priority sites during the next three-year program, including sites at Mulwala and Woomera.

Defence has completed targeted remediation of unexploded ordnance and associated waste material, including on estate at Majura and Wirlinga Training Areas and off estate at Birubi Beach (NSW). Defence has also developed educational material which provides guidance on what action should be taken to maintain the safety of personnel, contractors and the general public should they come across unexploded ordnance.

Defence is delivering a 10-year nationally coordinated initiative to detect, remove and render safe suspected World War II remnants on and off the estate, in order to ensure public and environmental safety. Although personnel movement between sites has been constrained by COVID-19 restrictions, 69 projects are in contract and four sites have been completed.

## Heritage management on the Defence estate

Defence manages heritage values on the Defence estate consistent with the principles and requirements of Commonwealth heritage legislation, including identification and management of risks to heritage assets during planning, development and operation of Defence facilities and activities. Defence continues to progress heritage assessments and development of heritage management plans in accordance with the Defence estate Heritage Strategy and legislative requirements. This includes consultation with Traditional Owners on country to develop appropriate cultural heritage conservation and management of Aboriginal and Torres Strait Islander heritage sites and areas on the estate. The development of heritage management plans also fosters stronger collaboration with Aboriginal and Torres Strait Islander communities, which supports a range of outcomes under the Defence Reconciliation Action Plan and legislative requirements.

As at June 2021, there are over 40 heritage management plans in development, including for Royal Military College Duntroon, Victoria Barracks Melbourne and RAAF Tindal.

## Pollution Prevention Program

Defence is progressing activities to address high-priority pollutants and polluting activities, including the ongoing use of firefighting foams. In February 2021, Defence commenced a program to decontaminate its firefighting vehicles prior to changing over to fluorine-free firefighting foam. By the end of 2021, all Defence firefighting vehicles will use a fluorine-free foam. Defence has already transitioned handheld and mobile extinguishers to fluorine-free foam products, except on maritime platforms. Defence manages firefighting foam in accordance with the Defence Pollution Prevention Management Manual to mitigate environmental risks.

## Native vegetation management

Defence has commenced two pilot projects to improve the strategic consideration of high-value native vegetation in estate base planning processes, in accordance with the native vegetation chapter of the draft Defence Landscape Management Manual. The projects involve assessments of the existing and potential values associated with the native vegetation, while considering current and future capability requirements. Initially, project teams will review existing data and literature to determine current knowledge of native vegetation on the two pilot sites, Simpson Barracks and Kokoda Barracks. The information will be used to classify the vegetation communities on site, identify any known or likely threatened flora species and ecological communities, and assign vegetation condition levels to the native vegetation. Improving incorporation of native vegetation management into strategic base planning processes is aimed at ensuring benefits to native vegetation can be achieved in advance of the realisation of impacts.

# Climate, disaster resilience and sustainability on the Defence estate

## Bushfire management

Throughout 2020–21, Defence continued to implement initiatives in the areas of bushfire mitigation and enhancing sustainability performance. Implementation of the recommendations from independent reviews conducted in 2018–19 has continued, resulting in greater consistency in application of policy and improved bushfire and land management.

Under Commonwealth legislation, Defence has health and safety and environmental obligations to manage the risks arising from bushfire, including those to neighbouring properties and communities. In addition, Defence has an obligation under policy to manage the risk bushfire presents to ADF training activities and Defence assets. Defence continues to update and develop bushfire management plans in accordance with these requirements, through a national rolling program. The program prioritises high risk profile properties in key bushfire-prone areas such as Shoalwater Bay Training Area, Liverpool Military Area, and Tasmania. The program has delivered nine plans that address the bushfire management strategy for 20 properties. In addition, 10 plans are in development, which address a further 24 properties.

## Climate adaptation

The Climate Adaptation Policy for the Defence estate, which is outlined in the Defence Environment and Heritage Manual, was updated in June 2021 to better support decision-makers' understanding of climate risks to the estate and the consequent impacts on Defence capability.

The climate studies undertaken in 2013 and 2018 provide adaptation considerations for project planners to ensure they understand the implications of adaptation and address risks to their project. These are reviewed in line with the estate base planning cycle.

The adaptation options continue to be converted to diagrams to support appropriate and consistent design decisions for the mitigation of climate risk.

## Sustainable buildings

Defence requires all new and refurbished facilities to meet industry best practice for energy and water efficiency through compliance with the Energy Efficiency in Government Operations Policy 2016 and Defence's Building Energy Performance Manual.

In June 2019, Defence released an updated Smart Infrastructure Handbook. Assurance activities undertaken during 2020–21 in relation to the requirements for new projects saw industry take up more sustainable options in infrastructure design. Construction for many of the projects has not yet been finalised, and performance reporting will be undertaken through 2021–22.

## Renewable energy and energy security

Defence is currently installing approximately 14 megawatts of large-scale solar photovoltaic systems at two sites in the Northern Territory: Robertson Barracks (10.5 megawatts) and RAAF Base Darwin (3.5 megawatts).

The systems are designed to provide up to 40 per cent of each base's power requirements and a reduction in greenhouse gas emissions of approximately 14,000 tonnes per annum. It is expected that these systems will be operational in late 2021.



The Defence Renewable Energy and Energy Security Program is currently investigating energy security options through:

- diversifying energy supply and increasing energy independence by installing renewable energy systems
- incorporating battery energy storage systems to increase energy resilience and improve power quality
- pilot micro-grid projects at key sites to explore the potential for renewable energy to complement existing base electrical networks and increase the autonomous operation of a site
- investigating and managing risks associated with the introduction of new technology/electrical systems such as cybersecurity and electromagnetic interference.

## Defence fuel supply chain reform and initiatives

The Defence Fuel Transformation Program is a \$1.16 billion program targeted at enabling ADF capability by reducing enterprise risk, increasing resilience and optimising costs across the Defence fuel network. The program is being delivered in a series of tranches which commenced in July 2018 and will conclude by 2045–46.

As Tranche 1 nears completion, the program continues to deliver on its mission to develop a safer, simpler and assured Defence fuel supply chain in partnership with industry. Major Tranche 1 milestones achieved include the remediation of over 3,600 of the highest priority risk actions, closure of noncompliant and unsafe Defence fuel installations, remediation of critical Defence fuel installation asset data, and strengthening Defence fuel supply chain competencies and training. In May 2020 the first sites commenced construction activities as part of a suite of infrastructure investments focused on risk reduction. Engineering design work for the remaining bases is well advanced, and the construction phase of these projects has commenced. Works at a number of sites, including RAAF Pearce and RAAF Scherger, are complete. There have been a number of delays to completion of construction projects due to weather and COVID-19 impacts on supply chains.

A fuel services contract is being developed to increase integration with fuel industry capability by outsourcing to fuel specialists the conduct of operations and maintenance activities across the greater part of the network.

An overarching framework and implementation plan for governance, assurance and reporting to measure and control the health of the Defence fuel supply chain has been developed and is in the process of implementation. This will provide a stronger, more integrated framework for the management and governance of the Defence fuel network.

During the year, Tranche 2 of the program was approved by Government. Tranche 2 includes further targeted investments to reduce the operating risk profile at key Defence fuel installations to improve resilience, and will implement the fuel services contract to sustain the network in accordance with industry standards. Tranche 2 will be delivered over five years, commencing in July 2021.

## National PFAS Investigation and Management Program

Defence's National PFAS Management Program has been established to manage the risks associated with per- and poly-fluoroalkyl substances (PFAS) contamination in and from a number of its properties.

Defence has completed detailed site investigations and developed PFAS Management Area Plans (PMAPs) for 26 of 28 Defence properties in the national program. These actions for the remaining two properties (RAAF Base Williams and Singleton Military Area) are scheduled for completion by the end of 2021.

In parallel with PFAS management of specific sites, Defence commissions research that addresses knowledge gaps, and supports the development of new PFAS remediation technologies at the field scale. The interim and final outcomes of these activities directly inform decisions made by Defence around the scope, scale, nature and location of remedial works.

The precautionary principle has been key to Defence's approach to the management of PFAS risks. While there are uncertainties around the behaviours and impacts of PFAS, there is sufficient knowledge to apply the precautionary principle.



## PFAS Management Area Plans and Ongoing Monitoring Programs

Defence's national program is now largely focused on implementing the PMAPs. Each PMAP is specific to the conditions at each site and recommends remediation and other actions to manage and reduce the risks of PFAS exposure. Each PMAP includes an Ongoing Monitoring Program to track changes in the risk profile of PFAS contamination on, and migrating from, a Defence property, providing an evidence base for the continuing management of PFAS contamination.

For residents in communities surrounding RAAF Bases Williamtown, Tindal and Pearce and Army Aviation Centre Oakey, where PFAS-contaminated groundwater had been the residents' primary source of drinking water, Defence has put in place an alternative supply. This supply continued throughout 2020–21.

## Remediation

Most of the PMAPs recommend remedial works. Remedial works require detailed Remediation Action Plans, mass flux studies (to establish a detailed understanding of PFAS migration from a property) and other studies to inform the exact scope, scale, nature and location of further remedial works. A number of management areas are far enough through this process – or in some cases have undertaken interim remedial actions – to inform our understanding of necessary works to be carried out, and associated costs. This is the case for RAAF Bases Williamtown, Richmond and Edinburgh, for example. Works conducted at these sites include excavation and disposal of soil, stabilisation of soil, capping of source areas, and the use of water treatment plants. These sites have also seen the trial of new PFAS remediation technologies, including soil washing, permeable reactive barriers for drains, and stabilisation.

Other sites are still progressing through this process. As works are undertaken and their impact is understood, the need for further works and the available options become clearer.

The characteristics (e.g. soil, hydrogeology, hydraulic gradient) of each site are unique and can inhibit or expedite the rate of PFAS migration from the base. This means that a remediation option that is optimal at one site can be ineffective at another. For each site, the fundamental parameters for remediation options are long-term effectiveness, area/volume scale, timing, waste products, medium addressed, industry capacity, energy requirements, and cost.

Complete prevention of off-site migration is unlikely to be achievable given currently available remedial methods. Developing guidance for success measures has commenced at the national level. In the meantime, Defence will aim to remediate so far as reasonably practicable – a rigorous process based on guidance developed by the Environment Protection Authority (Victoria).



A Royal Australian Navy LHD Landing Craft carries an M1A1 Abrams Main Battle Tank from HMAS Canberra, during an amphibious beach assault, as part of Exercise Sea Explorer, Cowley Beach, Queensland.

## Defence partnering with research institutions for effective and sustainable solutions

Defence works with Australian Government research institutions and industry partners to identify effective and sustainable options to minimise PFAS contamination on, and from, the Defence estate.

Although high levels of PFAS contamination in soil are of concern, also of concern is large areas of soil that have relatively low levels of PFAS contamination. Defence investigations and work with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) have contributed to an understanding that even relatively low concentrations of PFAS in soil, if enough soil is affected, can result in significant leaching of PFAS to both surface water and groundwater.

Stabilisation is an established remedial strategy for a range of environmental contaminants, and can be an effective means of managing large volumes of contaminated soil. This approach involves adding amendments to soil to minimise the degree to which contaminants can leach from the soil and into water. Given site conditions, this approach is often economical and is sustainable, as the soil does not need to be disposed of or replaced.

Research for Defence by CSIRO and the University of Adelaide has demonstrated both the short and long term effectiveness of stabilising PFAS-contaminated soil.

This research has also helped to inform Defence's approach to remediation by providing a clearer understanding of how PFAS interacts with soils and the processes governing how PFAS is transported in water.

This improved scientific understanding underpinned the approach to site-specific remedial works at RAAF Base Richmond.

Results from the remedial works at this site show that leaching from the stabilised soil reduced the amount of PFAS (PFOS+PFHxS) leached from the soil by more than 99 per cent. Defence will conduct long-term monitoring to confirm the overall reduction of migration of PFAS from RAAF Base Richmond.

These results suggest that soil stabilisation can be an effective solution in preventing PFAS migration from the Defence estate.

## Remediation technology and supporting research

While the treatment and technology options that are commercially available to treat PFAS contamination remain somewhat limited, developments over the past year have clarified the potential for a range of options that may be applicable in appropriate soil and hydrogeological conditions, including:

- amendments to stabilise areas of low-level PFAS contamination in soil;
- soil washing;
- permeable reactive barriers to treat surface water;
- increased capacity in the waste management industry for incineration of materials with high levels of PFAS contamination.

Defence continues to support a range of PFAS technology research and development validation, engaging with national and international partners to discuss issues of mutual interest including developments in investigations, remediation and management, and specific technical issues.

- As of 30 June 2021, Defence has independently funded 13 research activities valued at approximately \$21.8 million. Most relate to trials for remedial technologies for soil, groundwater and concrete;
- Defence has also funded an ongoing PFAS Special Research Initiative administered by the Australian Research Council;
- Since 2018, Defence has partnered with CSIRO to consider critical questions for the management of estate PFAS risks. The current value of this work is \$3.6 million.

## Consultation and collaboration

Defence continues to work closely with affected communities, Commonwealth agencies, state and territory environmental and health authorities, local councils, local interest groups and businesses to be open and transparent about the progress of investigations, PMAP implementation, and ongoing monitoring. This consultation facilitates the sharing of sampling results and, where relevant, sharing of precautionary advice developed by state and territory authorities.

Defence aims to provide PFAS-affected communities with timely and direct communication about the release of investigation outcomes; remediation and management activities; opportunities for residents to discuss their concerns about PFAS contamination; and how residents can access further information.

As of the end of June 2021, Defence has held 150 community engagement events for PFAS-affected communities. Defence continues to maintain community information lines and the website for the National PFAS Management Program. The website hosts all publications released through the program, as well as site-specific answers to frequently asked questions, information on investigation areas, links to precautionary advice issued by state and territory authorities, and links to other agency websites.

## Financial investment

Defence's total spend on PFAS environmental investigations and remediation action for 2020–21 was approximately \$55 million. Defence's total contribution to the whole-of-government response to PFAS contamination since 2015–16 is approximately \$505 million, including \$45 million to other agencies for specific initiatives. This expenditure has enabled Defence to determine the nature and extent of PFAS contamination, and to work to manage and remediate contamination across the estate and in surrounding communities.

The majority of the sites are progressing through remediation planning or remedial works. Remediation costs for each property depend on the scope of work and the options selected for remediation and management, noting that management and remediation requirements are continually being reviewed based on the effects of works, technological advances, remedial criteria, and regulator views.

Unexpected finds, such as asbestos or unexploded ordnance, can significantly impact project schedules and budgets, as can unexpected detections of PFAS contamination either in locations where contamination was not previously detected or at levels higher than previously observed.

The new Len Waters Building constructed as part of RAAF Base Williamtown Redevelopment Stage 2.



## Transforming the way we work at RAAF Base Williamtown

RAAF Base Williamtown has undergone a significant transformation through a \$274 million redevelopment. The redevelopment supports Defence's modern workforce through innovative design solutions in a new five-storey working accommodation building, 250-seat auditorium, retail precinct, new road networks and new base entries.

Delivered in partnerships between managing contractor CPB Contractors and project manager Turner and Townsend, the redevelopment is supporting RAAF Base Williamtown's workforce of over 3,800 military and Australian Public Service personnel.

Established in 1941, RAAF Base Williamtown has a storied history as the home of Australia's fighter aircraft capability, from the famous World War II era Mustangs through to the beginnings of the jet age. Now as a main operating base for Australia's E7-A Wedgetail and the fifth-generation F-35A Lightning II air combat aircraft, RAAF Base

Williamtown's long-term strategic importance has been solidified. Defence's investment in the redevelopment recognises this.

In the last year, a key component of the redevelopment was completed and the new Len Waters office accommodation building was commissioned. The building is named after our first Indigenous Australian fighter pilot, Len Waters, who flew on more than 90 missions with No. 78 Squadron in the Pacific theatre of the Second World War. RAAF Base Williamtown is on the traditional lands of the Worimi people, and the design of the Len Waters Building respects both the Indigenous and non-Indigenous heritage of the site.

More than 4,000 people have committed over 1.6 million working hours to deliver this redevelopment, which will support Defence capabilities over the coming decades. Redevelopment Stage 2 will be completed by December 2021.



## APPENDICES

Able Seaman Marine Technician Irene Charalampakis conducts routine inspections in the engine room on board HMAS Parramatta.



# Appendix A: Financial statements



Auditor-General for Australia



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Defence

#### Opinion

In my opinion, the financial statements of the Department of Defence (Defence) for the year ended 30 June 2021:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of Defence as at 30 June 2021 and its financial performance and cash flows for the year then ended.

The financial statements of Defence, which I have audited, comprise the following statements as at 30 June 2021 and for the year then ended:

- Statement by the Accountable Authority and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to and forming part of the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

#### Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of Defence in accordance with the relevant ethical requirements for financial statement audits conducted by me. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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**Key audit matter****Valuation of specialist military equipment**

*Refer to Note 3.2A 'Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles'*

Specialist military equipment includes platform assets in use and under construction and spare parts for these assets.

I considered the valuation of specialist military equipment to be a key audit matter due to:

- the balance being significant relative to Defence's Statement of Financial Position (\$74.5 billion as at 30 June 2021);
- the high degree of judgement applied by management to measure specialist military equipment at fair value due to the highly specialised nature of these assets;
- the subjectivity in the valuation assessment due to the difficulty in obtaining the replacement costs of assets with a similar capability in the absence of an active market, the selection and application of appropriate indices, the determination and assessment of appropriate useful lives, and the identification of indicators of impairment; and
- the complexity and high degree of judgement in the cost attribution model that allocates accumulated capitalised costs on large scale acquisition projects between individual platform assets, associated spares and inventory.

In respect of the cost attribution model, I identified internal control weaknesses in the Asset Valuation Methodology (AVM) used by Defence to allocate costs relating to assets under construction. These included:

- limited policies and procedures outlining the approach to developing, maintaining, and recording transactions against the cost attribution model; and
- limited quality assurance mechanisms that can be relied upon to provide assurance over the resulting asset allocations.

The internal control weaknesses increased the risk that the valuation is impacted by incorrectly attributed costs being depreciated over inappropriate useful lives.

**How the audit addressed the matter**

To address the key audit matter, I:

- assessed whether the selection of the method for determining fair value was appropriate for each class of specialist military equipment and whether the key assumptions used in the valuation methodology were reasonable;
  - assessed the competence, capability and objectivity of Defence's valuation subject matter experts;
  - tested the completeness and accuracy of data used in the year-end valuation process;
  - assessed whether the useful lives applied to specialist military equipment (for the calculation of depreciation) were consistent with other available information including expected withdrawal dates for these assets;
  - assessed whether the assumptions and judgements used by Defence to determine the impairment of specialist military equipment are consistent with other available information including changes to planned capability and unscheduled repairs and maintenance;
  - assessed management's assurance process for impairment and inspected a sample of assets for indicators of impairment;
  - tested a sample of costs allocated to specialist military equipment assets under construction in the cost attribution model to assess the appropriateness of capitalisation in accordance with the Australian Accounting Standards;
  - evaluated the cost attribution model and approval of cost allocations related to specialist military equipment under construction; and
  - assessed Defence's analysis of the potential impact of incorrect cost allocation on depreciation expense to determine whether that impact could result in a material misstatement of specialist military equipment.
-



Key audit matter	How the audit addressed the matter
<p><b>Valuation of general assets</b></p> <p><i>Refer to Note 3.2A 'Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles'</i></p> <p>General assets comprise land and buildings (\$20.8 billion), infrastructure (\$7.2 billion), plant and equipment (\$1.6 billion), heritage and cultural assets (\$0.5 billion) and intangible assets (\$1.3 billion). These balances include assets under construction by Defence which are typically long term projects.</p> <p>I consider the valuation of Defence's general assets to be a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• balances being significant relative to Defence's Statement of Financial Position;</li> <li>• the high degree of management judgement required in respect of classifying project costs as capital or expense and the selection of valuation methods to measure fair value;</li> <li>• the valuation of Defence's land, buildings, infrastructure, plant and equipment and heritage and cultural assets being dependent on assumptions that require significant management judgement. Significant judgements include capitalisation rates, current replacement costs, discount rates, and conditions of the assets. Where observable market data is not available, the valuation is subject to a higher level of judgement; and</li> <li>• the subjectivity in determining appropriate useful lives and the assessment of the financial impact of indicators of impairment.</li> </ul>	<p>To address the key audit matter, I:</p> <ul style="list-style-type: none"> <li>• evaluated the appropriateness of Defence's methodologies and the reasonableness of the key assumptions utilised in the valuation models;</li> <li>• assessed the competence, capability and objectivity of management's valuers;</li> <li>• assessed whether the useful lives applied to the various asset classes (for the calculation of depreciation) were consistent with Defence's planned usage of these assets;</li> <li>• tested a sample of costs allocated to general assets under construction to assess the appropriateness of capitalisation in accordance with the Australian Accounting Standards; and</li> <li>• assessed the reasonableness and appropriateness of judgements used by Defence to assess non-financial assets for impairment. This included the process of Defence to monitor impairment indicators specific to an asset's use in the Defence context.</li> </ul>
Key audit matter	How the audit addressed the matter
<p><b>Existence and completeness of inventories</b></p> <p><i>Refer to Note 3.2B 'Inventories'</i></p> <p>Defence had a balance of \$7.8 billion in inventories as at 30 June 2021 which includes general stores inventories (\$2.5 billion), fuel (\$49.7 million) and explosive ordnance (\$5.3 billion).</p> <p>I consider the existence and completeness of inventories to be a key audit matter due to the variety and number of inventory items which are managed differently across a large number of geographically dispersed locations.</p>	<p>To address the key audit matter, I:</p> <ul style="list-style-type: none"> <li>• observed the performance of Defence's National Asset and Inventory Sample at a selection of Defence locations;</li> <li>• tested the design and operating effectiveness of key controls that apply to system components, processes and data within the logistics and financial management information systems; and</li> <li>• substantiated a sample of transactions processed through Defence's logistics information systems by agreeing quantities purchased to invoices, warehouse delivery dockets and stock taking records.</li> </ul>

Key audit matter	How the audit addressed the matter
<p><b>Valuation of employee provisions</b></p> <p><i>Refer to Note 4.4A 'Employee provisions'</i></p> <p>Defence administers four defined benefit plans that entitle Australian Defence Force members to retirement and death benefits based on past service.</p> <p>I consider the valuation of the administered employee provisions to be a key audit matter due to:</p> <ul style="list-style-type: none"> <li>the balance being significant relative to Defence's Administered Schedule of Assets and Liabilities (\$180.2 billion as at 30 June 2021); and</li> <li>the measurement of the provision being complex, requiring significant professional judgement in the selection of key long-term assumptions (including such matters as salary growth and discount rates, pension indexation rate, pension take-up rate and invalidity retirements) to which the valuation of these plans are highly sensitive.</li> </ul> <p>In addition, the Australian Accounting Standards include detailed requirements for the presentation and disclosure in respect of defined benefit plans.</p>	<p>To address the key audit matter, I:</p> <ul style="list-style-type: none"> <li>assessed the design and operating effectiveness of internal controls over the management of defined benefit schemes, including management of the members' data used for the valuation of the defined benefit provisions;</li> <li>tested the accuracy and completeness of data used to calculate the defined benefit provisions, including assessing the quality assurance processes used by Defence to confirm the integrity of data used for estimating the defined benefit provisions;</li> <li>evaluated the appropriateness of the methodology and reasonableness of the key assumptions applied in estimating the defined benefit provisions by: <ul style="list-style-type: none"> <li>comparing economic assumptions to long-term expectations over the term of the scheme's liabilities, based on the Government's economic forecasts;</li> <li>assessing the detailed analysis undertaken by Defence's actuary for consistency with historical data on membership experience in relation to: <ul style="list-style-type: none"> <li>rates of mortality, redundancy, resignation, disability and retirement;</li> <li>the proportion of members who will select each form of payment option available under the plan terms; and</li> <li>promotion and future salary increases;</li> </ul> </li> </ul> </li> <li>assessed the reasonableness of the results of the valuation including the explanations for the changes in the valuation; and</li> <li>evaluated the appropriateness of the disclosure of the significant assumptions applied and of the uncertainties that impact the key assumptions, including the sensitivity analysis.</li> </ul>

### Accountable Authority's responsibility for the financial statements

As the Accountable Authority of Defence, the Secretary is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under the Act. The Secretary is also responsible for such internal control as the Secretary determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the ability of Defence to continue as a going concern, taking into account whether Defence's operations will cease as a result of an administrative restructure or for any other reason. The Secretary is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

### Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Defence's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Defence's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Defence to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the Accountable Authority, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office



Grant Hehir  
Auditor-General for Australia  
Canberra  
30 September 2021


**Department of Defence**

**STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCE OFFICER**

In our opinion, the attached Financial statements for the year ended 30 June 2021 comply with subsection 47(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and are based on properly prepared financial information in accordance with 121 of the PGPA Act.

In our opinion, at the date of this statement, there are no reasonable grounds to believe that the Department of Defence will be able to pay its debts as and when they fall due.

Signed



Mr Greg Murray  
Secretary, Defence

30 September 2021

Signed



Ms Sally Dwyer  
Acting Chief Financial Officer, Defence

30 September 2021

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## **Department of Defence**

### **Financial Statements**

*For the period ended 30 June 2021*



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**Department of Defence**  
**STATEMENT OF COMPREHENSIVE INCOME**

For the period ended 30 June 2021

		2021 \$'000	Restated <sup>2</sup> 2020 \$'000	Original Budget <sup>1</sup> \$'000
<b>NET COST OF SERVICES</b>				
<b>EXPENSES</b>	<b>Notes</b>			
Employee benefits	1.1A	12,105,790	12,342,127	12,433,518
Suppliers expenses	1.1B	17,104,060	15,696,122	16,673,912
Grants	1.1C	75,306	164,683	74,193
Depreciation and amortisation	3.2A	5,981,350	5,957,460	6,680,208
Finance costs	1.1D	115,223	125,638	113,430
Impairment loss allowance on financial instruments		4,660	2,706	-
Write-down and impairment of assets	1.1E	1,124,881	981,620	774,857
Net foreign exchange losses	1.1F	-	43,921	-
Losses from asset sales		-	-	14,966
Other expenses	1.1G	113,698	223,287	575
<b>Total expenses</b>		<b>36,624,968</b>	<b>35,537,564</b>	<b>36,765,659</b>
<b>LESS:</b>				
<b>OWN-SOURCE INCOME</b>				
<b>Own-source revenue</b>				
Revenue from contracts with customers	1.2A	322,927	359,403	333,979
Rental income	1.2B	236,041	251,282	219,665
Other revenue	1.2C	85,375	88,756	47,494
<b>Total own-source revenue</b>		<b>644,343</b>	<b>699,441</b>	<b>601,138</b>
<b>Gains</b>				
Foreign exchange gains	1.1F	31,558	-	-
Gains from asset sales		18,666	100,647	-
Reversals of previous asset write-downs and impairment	1.2D	200,975	677,772	428,645
Other gains	1.2E	494,951	232,978	174,418
<b>Total gains</b>		<b>746,150</b>	<b>1,011,397</b>	<b>603,063</b>
<b>Total own-source income</b>		<b>1,390,493</b>	<b>1,710,838</b>	<b>1,204,201</b>
<b>Net cost of services</b>		<b>35,234,475</b>	<b>33,826,726</b>	<b>35,561,458</b>
Revenue from Government	1.2F	27,365,581	34,290,209	27,325,191
<b>(Deficit)/surplus attributable to the Australian Government<sup>3</sup></b>		<b>(7,868,894)</b>	<b>463,483</b>	<b>(8,236,267)</b>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation reserves	3.2A	(793,092)	105,836	-
<b>Total other comprehensive (loss)/income</b>		<b>(793,092)</b>	<b>105,836</b>	<b>-</b>
<b>Total comprehensive (loss)/income attributable to the Australian Government<sup>3</sup></b>		<b>(8,661,986)</b>	<b>569,319</b>	<b>(8,236,267)</b>

The above statement should be read in conjunction with the accompanying notes.

<sup>1</sup> Defence's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from Defence's 2020-21 Portfolio Budget Statements) in October 2020.

<sup>2</sup> Prior period balances have been restated. Refer to Note 8.3 for further details.

<sup>3</sup> Defence has adopted Net cash funding arrangements from 2020-21, which aligns Defence's funding and reporting with other Commonwealth agencies. The net cash funding presentation distinguishes funding for acquisition of major new capability, which is largely capital in nature, from the ongoing operating and minor capital costs associated with sustainment and the Defence workforce. As a result, Defence budgets for a technical operating loss in 2020-21, which is a change from the 2019-20 comparatives. Refer to Note 5.3 for further details.

**Department of Defence**  
**STATEMENT OF FINANCIAL POSITION**

as at 30 June 2021

		2021	Restated <sup>2</sup>	Original
		\$'000	2020	Budget <sup>1</sup>
		\$'000	\$'000	\$'000
	Notes			
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents	3.1A	285,883	427,418	334,859
Trade and other receivables	3.1B	3,064,343	1,124,027	1,120,439
<b>Total financial assets</b>		<b>3,350,226</b>	<b>1,551,445</b>	<b>1,455,298</b>
<b>Non-financial assets</b>				
Land and buildings <sup>2,3</sup>	3.2A	20,784,034	19,846,907	20,850,951
Specialist military equipment <sup>2,3</sup>	3.2A	74,517,501	72,183,189	76,445,214
Infrastructure <sup>2,3</sup>	3.2A	7,168,467	6,365,276	6,699,182
Plant and equipment <sup>2,3</sup>	3.2A	1,555,343	1,597,297	1,656,247
Heritage and cultural assets <sup>2</sup>	3.2A	464,510	471,454	449,227
Intangibles <sup>2</sup>	3.2A	1,261,150	877,212	1,124,281
Inventories <sup>2</sup>	3.2B	7,823,272	7,340,494	7,371,277
Prepayments	3.2C	1,744,349	1,825,942	2,108,374
<b>Total non-financial assets</b>		<b>115,318,626</b>	<b>110,507,771</b>	<b>116,704,753</b>
Assets held for sale	3.2D	238,351	215,819	215,822
<b>Total assets</b>	8.2	<b>118,907,203</b>	<b>112,275,035</b>	<b>118,375,873</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers payables	3.3A	4,665,311	2,719,992	2,873,366
Employee payables	3.3B	188,407	145,977	190,006
Other payables	3.3C	437,456	558,926	448,219
<b>Total payables</b>		<b>5,291,174</b>	<b>3,424,895</b>	<b>3,511,591</b>
<b>Interest bearing liabilities</b>				
Leases	3.4A	2,909,311	2,884,524	2,647,805
<b>Total interest bearing liabilities</b>		<b>2,909,311</b>	<b>2,884,524</b>	<b>2,647,805</b>
<b>Provisions</b>				
Employee provisions	3.5A	3,283,258	3,412,595	3,509,937
Restoration, decontamination and decommissioning	3.5B	1,144,029	1,414,034	1,414,034
Other provisions	3.5C	296,562	332,561	332,561
<b>Total provisions</b>		<b>4,723,849</b>	<b>5,159,190</b>	<b>5,256,532</b>
<b>Total liabilities</b>	8.2	<b>12,924,334</b>	<b>11,468,609</b>	<b>11,415,928</b>
<b>NET ASSETS</b>		<b>105,982,869</b>	<b>100,806,426</b>	<b>106,959,945</b>
<b>EQUITY</b>				
Contributed equity		49,633,404	35,794,975	50,184,933
Reserves		27,190,713	27,983,805	27,983,805
Retained surpluses		29,158,752	37,027,646	28,791,207
<b>Total equity</b>		<b>105,982,869</b>	<b>100,806,426</b>	<b>106,959,945</b>

The above statement should be read in conjunction with the accompanying notes.

<sup>1</sup> Defence's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from Defence's 2020-21 Portfolio Budget Statements) in October 2020.

<sup>2</sup> Prior period balances have been restated. Refer to Note 8.3 for further details.

<sup>3</sup> Reported balances of land and buildings, specialist military equipment, infrastructure, plant and equipment include right-of-use assets associated with Defence leases. Refer to Note 3.2 for further details.

# Department of Defence

## STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2021

		2021	Restated <sup>2</sup>	Original
		\$'000	2020	Budget <sup>1</sup>
		\$'000	\$'000	\$'000
	Notes			
<b>CONTRIBUTED EQUITY</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		35,794,975	31,781,123	35,794,975
<b>Transactions with owners</b>				
Distribution to owners		-	(87)	-
Returns of capital - lapsed Appropriations (Operating)		-	-	-
Returns of capital - lapsed Appropriations (Equity)		-	-	-
Transfers to other entities		(1,708)	(1,090)	-
Contribution by owners				
Equity injection - Appropriations (current year)	5.1A	11,145,751	4,015,029	11,671,009
Equity injection - Appropriations (prior year)	5.1A	25,432	-	-
Departmental capital budget (current year)	5.1A	2,691,667	-	2,718,949
Items previously recognised as operating appropriation	5.1A	(22,713)	-	-
<b>Total transactions with owners</b>		<b>13,838,429</b>	<b>4,013,852</b>	<b>14,389,958</b>
<b>Closing balance as at 30 June</b>		<b>49,633,404</b>	<b>35,794,975</b>	<b>50,184,933</b>
<b>RETAINED EARNINGS</b>				
<b>Opening balance</b>				
Balance carried forward from previous period <sup>2,3</sup>		37,027,646	36,777,459	37,027,474
Adjustment for changes in accounting policies	8.3B	-	(375,755)	-
Adjustment for errors	8.3B	-	162,459	-
Adjusted opening balance		<b>37,027,646</b>	<b>36,564,163</b>	<b>37,027,474</b>
<b>Comprehensive (loss)/income</b>				
(Deficit)/surplus for the period as reported		(7,868,894)	250,017	(8,236,267)
Adjustment for changes in accounting policies	8.3B	-	55,313	-
Adjustment for errors	8.3B	-	158,153	-
<b>Total comprehensive (loss)/income</b>		<b>(7,868,894)</b>	<b>463,483</b>	<b>(8,236,267)</b>
<b>Closing balance as at 30 June</b>		<b>29,158,752</b>	<b>37,027,646</b>	<b>28,791,207</b>
<b>ASSET REVALUATION RESERVE</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		27,983,805	27,877,969	27,983,805
<b>Comprehensive (loss)/income</b>				
Other comprehensive (loss)/income	3.2A	(793,092)	105,836	-
<b>Total comprehensive (loss)/income</b>		<b>(793,092)</b>	<b>105,836</b>	<b>-</b>
<b>Closing balance as at 30 June</b>		<b>27,190,713</b>	<b>27,983,805</b>	<b>27,983,805</b>

The above statement should be read in conjunction with the accompanying notes.

<sup>1</sup> Defence's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from Defence's 2020-21 Portfolio Budget Statements) in October 2020.

<sup>2</sup> Prior period balances have been restated. Refer to Note 8.3 for further details.

<sup>3</sup> Includes adjustment on initial application of AASB 16 in 2019-20 for \$216,000.

## Department of Defence

### STATEMENT OF CHANGES IN EQUITY (continued)

For the period ended 30 June 2021

	2021	Restated <sup>2</sup>	Original
	\$'000	2020	Budget <sup>1</sup>
	\$'000	\$'000	\$'000
<b>Notes</b>			
<b>TOTAL EQUITY</b>			
<b>Opening balance</b>			
Balance carried forward from previous period <sup>2</sup>	100,806,426	96,436,551	100,806,254
Adjustment for changes in accounting policies <sup>3</sup>	-	(375,755)	-
Adjustment for errors	-	162,459	-
<b>Adjusted opening balance</b>	<b>100,806,426</b>	<b>96,223,255</b>	<b>100,806,254</b>
<b>Comprehensive (loss)/income</b>			
(Deficit)/surplus for the period <sup>2</sup>	(7,868,894)	463,483	(8,236,267)
Other comprehensive (loss)/income	(793,092)	105,836	-
<b>Total comprehensive (loss)/income</b>	<b>(8,661,986)</b>	<b>569,319</b>	<b>(8,236,267)</b>
<b>Transactions with owners</b>			
<i>Distribution to owners</i>			
Returns of capital - lapsed Appropriations (Operating)	-	(87)	-
Returns of capital - lapsed Appropriations (Equity)	-	-	-
Transfers to other entities	(1,708)	(1,090)	-
<i>Contribution by owners</i>			
Equity injection - Appropriation (current year)	11,145,751	4,015,029	11,671,009
Equity injection - Appropriation (prior year)	25,432	-	-
Departmental capital budget (current year)	2,691,667	-	2,718,949
Items previously recognised as operating appropriation	(22,713)	-	-
<b>Total transactions with owners</b>	<b>13,838,429</b>	<b>4,013,852</b>	<b>14,389,958</b>
<b>Closing balance as at 30 June</b>	<b>105,982,869</b>	<b>100,806,426</b>	<b>106,959,945</b>

The above statement should be read in conjunction with the accompanying notes.

<sup>1</sup> Defence's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from Defence's 2020-21 Portfolio Budget Statements) in October 2020.

<sup>2</sup> Prior period balances have been restated. Refer to Note 8.3 for further details.

<sup>3</sup> Includes adjustment on initial application of AASB 16.

#### Accounting Policy

##### (a) Equity Injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

##### (b) Other Distributions to Owners including Repayments of Appropriations

The Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR) requires that distributions to owners be debited to contributed equity unless it is a dividend. Repayments and reductions of equity appropriations are recognised as a reduction of contributed equity.

**Department of Defence**  
**CASH FLOW STATEMENT**

For the period ended 30 June 2021

	2021	Restated <sup>2</sup>	Original
	\$'000	2020	Budget <sup>1</sup>
		\$'000	\$'000
<b>Notes</b>			
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations (current year)	26,285,764	34,084,318	27,325,191
Appropriations (prior year)	528,425	41,715	-
Section 74 receipts from OPA <sup>3</sup>	682,678	1,191,013	-
Goods and services (including cost recovery)	449,585	591,781	461,085
Interest received	470	11,607	-
GST received	2,015,390	2,081,767	2,271,870
Other <sup>2</sup>	244,104	206,446	47,497
<b>Total cash received</b>	<b>30,206,416</b>	<b>38,208,647</b>	<b>30,105,643</b>
<b>Cash used</b>			
Employees	(12,335,356)	(11,972,383)	(12,314,991)
Suppliers	(15,125,654)	(14,864,271)	(15,278,818)
GST paid	(2,092,141)	(2,046,281)	(2,271,870)
Grants	(75,932)	(166,141)	(74,193)
Interest payments on lease liabilities <sup>4</sup>	(117,062)	(23,350)	-
Section 74 receipts transferred to OPA <sup>3</sup>	(682,678)	(1,191,013)	-
Cash returned to OPA	(1,152)	(13,637)	-
Other <sup>2</sup>	(134,393)	(179,498)	(575)
<b>Total cash used</b>	<b>(30,564,368)</b>	<b>(30,456,574)</b>	<b>(29,940,447)</b>
<b>Net cash (used by)/from operating activities</b>	<b>(357,952)</b>	<b>7,752,073</b>	<b>165,196</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of land and buildings	19,273	66,473	56,381
Proceeds from sales of specialist military equipment	80,756	144,523	51,484
Proceeds from sales of plant and equipment	16,951	12,848	19,167
Other	709	844	-
<b>Total cash received</b>	<b>117,689</b>	<b>224,688</b>	<b>127,032</b>
<b>Cash used</b>			
Purchase of land and buildings	(770,308)	(804,481)	(1,713,513)
Purchase of specialist military equipment	(8,612,352)	(7,703,468)	(9,754,699)
Purchase of infrastructure	(674,338)	(674,636)	(575,597)
Purchase of plant and equipment	(222,421)	(298,754)	(151,935)
Purchase of intangibles	(564,471)	(194,155)	(387,676)
Purchase of inventory	(1,559,835)	(1,803,661)	(1,806,539)
Selling costs on sale of assets	(9,638)	(20,495)	(34,637)
Finance costs <sup>4</sup>	-	(91,924)	(113,430)
<b>Total cash used</b>	<b>(12,413,363)</b>	<b>(11,591,574)</b>	<b>(14,538,026)</b>
<b>Net cash used by investing activities</b>	<b>(12,295,674)</b>	<b>(11,366,886)</b>	<b>(14,410,994)</b>

The above statement should be read in conjunction with the accompanying notes.

<sup>1</sup> Defence's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from Defence's 2020-21 Portfolio Budget Statements) in October 2020.

<sup>2</sup> Prior period balances have been restated. Refer to Note 8.3 for further details.

<sup>3</sup> Section 74 receipts transferred to and drawn down from the OPA reflect receipts retained by Defence under Section 74 of the *Public Governance Performance and Accountability Act 2013*. These predominantly relate to goods and services receipts (including cost recovery), proceeds from sales of assets, claims for damages or other compensation and cash received in relation to procurement arrangements.

<sup>4</sup> Finance lease interest charges are recognised as operating cash used from 2020-21. Included in the 2020-21 balance of interest payments is \$97.9 million relating to finance lease interest charges.



# Department of Defence

## CASH FLOW STATEMENT (continued)

For the period ended 30 June 2021

	2021	Restated <sup>2</sup>	Original
	\$'000	2020	Budget <sup>1</sup>
		\$'000	\$'000
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Contributed equity (current year)	12,789,645	4,015,029	14,389,958
Contributed equity (prior year)	25,432	-	-
<b>Total cash received</b>	<b>12,815,077</b>	<b>4,015,029</b>	<b>14,389,958</b>
<b>Cash used</b>			
Principal payments of lease liabilities	(301,137)	(259,927)	(236,719)
Return of contributed equity	-	-	-
<b>Total cash used</b>	<b>(301,137)</b>	<b>(259,927)</b>	<b>(236,719)</b>
<b>Net cash from financing activities</b>	<b>12,513,940</b>	<b>3,755,102</b>	<b>14,153,239</b>
<b>Net (decrease)/increase in cash held<sup>2</sup></b>	<b>(139,686)</b>	<b>140,289</b>	<b>(92,559)</b>
Cash and cash equivalents at the beginning of the reporting period <sup>2</sup>	427,418	286,961	427,418
Effect of exchange rate movements on cash and cash equivalents at the beginning of the reporting period	(1,849)	168	-
<b>Cash and cash equivalents at the end of the reporting period<sup>2</sup></b>	<b>285,883</b>	<b>427,418</b>	<b>334,859</b>

3.1A

The above statement should be read in conjunction with the accompanying notes.

<sup>1</sup> Defence's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from Defence's 2020-21 Portfolio Budget Statements) in October 2020.

<sup>2</sup> Prior period balances have been restated. Refer to Note 8.3 for further details.

## Department of Defence BUDGET VARIANCE COMMENTARY

*For the period ended 30 June 2021*

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The following provides an explanation of variances between the Original Budget as presented in the 2020-21 Portfolio Budget Statements (PBS) and 2020-21 final actual result. The budget is not audited. The budget figures as published in the PBS have been restated to align with the presentation and classification adopted in the financial statements.

Explanations are provided for major budget variances only. Variances are explained when it is considered important for reader's understanding or it is relevant to an assessment of the discharge of accountability and for analysis of the Department's performance.

A number of variances are impacted by the timing of the Commonwealth's budget process including amendments to the Original Budget as presented in the 2020-21 PBS by the Government throughout the year. The Department's budget for 2020-21 was updated as part of the 2020-21 Mid-Year Economic and Fiscal Outlook (MYEFO), and the 2020-21 Portfolio Additional Estimates Statements (PAES).

A number of significant items within the Department's Statement of Comprehensive Income are subject to factors outside the Department's control and do not necessarily follow historical trends. These items include write-down and impairment of assets, other expenses, reversals of previous asset write-downs and impairment, other revenue and other gains. These items are difficult to establish budget estimates for.

The variance commentary below will make mention of these factors where applicable.

### Departmental Statement of Comprehensive Income

#### Departmental expenses

Departmental expenses are lower by \$140.7 million (or 0.4%) than the Original Budget. The major items contributing to this variance are outlined below:

- Employee benefits which were \$327.7 million (2.6%) lower than the Original Budget primarily due to updates to actuarial assumptions relating to employee provisions.
- Depreciation and amortisation expenses which were \$698.9 million (or 10.5%) lower than the Original Budget primarily due to an extension of the useful life across a number of assets, and the impacts of the introduction of revised asset capitalisation thresholds, all of which resulted in a lower depreciation and amortisation balance than originally budgeted for.
- Suppliers expenses which were \$430.1 million (2.6%) higher than the Original Budget. Defence invested additional expenditure in operating sustainment, repairs and overhaul and maintenance activities across a number of services and assets during 2020-21. In addition, and to support local industry during the COVID-19 pandemic, with additional expenditure focused on Estate Upkeep activities across the Defence facilities portfolio. Finally, Defence invested additional expenditure in research and development activities on a number of service assets and projects.
- Write-down and impairment of assets which were \$350.0 million (or 45.2%) higher than the Original Budget, primarily due to higher write-down and impairment expenses recorded for specialist military equipment and inventory. Due to the nature of these adjustments, historic trends are not useful in predicting actuals.
- Other expenses which were \$113.1 million higher than Original Budget, as a result of revised estimates relating to restoration, decontamination and decommissioning costs which are not budgeted for.

## Department of Defence BUDGET VARIANCE COMMENTARY (continued)

For the period ended 30 June 2021

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### Departmental income

Departmental income is higher by \$186.3 million (or 15.5%) than the Original Budget. Major items contributing to this variance are outlined below:

- Foreign exchange gains which were \$31.6 million higher than Original Budget due to these items not forming part of the budget. The improvement in the Australian Dollar against foreign currencies including the United States Dollar was a key contributor to the recorded gains.
- Other gains which were \$320.5 million (183.8%) higher than Original Budget. This variance is predominantly due to revisions in estimates for restoration, decontamination, decommissioning and other provisions recorded in 2020-21 (\$338.3 million). Decreases in provisions primarily relate to reversals of previously recognised amounts as a result of more recent data being available; and changes in parameters. Due to the nature of these provisions, other gains do not follow historic trends and are expected to vary from budget.
- Reversals of previous asset write-downs and impairment which were \$227.7 million (or 53.1%) lower than Original Budget. This primarily relates to adjustments to Specialist Military Equipment. Due to the nature of these adjustments, historic trends are not useful in predicting actuals.

### Other comprehensive income

Other comprehensive income is lower by \$793.1 million than the Original Budget. This is driven by the revaluation of assets, predominantly decreases within Specialist Military Equipment (\$1,917.8 million), offset by increases within Buildings (\$505.1 million) and Infrastructure (\$380.9 million). Due to the uncertainty of the movement in the market for these assets, these amounts are not budgeted.

### Departmental Statement of Financial Position

#### Departmental assets

Departmental assets are higher by \$531.3 million (or 0.4%) than the Original Budget. Major items contributing to this variance are outlined below:

- Trade and other receivables higher than budget by \$1,943.9 million (or 173.5%) predominantly relating to the higher appropriations receivable balance by \$1,979.8 million.
- Inventories is higher than budget by \$452.0 million (or 6.1%), predominately due to lower inventory consumption, as a result of decreased operational activities during the COVID-19 pandemic.
- Specialist Military Equipment lower than budget by \$1,927.7 million (or 2.5%), predominantly driven by revaluation decrements and write-downs of \$2,386.2 million during the year.

#### Departmental liabilities

Departmental liabilities are higher by \$1,508.4 million (or 13.2%) than the Original Budget. Major items contributing to this variance are outlined below:

- Suppliers payables higher than budget by \$1,792.0 million (or 62.4%) predominantly relating to the late timing of expenditure recognised over the last two months of the financial year.
- Restoration, decontamination and decommissioning provisions lower than budget by \$270.0 million (or 19.1%). Due to the nature of these provisions, these do not follow historic trends and are expected to vary from budget.

## Department of Defence BUDGET VARIANCE COMMENTARY (continued)

For the period ended 30 June 2021

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### Departmental equity

Departmental equity is \$977.1 million (0.9%) lower than the Original Budget. This is mainly due to the impacts of revaluation decrements as discussed in 'Other Comprehensive Income' section above.

### Departmental Cash Flow Statement

#### Departmental net cash from operating activities

Departmental net cash from operating activities is lower by \$523.1 million compared to the Original Budget. The variance is predominantly driven by lower than budget appropriations of \$511.0 million. This is predominantly due to Defence utilising all available prior year appropriations during 2020-21 valued at \$528.4 million.

#### Departmental net cash used by investing activities

Departmental net cash used for investing activities is \$2,115.3 million (or 14.7%) lower than the Original Budget. This is primarily driven by cash used for the purchase of specialist military equipment (\$1,142.3 million or 11.7%) and cash used for purchase of land and buildings (\$943.2 million or 55.0%) being lower than Original Budget. The variance flows from the impacts COVID-19 had on international supply chains and as a result, Defence's Acquisition Program.

#### Departmental net cash from financing activities

The total variance between departmental net cash used by financial activities and the Original Budget is \$1,639.3 million (or 11.6%). The decrease is primarily driven by lower equity drawdowns due to lower than budgeted capital expenditure, driven by the impacts of COVID-19 on international supply chains and as a result, Defence's Acquisition Program.

#### Departmental net cash result<sup>1</sup>

With reference to Note 5.3 (Net Cash Appropriation Arrangements), the 2020-21 Defence net cash result is a surplus of \$271.1 million. This comprises of:

- Net capital surplus of \$626.7 million. In 2020-21, COVID-19 has had implications on international supply chains with consequential impacts to Defence's Acquisition Program. Restrictions on the movement of workers and shutdowns in jurisdictions slowed a number of Defence projects. In addition to this, the improvement in the value of the Australian dollar when compared with trading partners, has reduced the cost of business for capital and operating expenditure sourced from foreign countries.
- Net operating deficit of \$355.6 million which comprises of operating expenses greater than budget by \$1,090.3 million primarily driven by suppliers expenses being higher than budget by \$1,250.7 million. After considering the factors contributing to the capital surplus, Defence invested further in operating sustainment, repairs and overhaul and estate maintenance activities across a number of services and assets during 2020-21.

This is partially offset by:

- Operating funding greater than budget by \$577.8 million primarily driven by sale of goods and other gains greater than budget; and
- Revisions in estimates for restoration, decontamination, decommissioning provisions resulting in gains of \$251.5 million, attributable to reversals of previously recognised provisions.

<sup>1</sup> Budget in the 'Departmental Net Cash Result' section refers to the estimated actuals as published in the Portfolio Budget Statements 2021-22.

# Department of Defence

## ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME

For the period ended 30 June 2021

	2021	Restated <sup>2</sup>	Original
	\$'000	2020	Budget <sup>1</sup>
		\$'000	\$'000

NET COST OF SERVICES				
	Notes			
<b>EXPENSES</b>				
Employee benefits	2.1A	9,656,670	9,817,966	9,561,757
Subsidies	2.1B	96,157	110,648	122,256
Impairment loss allowance on financial instruments	2.1C	4,834	-	-
Supplier expense	2.1D	142,448	133,860	-
<b>Total expenses</b>		<b>9,900,109</b>	<b>10,062,474</b>	<b>9,684,013</b>
<b>LESS:</b>				
<b>INCOME</b>				
<b>Revenue</b>				
<b>Non taxation revenue</b>				
Fees and fines	2.2A	17,748	17,384	16,852
Interest	2.2B	4,305	20,809	17,514
Dividends	2.2C	47,130	25,604	17,272
Military superannuation contributions	2.2D	1,282,145	1,351,453	1,245,883
Other revenue	2.2E	181,452	188,669	40,520
Foreign exchange gains	2.2F	-	103	-
<b>Total non-taxation revenue</b>		<b>1,532,780</b>	<b>1,604,022</b>	<b>1,338,041</b>
<b>Total revenue</b>		<b>1,532,780</b>	<b>1,604,022</b>	<b>1,338,041</b>
<b>Net cost of services</b>		<b>8,367,329</b>	<b>8,458,452</b>	<b>8,345,972</b>
<b>Deficit attributable to the Australian Government</b>		<b>(8,367,329)</b>	<b>(8,458,452)</b>	<b>(8,345,972)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation surplus		20,266	(177,521)	-
Actuarial gains/(losses) on defined benefits plans	4.5	14,430,700	802,500	-
<b>Total other comprehensive income/(loss)</b>		<b>14,450,966</b>	<b>624,979</b>	<b>-</b>
<b>Total comprehensive income/(loss)</b>		<b>6,083,637</b>	<b>(7,833,473)</b>	<b>(8,345,972)</b>

The above statement should be read in conjunction with the accompanying notes.

<sup>1</sup> Defence's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from Defence's 2020-21 Portfolio Budget Statements) in October 2020.

<sup>2</sup> Prior period balances have been restated. Refer to Note 8.3C for further details.

**Department of Defence**

**ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES**

as at 30 June 2021

		2021 \$'000	2020 \$'000	Original Budget <sup>1</sup> \$'000
	<b>Notes</b>			
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents	4.1A	277,148	146,014	180,375
Trade and other receivables	4.1B	81,491	570,992	557,016
Equity accounted investments	4.1C	2,731,770	2,711,504	2,778,492
<b>Total financial assets</b>		<b>3,090,409</b>	<b>3,428,510</b>	<b>3,515,883</b>
<b>Non-financial assets</b>				
Prepayments	4.2A	186,415	250,157	219,626
<b>Total non-financial assets</b>		<b>186,415</b>	<b>250,157</b>	<b>219,626</b>
<b>TOTAL ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>		<b>3,276,824</b>	<b>3,678,667</b>	<b>3,735,509</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Other payables	4.3A	277,687	154,574	188,935
<b>Total payables</b>		<b>277,687</b>	<b>154,574</b>	<b>188,935</b>
<b>Provisions</b>				
Employee provisions	4.4A	180,219,700	188,151,200	96,838,995
<b>Total provisions</b>		<b>180,219,700</b>	<b>188,151,200</b>	<b>96,838,995</b>
<b>TOTAL LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>		<b>180,497,387</b>	<b>188,305,774</b>	<b>97,027,930</b>
<b>NET LIABILITIES</b>		<b>(177,220,563)</b>	<b>(184,627,107)</b>	<b>(93,292,421)</b>

The above schedule should be read in conjunction with the accompanying notes.

<sup>1</sup> Defence's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from Defence's 2020-21 Portfolio Budget Statements) in October 2020.

## Department of Defence

### ADMINISTERED RECONCILIATION SCHEDULE

as at 30 June 2021

		2021 \$'000	2020 \$'000
	Notes		
<b>Opening assets less liabilities as at 1 July</b>		<b>(184,627,107)</b>	<b>(178,338,660)</b>
<b>Net (cost of)/contribution by services</b>			
Income	2.2A to F	1,532,780	1,604,022
Expenses			
Payments to entities other than corporate Commonwealth entities	2.1A to D	(9,900,109)	(10,062,474)
<b>Other comprehensive income:</b>			
Revaluations taken to/(from) reserves:			
– Defence Housing Australia (DHA)	4.1C	12,788	(178,794)
– Small portfolio entities	4.1C	7,478	1,273
Actuarial gains/(losses)	4.5	14,430,700	802,500
<b>Transfers (to)/from Australian Government:</b>			
Appropriation transfers from Official Public Account:			
Special appropriations (limited)			
Payments to entities other than corporate Commonwealth entities	5.1C	127	207
Special appropriations (unlimited)			
Payments to entities other than corporate Commonwealth entities	5.1C	3,285,742	2,980,604
Transfers to Official Public Account		(1,577,242)	(1,615,447)
Transfer of loans to Defence Housing Australia <sup>1</sup>		(509,580)	-
Funded benefit payments to the members, not drawn down from Special Appropriations		123,862	179,662
<b>Closing assets less liabilities as at 30 June</b>		<b>(177,220,563)</b>	<b>(184,627,107)</b>

The above schedule should be read in conjunction with the accompanying notes.

#### Accounting Policy

##### Cash Transfers to and from the Official Public Account

Revenue collected by Defence for use by the Government rather than Defence is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriations on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by Defence on behalf of the Government and reported as such in the administered cash flow statement and in the administered reconciliation schedule.

<sup>1</sup> The loans to Defence Housing Australia (DHA) have been transferred to the Department of Finance (Finance) as part of the determination made under subsection 78(1) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) to establish the DHA Borrowings Special Account 2020 (the special account).



**Department of Defence**

**ADMINISTERED CASH FLOW STATEMENT**

*For the period ended 30 June 2021*

Restated<sup>2</sup>

	2021 \$'000	2020 \$'000
	Notes	
<b>OPERATING ACTIVITIES</b>		
<b>Cash received</b>		
Fees	18,534	17,454
Interest	4,305	20,809
Superannuation contributions	1,486,991	1,498,429
Other <sup>1</sup>	184,256	188,070
<b>Total cash received</b>	<b>1,694,086</b>	<b>1,724,762</b>
<b>Cash used</b>		
Subsidies	(105,012)	(109,140)
Employees	(3,180,857)	(2,871,671)
Suppliers <sup>1</sup>	(142,448)	(133,860)
<b>Total cash used</b>	<b>(3,428,317)</b>	<b>(3,114,671)</b>
<b>Net cash used by operating activities</b>	<b>(1,734,231)</b>	<b>(1,389,909)</b>
<b>INVESTING ACTIVITIES</b>		
<b>Cash received</b>		
Dividends	25,604	24,545
<b>Total cash received</b>	<b>25,604</b>	<b>24,545</b>
<b>Net cash flows investing activities</b>	<b>25,604</b>	<b>24,545</b>
<b>Net decrease in cash held</b>	<b>(1,708,627)</b>	<b>(1,365,364)</b>
<b>Cash from the Official Public Account for:</b>		
Appropriations	3,285,869	2,980,811
Special Accounts	320,522	237,892
<b>Total cash from the Official Public Account</b>	<b>3,606,391</b>	<b>3,218,703</b>
<b>Cash to the Official Public Account for:</b>		
Appropriations	(1,577,242)	(1,615,447)
Special Accounts	(189,388)	(206,454)
<b>Total cash to the Official Public Account</b>	<b>(1,766,630)</b>	<b>(1,821,901)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>146,014</b>	<b>114,576</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>277,148</b>	<b>146,014</b>

The above statement should be read in conjunction with the accompanying notes.

<sup>1</sup> Prior period balances have been restated. Refer to Note 8.3A for further details.

**Department of Defence**  
**BUDGET VARIANCE COMMENTARY**  
*For the period ended 30 June 2021*

**Administered Schedule of Comprehensive Income**

**Administered expenses**

The total administered expenses is higher by \$216.1 million (or 2.2%) compared to the Original Budget. This is largely attributed to higher than budget employee benefits by \$94.9 million (or 1.0%). Furthermore, in 2020-21, Defence recognised expenses relating to foreign government activities for the first time during 2020-21 that were not budgeted (\$142.4 million).

**Administered income**

The total administered income is higher than the Original Budget by \$194.7 million (or 14.6%), due to changes in the membership profile of the superannuation schemes over the course of the financial period that were not factored into the Original Budget. This is impacted by a number of factors including service length, contribution rates and member commencement date. Furthermore, in 2020-21, Defence recognised revenue relating to foreign government activities for the first time during 2020-21 that were not budgeted (\$142.4 million).

**Administered other comprehensive income**

The total administered other comprehensive income is higher than the Original Budget by \$14,451.0 million due to actuarial gains on defined benefit plans of \$14,430.7 million. This primarily relates to actuarial gains in MSBS (\$7,337.0 million) and DFRDB (\$5,425.0 million) schemes driven by changes in discount rates from 1.7% (MSBS and DFRDB schemes) to 2.3% (MSBS) and 2.1% (DFRDB) respectively, and changes in demographic assumptions. Due to the uncertainty in the movement of this balance, these amounts are not budgeted.

**Administered Schedule of Assets and Liabilities**

**Administered assets**

The total administered assets is lower than the Original Budget by \$458.7 million (or 12.3%). The major variances are related to trade and other receivables which were \$475.5 million (or 85.4%) lower than budget, due to the Defence Housing Australia loan of \$509.6 million being transferred to the Department of Finance during 2020-21.

**Administered liabilities**

The total administered liabilities is higher than Original Budget by \$83,469.5 million (or 86.2%). This is largely attributed to employee provisions which were \$83,380.7 million (or 86.1%) higher than the Original Budget. The Original Budget was developed using a discount rate of 5%, based on the 2017 Long Term Cost Report, however the 2020-21 balance is based on short term discount rates (between 1.6% and 2.3%), in accordance with AASB 119.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### OVERVIEW

##### Objectives of Defence

The Department of Defence is an Australian Government controlled entity. It is a not-for-profit entity. The objective of Defence is to defend Australia and its national interests through the conduct of operations and to protect and advance Australia's strategic interests.

##### The Basis of Preparation

The financial statements including notes are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and are general purpose financial statements.

The financial statements have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR); and
- Australian Accounting Standards and Interpretations - Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Where necessary, comparatives have been reclassified and repositioned for consistency with current period disclosures.

##### New Accounting Standards

No new Accounting Standards had a material impact on Defence's 2020-21 financial statements.

##### Taxation

Defence is exempt from all forms of taxation except Fringe Benefits Tax (FBT), the Goods and Services Tax (GST) and certain excise and customs duties.

##### Reporting of Administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

##### Breach of Section 83 of the Constitution

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. Payments made which are not supported by appropriation are not consistent with section 83 of the Constitution.

Defence has identified a potential issue within two Defence home loan schemes, *Defence Force (Home Loans Assistance) Act 1990* and the *Defence Home Ownership Assistance Scheme Act 2008*, where overpayments have been made resulting in potential breaches of section 83. It should be noted that both schemes have provisions that allow for the recovery of an overpayment (see s31 of the 1990 Act and s 66-70 of the 2008 Act). The legislation does not currently authorise the appropriation of funds in relation to overpayments. It is unlikely that this matter will be addressed by legislative amendment in the near future. Defence will continue to report on potential section 83 breaches for those schemes.

In 2020-21, Defence identified five overpayments totalling \$4,065 in relation to the *Defence Force (Home Loans Assistance) Act 1990*. Defence undertook recovery action and as at 30 June 2021, \$2,713 had been recovered.

In 2020-21, Defence identified 279 overpayments totalling \$219,524 in relation to the *Defence Home Ownership Assistance Scheme Act 2008*. Defence undertook recovery action and as at 30 June 2021, \$181,813 had been recovered.

These overpayments represent potential breaches of section 83 and have been derived by analysing data on recovery of overpayments and other identified risk areas for 2020-21. Business processes are in place to ensure that identified overpayments are recovered.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### Estimation Uncertainty as a result of COVID-19

##### Departmental

As part of preparing the 2020-21 financial statements, Defence has considered the impacts of COVID-19 on all provisions and estimations made within the financial statements. Key assumptions impacted by COVID-19 include inflation rates used in decommissioning, decontamination, restoration and other provisions, and salary growth rates used in employee provisions. Rates used reflect the current economic climate and do not have a material impact on the recorded provisions. Consequently, Defence considers there is no material uncertainty within the resultant provisions reported as at 30 June 2021.

Defence has considered the impact of COVID-19 on fair valuation activities that have been undertaken with respect to non-financial assets (which includes general assets and specialist military equipment). Valuation activities undertaken over Defence's general assets (excluding specialist military equipment) have incorporated the impacts of COVID-19 into final valuations. Specifically, the valuations of these assets have been reported on the basis that the valuation is current at the date of the valuation only. The value assessed may change significantly over a relatively short period of time, however the valuers have confirmed that this does not mean valuations cannot be relied upon. Rather, that in the current extraordinary circumstances, less certainty should be attached to valuations that would otherwise be the case.

The fair value of specialist military equipment (SME) is subject to movements in relevant producer price indices of the country of manufacture for each Defence platform. Given the current economic climate, there is some uncertainty regarding the movement in these indices, and the impact on the valuation of SME assets. Despite the uncertainty, Defence considers that indices materially reflect the current economic conditions as at 30 June 2021, and therefore there is no material uncertainty with the reported SME balances at 30 June 2021.

While not relating to estimates or assumptions used in the preparation of the financial statements, Defence also notes that inventory stocktaking procedures were impacted by COVID-19. During 2020-21, Defence was required to perform alternate procedures to ensure no material uncertainty was present within the reported inventory balances. At 30 June 2021, Defence has determined that appropriate coverage was achieved and that balances are free from material misstatement.

##### Administered

The only balance subject to assumptions impacted by COVID-19 is the valuation of Administered employee provisions, which includes salary growth rate, demographic experience and discount rate assumptions. Defence in conjunction with the Australian Government Actuary has considered and accounted for these impacts in the development of the Military Superannuation Provisions in light of known salary, demographic and CPI expectations.

Additionally, within Note 4.5, Defence has disclosed the fair value of superannuation plan assets. Given the uncertainties surrounding financial markets due to the COVID-19 pandemic, there is increased uncertainty surrounding the underlying valuation of Australian and overseas equities, and property and infrastructure. While this does not mean that the valuations cannot be relied upon, less certainty should be attached to valuations than would otherwise be the case.

#### Events After the Reporting Period

In accordance with AASB 110 *Events after the Reporting Period*, reporting entities are required to disclose any event between the balance sheet date and the date the financial statements are authorised for issue that may affect the financial statements. The standard classifies these events as either 'adjusting' or 'non-adjusting'.

##### Departmental

On 16 September 2021, the leaders of Australia, the United Kingdom, and the United States announced the creation of an enhanced trilateral security partnership called "AUKUS" -- Australia, the United Kingdom, and the United States.

AUKUS will promote deeper information and technology sharing, and foster deeper integration of security and defence-related science, technology, industrial bases, and supply chains. In particular, AUKUS will significantly deepen cooperation on a range of security and defence capabilities. As the first initiative under AUKUS, the countries have committed to a shared ambition to support Australia in acquiring nuclear-powered submarines for the Royal Australian Navy.

In pursuing a nuclear submarine pathway, Australia will not proceed with the Attack Class program. Defence considers this to be a non-adjusting event as this decision has occurred subsequent to 30 June 2021. Future costs associated with the Government's decision, including potential termination costs and the impairment or write off of amounts previously capitalised as Assets Under Construction, are unable to be quantified. The ability to re-use work completed to date which has been capitalised as Assets Under Construction (valued at \$1.9 billion as at 30 June 2021) has not yet been quantified, and as a result possible impairment is unknown as at the date of signing the financial statements.

Other than the matter disclosed above, no other significant events have occurred after reporting date that require the Annual Report to be adjusted as at 30 June 2021, nor have there been any significant non-adjusting events that have occurred after reporting date.

##### Administered

No significant events have occurred after reporting date that require the Annual Report to be adjusted as at 30 June 2021, nor have there been any significant non-adjusting events that have occurred after reporting date.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2021

**FINANCIAL PERFORMANCE**

This section analyses the financial performance of Defence for the year ended 30 June 2021

**1.1: Expenses**

	2021	2020
	\$'000	\$'000
<b>1.1A: Employee benefits</b>		
<b>Australian Public Service (APS) employee benefits</b>		
Wages and salaries	1,457,489	1,419,957
Superannuation:		
Defined contribution plans	155,995	142,368
Defined benefit plans	120,694	128,771
Leave and other entitlements	157,303	204,589
Fringe benefits tax	18,366	29,816
Separation and redundancies	30,449	13,354
Other allowances	30,453	34,477
Health expenses	3,161	4,251
Other employee expenses	1,171	1,470
<b>Total APS employee benefits</b>	<b>1,975,081</b>	<b>1,979,053</b>
<b>Australian Defence Force (ADF) employee benefits</b>		
Wages and salaries	5,570,775	5,408,705
Superannuation:		
Defined contribution plans	250,934	192,222
Defined benefit plans	1,429,598	1,499,365
Housing <sup>1</sup>	944,005	895,228
Leave and other entitlements	329,521	704,386
Fringe benefits tax	483,605	536,506
Overseas allowances	97,399	142,876
Separation and redundancies	10,430	12,393
Other allowances	350,628	350,183
Health expenses	523,483	473,902
Other employee expenses	140,331	147,308
<b>Total ADF employee benefits</b>	<b>10,130,709</b>	<b>10,363,074</b>
<b>Total employee benefits</b>	<b>12,105,790</b>	<b>12,342,127</b>

<sup>1</sup> Housing expenses include lease payments made to Defence Housing Australia (DHA) for the provision of housing for ADF members with families. These payments made to DHA for the provision of housing services to ADF members are employee benefits as the benefits are directly connected with employment and Defence is responsible for determining the housing needs. Residences leased from DHA are subleased by Defence to ADF members for a nominal charge. Lease expenses are paid by Defence to DHA and recognised as part of ADF housing expenses.

For the current financial period, sublease expenses were \$532.3 million (2019-20: \$483.9 million).

**Accounting Policy**

Defence's workforce comprises APS (i.e. civilians) and ADF (i.e. military) personnel. Employee benefits for each workforce component are based on the relevant employment agreements and legislation. Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for wages and salaries (including non-monetary benefits), annual leave and other entitlements expected to be wholly settled within 12 months of the reporting date are measured at their nominal amounts.

All other employee benefit liabilities (including long service leave) are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2021*

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**1.1A: Employee benefits (continued)**

*(a) Leave*

The liability for employee benefits includes provisions for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of Defence is estimated to be less than the annual entitlement for sick leave. The leave liabilities are calculated on the basis of employees' remuneration, including Defence's employer superannuation contribution, at the estimated rates that will be applied at the time that leave is taken, to the extent that leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the work of the Australian Government Actuary in the current year. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

*(b) Separation and Redundancy*

Provision is made for separation and redundancy benefit payments. Defence recognises a provision for termination when it has a detailed formal plan for the termination and has informed those employees affected that the termination will be carried out.

*(c) Superannuation – APS Employees*

Permanently appointed APS employees of Defence are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS Accumulation Plan (PSSap) and other superannuation schemes held outside the Commonwealth.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance as an administered item.

Defence makes employer contributions to the employee superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government of the superannuation entitlements of Defence's employees. Defence accounts for these contributions as if they were contributions to defined contribution plans in accordance with AASB 119.

The liability for superannuation recognised in the departmental statements as at 30 June represents outstanding contributions yet to be paid.

*(d) Superannuation – ADF Members*

Permanently appointed ADF employees of Defence are members of the Defence Force Retirement and Death Benefits Scheme (DFRDB), the Military Superannuation Benefits Scheme (MSBS) and Australian Defence Force Superannuation (ADF Super), which includes the ADF Cover.

DFRDB and MSBS are defined benefit superannuation plans for ADF members. Defence makes employer contributions to the employee superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government of the superannuation entitlements of Defence's employees. Defence accounts for these contributions in its departmental statements as if they were contributions to defined contribution plans in accordance with AASB 119.

ADF Super is a defined contribution scheme. The members of ADF Super are entitled to an insurance cover for death and invalidity benefits under the provisions of the ADF Cover scheme, which is a defined benefit type plan.

The liability for superannuation recognised in the departmental statements as at 30 June represents outstanding contributions yet to be paid. The liabilities for DFRDB, MSBS, ADF Cover defined benefit are recognised and reported by the Department of Defence as an administered item.

*(e) Paid Parental Leave*

Defence provides payments to employees under the Government Paid Parental Scheme. The receipts received are offset by the payments made to the employees and any balance outstanding at the end of the year is recognised as a liability.

**Accounting Judgements and Estimates**

As required by AASB 119 *Employee Benefits*, the estimate of future cash outflows takes into account estimated attrition, probability factors, future salary rates and ancillary costs. Liabilities for short-term employee benefits not expected to be paid within 12 months of the end of reporting period are measured at the one year Commonwealth government bond rate of -0.02 per cent (2019-20: 0.24 per cent). Liabilities for long term employee benefits are discounted using the 10 year Commonwealth government bond rate of 1.49 per cent (2019-20: 0.87 per cent).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 1.1A: Employee benefits (continued)

##### Accounting Judgements and Estimates (continued)

When assessing the application of AASB 16 to the lease payments made to DHA, Defence considers it is necessary to read the Defence Services Agreement (DSA), the *Defence Housing Australia Act 1987* (DHA Act) and the Defence Housing Australia Residence Agreement (DRA) as a whole to understand the commercial arrangements between DHA, Defence and the ADF member. The arrangement between DHA and Defence contains a lease for each individual property, with the term of the lease being greater than 12 months. The amount paid as consideration for each lease is based on usage and considered variable as Defence pays these amounts if and when a property is occupied by an ADF member, and therefore not based on an index or rate. Accordingly, the right-of-use asset and lease liability under AASB 16 *Leases* has a zero value and payments are expensed through the Statement of Comprehensive Income.

Other key Judgements that support the DSA meeting the definition of a lease under AASB 16 are:

- The DSA provides Defence the right to control the properties because it directs when the properties are to be used, including the allocations policy and when properties must be vacated. The ADF members only have a right to occupy a DHA property as a result of their employment with Defence and, if the employment is terminated the entitlement under the DRA ends;
- Defence does not act as an agent for DHA by collecting rental contributions from ADF members. Defence's obligation to pay rent under the DSA is independent of the member's contribution under the DRA; and
- Defence Residences leased from DHA are subleased by Defence to ADF members for a nominal charge which is set based upon their personal and employment conditions rather than the market rate. This sublease can be terminated by Defence or the ADF member with 28 days notice and no penalties incurred.

	2021 \$'000	2020 \$'000
<b>1.1B: Suppliers expenses</b>		
<b>Goods and services supplied or rendered</b>		
Administration	685,742	660,955
Communications and information technology	1,959,666	1,678,261
Estate upkeep	2,020,171	1,655,200
Freight, storage and removal	521,692	532,884
Foreign government activities <sup>1</sup>	61,990	55,786
Garrison support and mess operations	369,954	363,181
Inventory consumption	904,521	951,523
Other <sup>1</sup>	1,254,422	1,451,138
Professional services/technical advice	765,292	530,055
Project management costs	448,153	449,023
Purchase of minor assets	248,047	250,168
Research and development	764,067	390,433
Sustainment (including repair and overhaul)	5,978,395	5,526,858
Training	453,624	481,122
Travel	190,470	227,110
Utilities	418,273	405,810
<b>Total goods and services supplied or rendered</b>	<b>17,044,479</b>	<b>15,609,507</b>
<b>Goods and services supplied or rendered are made up of:</b>		
Goods supplied	1,914,674	2,001,987
Services rendered	15,129,805	13,607,520
<b>Total goods and services supplied or rendered</b>	<b>17,044,479</b>	<b>15,609,507</b>
<b>Other supplier expenses</b>		
Operating lease rentals	-	-
Short-term leases	4,239	8,965
Low value leases	30,581	11,233
Variable lease payments	6,011	47,071
Workers compensation premiums	18,749	19,346
<b>Total other supplier expenses</b>	<b>59,580</b>	<b>86,615</b>
<b>Total supplier expenses</b>	<b>17,104,060</b>	<b>15,696,122</b>

<sup>1</sup> Prior period balances have been restated. Refer to Note 8.3 for further details.

The above lease disclosures should be read in conjunction with the accompanying notes 1.1D, 1.2B, 3.2 and 3.4.

##### Accounting Policy

Defence has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (less than \$10,000). Defence recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.



## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

	2021	2020
	\$'000	\$'000
<b>1.1C: Grants</b>		
State and Territory Governments	9,004	1,217
Non-profit organisations	65,324	46,270
Overseas	978	117,196
<b>Total grants</b>	<b>75,306</b>	<b>164,683</b>

#### Accounting Policy

Contributions by Defence to other government entities, private sector organisations and individuals which have been identified as a grant are recognised as an expense where grant conditions (such as eligibility criteria) were met.

#### 1.1D: Finance costs

Interest on lease liabilities	109,217	115,385
Unwinding of discount - restoration, decontamination and decommissioning	6,006	9,896
Bank interest	-	357
<b>Total finance costs</b>	<b>115,223</b>	<b>125,638</b>

The above lease disclosures should be read in conjunction with the accompanying notes 1.1B, 1.2B, 3.2 and 3.4.

#### Accounting Policy

All borrowing costs are expensed as incurred.

#### 1.1E: Write-down and impairment of assets

Write-down and impairment of land and buildings <sup>1</sup>	13,886	47,676
Write-down and impairment of specialist military equipment <sup>1</sup>	468,430	398,662
Write-down and impairment of infrastructure <sup>1</sup>	6,376	36,287
Write-down and impairment of plant and equipment <sup>1</sup>	73,507	84,517
heritage and cultural assets <sup>1</sup>	1,825	1,790
Write-down and impairment of software and intangible assets	75,010	26,188
Write-down and impairment of inventory <sup>1</sup>	485,847	386,500
<b>Total write-down and impairment of assets</b>	<b>1,124,881</b>	<b>981,620</b>

<sup>1</sup> Prior period balances have been restated. Refer to Note 8.3 for further details.

#### Accounting Policy

The relevant accounting policy for write-down and impairment of assets is detailed in Note 3.2A Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles. The relevant accounting policy for inventory is detailed in Note 3.2B Inventories.

#### 1.1F: Foreign exchange

<b>Foreign exchange gains</b>		
Non-speculative	97,386	98,834
<b>Foreign exchange losses</b>		
Non-speculative	(65,828)	(142,755)
<b>Total net gain/(loss) foreign exchange</b>	<b>31,558</b>	<b>(43,921)</b>

#### Accounting Policy

Transactions denominated in a foreign currency are converted at the exchange rate on the date of transaction. Foreign currency receivables and payables are translated at the exchange rate at the balance sheet date.

Non-financial items that are measured at cost in a foreign currency are translated using the spot exchange rate at the date of the initial transaction. Non-financial items that are measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

All exchange gains and losses are reported in the Statement of Comprehensive Income.

#### 1.1G: Other expenses

Act of grace payments	587	367
Tactical Payment Scheme payments	-	2
Defective Administration Scheme payments	1,765	3,909
Restoration, decontamination and decommissioning costs	110,194	205,372
Other	1,152	13,637
<b>Total other expenses</b>	<b>113,698</b>	<b>223,287</b>

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2021

**1.2: Own-Source Revenue and gains**

<b>Own-Source Revenue</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>1.2A: Revenue from contracts with customers</b>		
<b>Provision of goods</b>		
Rations and quarters - cost recovery	67,393	69,189
Provision of fuel - cost recovery	14,986	29,382
Other (including sale of obsolete and surplus inventory)	20,455	18,737
Foreign government activities <sup>1</sup>	34,052	36,668
<b>Total provision of goods</b>	<b>136,886</b>	<b>153,976</b>
<b>Rendering of services</b>		
Logistics support recovery	17,741	35,115
Other recoveries	56,510	51,713
Other governments/agencies	69,067	69,506
Other	42,723	49,093
<b>Total rendering of services</b>	<b>186,041</b>	<b>205,427</b>
<b>Total revenue from contracts with customers</b>	<b>322,927</b>	<b>359,403</b>

<sup>1</sup> Prior period balances have been restated. Refer to Note 8.3 for further details.

**Accounting Policy**

Revenue from the provision of goods or services is recognised when all of the following criteria has been met:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- Defence can identify each party's rights regarding the goods or services to be transferred;
- Defence can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
- it is probable that Defence will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, Defence shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which Defence will be entitled may be less than the price stated in the contract if the consideration is variable because Defence may offer the customer a price concession.
- revenue from the sale of goods is recognised when the risks and rewards of ownership have been transferred to the buyer and Defence retains no managerial involvement or effective control over the goods. The stage of completion of contracts at the reporting date is determined by reference to the services performed to date as a percentage of total services to be performed.

Notwithstanding the above, if a contract that would otherwise be within the scope of AASB 15 *Revenue from Contracts* with Customers, does not meet the criteria above as it is unenforceable or not sufficiently specific, Defence will instead consider the requirements of AASB 1058 *Income of Not-for-Profit Entities* in accounting for such contracts.

**1.2B: Rental income**

<b>Operating leases</b>		
Group rental scheme	204,339	203,844
Other	31,702	47,438
<b>Total rental income</b>	<b>236,041</b>	<b>251,282</b>

Defence earns rental income under property leases to third party service providers at Defence operating locations or in circumstances where asset capacity is excess to short term operational requirements. Commercial arrangements are in place where lessees agree to maintain the value and/or condition of the property or other leased assets. Lease contracts also have termination clauses that can be exercised if required with notice periods that reflect the potential operational need for the underlying asset.

**Maturity analysis of operating lease income receivables:**

Within one year	44,249	46,079
One to two years	26,376	27,560
Two to three years	27,035	27,778
Three to four years	27,711	28,044
Four to five years	28,403	28,393
More than five years	58,955	94,723
<b>Total undiscounted lease payments receivable</b>	<b>212,729</b>	<b>252,577</b>

The above lease disclosures should be read in conjunction with the accompanying notes 1.1B, 1.1D, 3.2 and 3.4.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

	2021 \$'000	2020 \$'000
<b>1.2C: Other revenue</b>		
Excise refunds	184	636
Settlement of damages	10,363	15,300
Foreign military sales refunds	12,072	7,563
Foreign government activities <sup>1</sup>	43,927	22,702
Interest revenue <sup>2</sup>	3,264	12,849
Other refunds	11,252	25,515
Other minor revenues	423	511
Resources received free of charge:		
Remuneration of auditors	3,890	3,675
Assets received free of charge	-	5
<b>Total other revenue</b>	<b>85,375</b>	<b>88,756</b>

<sup>1</sup> Prior period balances have been restated. Refer to Note 8.3 for further details.

<sup>2</sup> Interest revenue includes \$2.794 million (2019-20: \$2.729 million) in relation to sub-lease receivables.

#### Maturity analysis of finance lease receivables:

Within one year	14,363	13,677
One to two years	14,536	14,107
Two to three years	13,696	14,139
Three to four years	13,646	13,259
Four to five years	12,951	13,328
More than five years	142,643	152,412
<b>Total undiscounted lease payments receivable</b>	<b>211,835</b>	<b>220,922</b>
Unearned finance income	(22,525)	(23,708)
<b>Net investment in leases</b>	<b>189,310</b>	<b>197,214</b>

#### Accounting Policy

Resources received free of charge for goods and services are recognised as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Fair value is determined based on actual full cost if the resources were to be purchased. Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition (with the exception of assets valued at cost), unless received from another Government agency as a consequence of a restructuring of administrative arrangements. Fair value is assessed by asset class as described in 3.2A(f).

#### 1.2D: Reversals of previous asset write-downs and impairment

Land and buildings <sup>1</sup>	37,774	8,138
Specialist military equipment <sup>1</sup>	22,123	486,788
Infrastructure <sup>1</sup>	19,378	6,910
Plant and equipment <sup>1</sup>	10,872	32,260
Heritage and cultural assets	4,001	210
Software and intangibles	-	-
<b>Total property, plant and equipment and intangibles</b> 3.2A	<b>94,148</b>	<b>534,306</b>
Receivables	-	5,669
Inventory <sup>1</sup>	106,827	137,797
<b>Total reversal of previous asset write-downs and impairment</b>	<b>200,975</b>	<b>677,772</b>

<sup>1</sup> Prior period balances have been restated. Refer to Note 8.3 for further details.

#### 1.2E: Other gains

Reversal/write back of provisions	338,349	100,277
Other gains - ASMTI Contribution	156,602	132,701
<b>Total other gains</b>	<b>494,951</b>	<b>232,978</b>

#### Accounting Policy

Reversal/write back of provisions relate to the movements in provisions based on changes in estimates.

Other gains relate to the Australia Singapore Military Training Initiative (ASMTI) agreement. Under the agreement, the Republic of Singapore makes a contribution to Defence which will be used towards the cost of development of military training facilities. Once developed, these facilities will be used by the Defence forces of Australia and Singapore for the conduct of exercises and other training activities.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

	2021 \$'000	2020 \$'000
<b>1.2F: Revenue from Government</b>		
Appropriations:		
Departmental appropriations	<b>27,365,581</b>	34,290,209
<b>Total revenue from Government</b>	<b>27,365,581</b>	34,290,209

#### Accounting Policy

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue when Defence gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Defence draws down appropriations on a just-in-time basis. The undrawn appropriations as at 30 June 2021 are reflected as a receivable and are available to be drawn down to meet future obligations. Appropriations receivable are recognised at their nominal amounts.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### INCOME AND EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT

This section analyses the activities that Defence does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

#### 2.1: Administered - Expenses

	2021 \$'000	2020 \$'000
<b>2.1A: Employee benefits</b>		
Superannuation:		
Defined benefit plans		
Net service cost	6,334,000	6,230,300
Net interest cost	3,223,400	3,488,100
Retention benefits	99,270	99,566
<b>Total employee benefits</b>	<b>9,656,670</b>	<b>9,817,966</b>
<b>2.1B: Subsidies</b>		
Related parties:		
Defence Home Owner Scheme	127	207
Defence Home Ownership Assistance Scheme	96,030	110,441
<b>Total subsidies</b>	<b>96,157</b>	<b>110,648</b>
<b>2.1C: Impairment loss allowance on financial instruments</b>		
Impairment on trade and other receivables 7.3B	4,834	-
<b>Total impairment on financial instruments</b>	<b>4,834</b>	<b>-</b>
<b>2.1D: Suppliers expenses</b>		
Foreign government activities <sup>1</sup>	142,448	133,860
<b>Total supplier expense</b>	<b>142,448</b>	<b>133,860</b>

<sup>1</sup> Prior period balances have been restated. Refer to Note 8.3 for further details.

#### 2.2: Administered - Income

##### Non-Taxation Revenue

#### 2.2A: Fees and fines

License fees	17,748	17,384
<b>Total fees and fines</b>	<b>17,748</b>	<b>17,384</b>

##### Accounting Policy

All administered revenues relate to activities performed by Defence on behalf of the Australian Government. As such, administered appropriations are not revenues of the individual entity that oversees distribution or expenditure of the funds as directed. Administered revenues mainly comprise military superannuation contributions, payments received from the United Nations and foreign governments, bank interest, dividends, loan interest and State Tax Equivalent payments received from Defence Housing Australia and licence fees received under the Defence Home Ownership Assistance Scheme.

Licence fees are charged to home loan providers under the Defence Home Ownership Assistance Scheme (DHOAS), who are required to remit a portion of home loan revenue to the Australian Government. Licence fee revenue is recognised when amounts have been received from customers by the home loan providers.

#### 2.2B: Interest

Loans to Defence Housing Australia	4,305	20,809
<b>Total interest</b>	<b>4,305</b>	<b>20,809</b>

##### Accounting Policy

Interest revenue is recognised using the effective interest method.

# Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

	2021 \$'000	2020 \$'000
<b>2.2C: Dividends</b>		
Australian Government entities - Defence Housing Australia	47,130	25,604
<b>Total dividends</b>	<b>47,130</b>	<b>25,604</b>
<b>2.2D: Military superannuation contributions</b>		
Military superannuation contributions	1,282,145	1,351,453
<b>Total military superannuation contributions</b>	<b>1,282,145</b>	<b>1,351,453</b>
<b>2.2E: Other revenue</b>		
Competitive neutrality revenue - Defence Housing Australia	37,844	41,124
Foreign government activities <sup>1</sup>	142,448	133,860
Other	1,160	13,685
<b>Total other revenue</b>	<b>181,452</b>	<b>188,669</b>
Competitive neutrality revenue relates to State Tax Equivalent payments made by Defence Housing Australia (DHA) under the Australian Government's Competitive Neutrality Policy. The amounts paid include payroll tax, land tax and stamp duty and have been calculated by DHA as being payable under the relevant Acts had they applied		
<sup>1</sup> Prior period balances have been restated. Refer to Note 8.3 for further details.		
<b>2.2F: Foreign exchange gains</b>		
Non-speculative	-	103
<b>Total foreign exchange gains</b>	<b>-</b>	<b>103</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### FINANCIAL POSITION

This section analyses Defence's assets used to conduct its operations and the operating liabilities incurred as a result.

#### 3.1: Financial Assets

	2021 \$'000	2020 \$'000
<b>3.1A: Cash and cash equivalents</b>		
Cash on hand	4,301	3,780
Cash at bank - at call	281,582	423,638
<b>Total cash and cash equivalents</b>	<b>285,883</b>	<b>427,418</b>

#### Accounting Policy

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

- a) cash on hand;
- b) demand deposits in bank accounts with an original maturity of three months or less that are readily convertible to amounts of cash and subject to insignificant risk of changes in value; and
- c) cash in special accounts.

Cash is measured at its nominal amount. Cash and cash equivalents denominated in a foreign currency are converted at the exchange rate at the balance date.

#### 3.1B: Trade and other receivables

##### Goods and services receivables

Goods and services	58,483	51,388
<b>Total goods and services receivables</b>	<b>58,483</b>	<b>51,388</b>

##### Appropriations receivable

For existing programs	2,228,786	249,000
<b>Total appropriations receivable</b>	<b>2,228,786</b>	<b>249,000</b>

5.1A

##### Other receivables

GST receivable from the Australian Taxation Office	379,951	229,965
Accrued revenue	12,263	16,614
Other <sup>1</sup>	187,484	383,719
Sub-Lease receivables	189,310	197,214
Foreign government activities <sup>2</sup>	19,573	3,584
<b>Total other receivables</b>	<b>788,581</b>	<b>831,096</b>
<b>Total trade and other receivables (gross)</b>	<b>3,075,850</b>	<b>1,131,484</b>

##### Less impairment allowance

Goods and services	(11,507)	(7,457)
<b>Total impairment allowance</b>	<b>(11,507)</b>	<b>(7,457)</b>
<b>Total trade and other receivables (net)</b>	<b>3,064,343</b>	<b>1,124,027</b>

Credit terms for goods and services were within 30 days (2019-20: 30 days).

<sup>1</sup> The balance contains no win no loss receivables totalling \$70.7 million (2019-20: \$273.0 million).

<sup>2</sup> Prior period balances have been restated. Refer to Note 8.3 for further details.

#### Accounting Policy

Trade receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any impairment allowance.

The receivables for goods and services are generally receivable within 30 days. The collectability is assessed periodically with allowances made for doubtful debts when there is evidence that Defence will not be able to collect the debt.



**Department of Defence**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2021*

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**3.1B: Trade and other receivables (continued)**

**Accounting Policy (continued)**

In accordance with AASB 9 *Financial Instruments*, impairment of trade receivables is assessed under an expected credit loss (ECL) model. This impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments measured at fair value through other comprehensive income.

Trade and other receivable assets at amortised cost are assessed for impairment at the end of each reporting period. The simplified approach has been adopted in measuring the impairment allowance at an amount equal to lifetime ECL.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2021

**3.2: Non-Financial Assets**

**3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (2020-2021)**

Item	Land <sup>1,5</sup>	Buildings <sup>1,5</sup>	Specialist Military Equipment <sup>1,5</sup>	Infra-structure <sup>1,5</sup>	Plant and Equipment <sup>1,5</sup>	Heritage and Cultural Assets <sup>1,2</sup>	Computer Software - Purchased <sup>1</sup>	Computer Software - Internally Generated <sup>1</sup>	Other Intangibles Purchased <sup>1</sup>	Other Intangibles Internally Generated	Total <sup>1</sup>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2020</b>											
Gross Book value	5,543,999	15,296,918	74,045,134	6,753,076	1,829,150	492,625	1,057,558	830,649	123,291	149,674	106,122,074
Accumulated depreciation/amortisation and impairment	-	(994,010)	(1,861,945)	(387,800)	(231,853)	(21,171)	(722,143)	(436,394)	(66,141)	(59,282)	(4,780,739)
<b>Net book value 1 July 2020</b>	<b>5,543,999</b>	<b>14,302,908</b>	<b>72,183,189</b>	<b>6,365,276</b>	<b>1,597,297</b>	<b>471,454</b>	<b>335,415</b>	<b>394,255</b>	<b>57,150</b>	<b>90,392</b>	<b>101,341,335</b>
Additions:											
By purchase	61,606	790,345	9,022,675	766,559	241,606	-	240,665	-	322,065	-	11,445,521
Internally developed	-	-	-	-	-	-	-	548	-	-	548
Right-of-use assets	-	304,808	-	-	23,139	-	-	-	-	-	327,947
Revaluations/impairments recognised in other comprehensive income <sup>3</sup>	198,713	505,079	(1,917,775)	380,948	24,273	15,670	-	-	-	-	(793,092)
Reclassification	5,657	(4,316)	(58,266)	65,623	(56,037)	201	72,503	(66,470)	(3,413)	44,518	-
Depreciation/amortisation expense	-	(667,476)	(4,212,687)	(437,494)	(130,780)	(24,991)	(59,399)	(59,367)	(497)	(32,205)	(5,624,896)
Depreciation/amortisation expense on right-of-use assets	-	(242,727)	(31,186)	(3,600)	(78,941)	-	-	-	-	-	(356,454)
Revaluations/write-downs and impairment recognised in net cost of services <sup>3,4</sup>	(258)	(13,628)	(468,430)	(6,376)	(73,507)	(1,825)	(74,562)	-	(448)	-	(639,034)
Other movements											
Reversal of previous asset write-downs and impairment	24,291	13,483	22,123	19,378	10,872	4,001	-	-	-	-	94,148
Transfers in/(out)	106	12,400	10,235	18,153	11,104	-	-	-	-	-	51,998
Transfers (to)/from Assets Held for Sale	(41,155)	768	18,932	-	(1,074)	-	-	-	-	-	(22,529)
Disposals:											
Other disposals	(10,278)	(291)	(51,309)	-	(12,609)	-	-	-	-	-	(74,487)
<b>Net book value 30 June 2021</b>	<b>5,782,681</b>	<b>15,001,353</b>	<b>74,517,501</b>	<b>7,168,467</b>	<b>1,555,343</b>	<b>464,510</b>	<b>514,622</b>	<b>268,966</b>	<b>374,857</b>	<b>102,705</b>	<b>105,751,005</b>
<b>Net book value as at 30 June 2021 represented by:</b>											
Gross book value	5,782,681	15,951,722	75,683,889	7,380,677	1,816,146	473,984	1,221,835	751,491	436,278	194,192	109,692,895
Accumulated depreciation/amortisation and impairment	-	(950,369)	(1,166,388)	(212,210)	(260,803)	(9,474)	(707,213)	(482,525)	(61,421)	(91,487)	(3,941,890)
<b>Closing net book value at 30 June 2021</b>	<b>5,782,681</b>	<b>15,001,353</b>	<b>74,517,501</b>	<b>7,168,467</b>	<b>1,555,343</b>	<b>464,510</b>	<b>514,622</b>	<b>268,966</b>	<b>374,857</b>	<b>102,705</b>	<b>105,751,005</b>
<b>Carrying amount of right-of-use assets as at 30 June 2021</b>	<b>61,669</b>	<b>2,012,410</b>	<b>288,781</b>	<b>91,797</b>	<b>416,114</b>	-	-	-	-	-	<b>2,870,771</b>

<sup>1</sup> Opening balances have been restated. Refer to Note 8.3 for further details.

<sup>2</sup> Where land, buildings, infrastructure and plant and equipment meet the definition of a heritage and cultural item, they have been disclosed in the heritage and cultural assets class.

<sup>3</sup> All revaluations were conducted in accordance with the revaluation policy stated at Notes 3.2A(f) and 3.2A(k).

<sup>4</sup> Indicators of impairment identified in the current period relate to assets deemed to be obsolete or no longer functioning as intended.

<sup>5</sup> Reported balances of land and buildings, specialist military equipment, infrastructure, plant and equipment include right-of-use assets associated with Defence leases.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (continued)

	2021 \$'000	2020 \$'000
<b>Commitments payable relating to property, plant and equipment and intangibles</b>		
Land and Buildings <sup>1</sup>	1,030,090	1,032,939
Specialist military equipment <sup>2</sup>	20,344,265	24,416,438
Infrastructure and Plant and equipment <sup>3</sup>	2,752,717	1,010,185
Intangibles <sup>4</sup>	63,020	60,141
<b>Total capital commitments</b>	<b>24,190,092</b>	<b>26,519,703</b>

<sup>1</sup> Outstanding contractual payments for buildings under construction.

<sup>2</sup> Outstanding contractual payments for specialist military equipment under construction.

<sup>3</sup> Infrastructure, plant and equipment capital commitments include outstanding contractual payments relating to the Major Capital Facilities (MCF) program.

<sup>4</sup> Intangible commitments include contractual payments for software licence agreements.

#### Accounting Policy

##### (a) Individual Asset Recognition Threshold

Purchases of specialist military equipment, property, plant and equipment including land, buildings and infrastructure are recognised initially at cost where they meet the individual asset recognition threshold.

In 2020-21, Defence made a voluntary change in accounting policy for asset capitalisation thresholds including property, plant and equipment and intangibles. The purpose of the change was to better align capitalisation thresholds to Defence's significant asset base and to reduce the administrative burden, processes and costs involved in accounting for the low value items.

The change in thresholds resulted in individual items being capitalised where individual value is equal to or exceeds thresholds as summarised in the table below:

Non-Financial Assets	2020-21 (\$)	2019-20 (\$)
Specialist military equipment	-	-
Land	-	-
Plant and equipment	10,000	2,000
Buildings	100,000	5,000
Infrastructure	100,000	5,000
Heritage and cultural assets	100,000	5,000
Intangibles	1,000,000	150,000

Prior year comparatives have been adjusted to reflect this change in accounting policy. The quantum of the change of the 2019-20 asset balances is a decrease of \$320.4 million to net assets (inclusive of \$55.3 million increase in the 2019-20 reported surplus). Refer to 8.3A: Restatement of Prior Period Balances for the disclosure.

##### (b) Componentisation

Major assets, such as specialist military equipment, are componentised at the point of capitalisation unless the components will have useful lives that differ significantly from other parts of the asset. The useful lives of components may be determined with reference to the individual component or the related primary asset.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

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#### 3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (continued)

##### (c) Decontamination, Restoration and Decommissioning Costs

Where a legal or constructive obligation arises on acquisition to restore a Defence asset back to its original condition, or dismantle an asset at the end of its useful life, the net present value of estimated restoration and/or decommissioning costs are capitalised and added to the cost of the underlying asset and depreciated over the asset's useful life.

Decommissioning costs reflect the future costs of disposing assets at the end of its useful life. This is only recorded where Defence has an expectation and/or policies to ensure the removal or disposal of restricted technology prior to decommissioning assets.

##### (d) Reversal of Previous Asset Write-Downs

These are amounts relating to assets which have been previously written down or expensed in prior periods. In the current year, these items have been either reversed as a write down or capitalised for the first time due to either exceeding the capitalisation threshold or through identification during stock takes. They may include identification of heritage and cultural assets not previously recognised as assets.

##### (e) Assets under construction

Assets under construction (AUC) include expenditure to date on major military capability and facilities projects. AUC projects are valued at current replacement cost and are reviewed annually for indicators of impairment. Prior to rollout into service, the accumulated AUC balance is reviewed to ensure accurate capitalisation.

##### (f) Subsequent valuations

All property, plant and equipment, excluding ROU assets, is measured and disclosed at fair value (or an amount not materially different from fair value), less subsequent accumulated depreciation and accumulated impairment losses.

The basis for determining fair value is by reference to the highest and best use that is physically possible, legally permissible and financially feasible. Where an active and liquid market exists, fair value is determined by reference to market values, noting the highest and best use criteria and any specific factors that have been noted by the valuer.

The analysis of non-financial assets by basis of valuation includes a disaggregation of asset values against the fair value hierarchy under AASB 13 *Fair Value Measurement*. Non-financial assets categorised as Level 2 and 3 have been valued using various techniques.

Valuation for land, buildings, infrastructure, other plant and equipment and heritage and cultural assets are performed by independent external valuers using inputs such as sales prices of comparable assets, replacement cost, expected useful life and adjustments for obsolescence.

Defence holds a Specialist Military Equipment (SME) asset base to maintain its defence capability requirements. This asset base can be categorised into the following sub-components:

- *Platform assets* – which include fully assembled units such as planes, tanks, and ships;
- *Military support items* – which include spares and components that support the aforementioned platforms; and
- *Assets under Construction* – which reflect assets that are in the process of being built within one of the Government approved capability projects.

SME is valued internally by the Department of Defence. Valuations techniques are either market approach or cost approach, with varying inputs, including but not limited to adjusted market transactions, replacement cost of new assets, comparable assets and consumed economic benefits.

Following initial recognition at cost, valuations for land, buildings, infrastructure and SME are conducted every year; other plant and equipment are revalued annually on a sample basis and heritage and cultural assets are revalued over a five year period.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset is restated to the revalued amount.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (continued)

##### Accounting Policy (continued)

###### (f) Subsequent valuations (continued)

In accordance with *Australian Accounting Standard 13: Fair value measurements* (AASB 13), SME assets in use are subject to an annual fair value assessment using the Current Replacement Cost (CRC) approach. The cost price of assets that are still under construction is considered to be their fair values as there is no market for partially completed military assets.

Defence military assets are specialised in nature. There is limited availability of observable market inputs such as reliable market prices from orderly transactions between market participants. As such, it is often necessary to use judgement when estimating the fair values. Defence undertakes an in-house annual assessment of the fair value (FV) of SME assets using a combination of the following methodologies (listed in the order of preference), which allow Defence to maximise inclusion of observable inputs in the annual fair value assessment process.

- i. Current year price approach
- ii. Comparator approach (used for platform assets only)
- iii. External supplier catalogue approach (used for military support items only)
- iv. Sale price / Asset Held for sale price approach (used for platform assets only)
- v. Indexation

The valuation techniques listed above are consistent with the techniques listed within AASB 13.

i. Current year price approach: In the current year price approach, pricing information is obtained from current year capitalisation of assets. This is considered the most appropriate measurement as the price represents the most recent cost to Defence to acquire the capability under current prevailing market conditions.

ii. Comparator approach: The comparator approach uses reliable pricing information on comparable platforms with similar specification and capability as Defence's asset to arrive at the SME asset's CRC. The comparator approach is applied on an annual rotation across the three Defence Service Groups (once every three years per Service Group). Reliable pricing information from recent market transactions such as direct information from the Original Equipment Manufacturer or United States (US) budget papers, price and availability data are used for this approach. However, due to the specialised nature of SME platforms, comparator platforms with identical, or substantially similar specifications are difficult to identify. When purchased, platforms are usually tailored, and can be heavily modified in order to suit the purchasing jurisdiction. Additionally, jurisdictions do not tend to share information regarding their particular modifications. As such, Defence is required to consider whether an identified comparator is similar enough to provide input for the fair value process. The ability to find useful comparators diminishes with the age of the asset.

iii. External supplier catalogue approach: Current external supplier catalogues such as Federal Logistics Data (FEDLOG) for US-procured assets are utilised. Prices listed may not be representative of actual market transactions. Prices sourced from these catalogues are an estimate at a point in time and may be influenced by factors such as quantity purchased, existing supplier relationships and the strength of the market. Given these limitations, Defence must consider whether listed prices provide an appropriate basis for fair value.

iv. Sales price/Assets held for sale price approach: Defence considers recent sales price for SME platforms for the fair value exercise. Consistent with AASB 13, as this sale price is established from Memorandum of Sale between market participants. The asset will be valued at its sale price less any costs incurred to sell in line with the market approach for fair value measurement.

v. Indexation: This method allows Defence to revise the fair values of its SME assets where the aforementioned could not be applied. This approach considers underlying price inflation and cost escalation growth utilising readily available market indices. Indexation is then applied to the asset value, noting that the asset value may have been previously revised through one of the above listed methods. Where available, indices used are specific to the underlying SME assets such as the "Producer Price Index by industry - 2391 Shipbuilding and Repair Services" index, which is used for naval platforms. Other more general indices such as manufacturing index or wage price index cost of labour personnel (indirect market input) are sourced from reliable government sources such as the Australian Bureau of Statistics. The indexation approach also considers the movement in valuation of SME assets as a result of movement in foreign exchange for purchases in foreign currencies. Defence utilised a total of 54 indices and seven foreign exchange rates in these calculations. National indices from US, Spain, France and Australia are the significant contributors resulting in fair value decrement through indexation in 2020-21. US Dollar, Euro and Australian Dollar are the primary currencies impacting the prices used for indexation.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (continued)

##### Accounting Policy (continued)

###### (g) Depreciation

Property, plant and equipment items having limited useful lives are systematically depreciated over their estimated useful lives on a straight-line basis.

Depreciation rates (useful lives) are determined upon acquisition and are reviewed at each subsequent reporting date, and necessary adjustments are made in the current, or current and future reporting periods, as appropriate. Residual values are reviewed periodically and at least at each reporting date when assets are revalued.

The following are minimum and maximum useful lives for the different asset classes. These are not necessarily indicative of typical useful lives for these asset classes.

	2020-21	2019-20
Buildings	1 to 100 years	1 to 100 years
Infrastructure	4 to 99 years	3 to 99 years
Specialist military equipment	2 to 52 years	2 to 52 years
Software	2 to 24 years	2 to 24 years
Other intangibles	5 to 26 years	4 to 35 years
Other plant and equipment	2 to 79 years	2 to 76 years
Heritage and cultural	10 to Indefinite	10 to Indefinite

The depreciation rates for ROU assets are based on the commencement date of the lease to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

###### (h) Heritage and Cultural Assets

Heritage and cultural items include:

- artefacts and memorabilia that are or may be of national historical or cultural significance. While many of these items represent military achievements, including paintings, memorabilia and other military items, others are associated with developments in science and exploration such as museum pieces, decommissioned aircraft and military equipment, or with significant personal achievements, such as medals, badges, uniforms and other regalia.
- buildings of historical or cultural significance. These buildings may be used for office accommodation, residences, chapels, storage and gymnasiums but are primarily held for heritage and cultural purposes.

Artefacts and memorabilia are stored and managed by Service Museums (Navy, Army and Air Force). Each Service maintains their own documented processes and procedures for the storage, documentation, restoration and preservation of various artefacts depending on their type and sensitivity.

Conservation and preservation policies include the storage of these items under appropriate conditions including, exposure to minimal UV light, stable humidity and temperatures and maintaining a dust and pest free environment as well as cataloguing and maintenance. In addition, conservation programs within Service Museums aim to identify items requiring restoration.

Heritage and cultural estate assets are amortised on a straight-line basis over their anticipated useful lives. Heritage and cultural assets are stored, managed, displayed, repaired and restored in ways that will maintain their cultural or heritage value over time. Where conservation, restoration and preservation activities demonstrate that an asset will be maintained for an indefinite period, these items are considered to have indefinite useful lives and therefore, are not subject to depreciation.

Heritage buildings are managed by Defence Environmental Management. All Defence heritage buildings are included in the Defence Heritage Register and managed using the Defence Heritage Toolkit. This Toolkit sets out the strategies and policies for managing heritage buildings across the Defence estate as well as ensuring all disposals, acquisitions and development activities to these sites consider heritage issues and assess possible risks to any values and mitigation strategies via Heritage Impact Assessments. The Toolkit has been established in accordance with the *Environment Protection and Biodiversity Conservation Act 1999*. Further information on heritage management across the Defence estate can be obtained from the following site: <http://www.defence.gov.au/estatemangement/governance/Policy/Environment/Heritage/default.asp>.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

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#### 3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (continued)

##### Accounting Policy (continued)

###### (i) Intangible Assets

Defence's intangibles comprise externally acquired and internally developed computer software for internal use and other externally acquired and internally developed intangibles. Intangibles with gross values greater than \$1,000,000 are capitalised when they meet the recognition criteria in AASB 138.

All intangibles are amortised on a straight-line basis over their anticipated useful lives. The useful lives of Defence software are 2 to 24 years (2019-20: 2 to 24 years) and the useful lives of Defence's other intangibles are 5 to 26 years (2019-20: 4 to 35 years). All intangible assets are assessed annually for indications of impairment.

All Defence intangible assets are currently stated at cost less any subsequent accumulated amortisation and accumulated impairment losses.

Acquired intellectual property may form part of the acquisition of particular tangible assets. Where the acquired intellectual property is inseparable from the underlying tangible asset it is reflected in the value of the tangible asset in the statement of financial position.

Defence reviews the useful life of intangible assets annually based on the service potential of the assets. All Defence intangible assets have finite useful lives and are amortised over their anticipated useful lives. Where there is an indication that the service potential of an intangible asset is impaired, the recoverable amount of that asset is determined based on the remaining service potential. Where the recoverable amount is lower than the carrying amount, the asset is written down to its recoverable amount.

###### (j) Acquisition of Assets

Assets are initially recorded at cost on acquisition which includes the fair value of assets exchanged and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

###### (k) Impairment of Assets

Defence applies its impairment testing to the smallest identifiable group of assets that is useful to Defence in achieving its objectives and whose utility/usefulness is largely independent of the utility provided to Defence by other assets or groups of assets. All relevant assets were assessed for impairment during the year. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if Defence was deprived of the asset, its value in use is taken to be its depreciated replacement cost.

For SME assets, Defence carries out an annual impairment assessment for its assets to ensure that assets are not recorded at values greater than their recoverable amount. The sources of information used in the impairment assessment include, but are not limited to: annual asset reviews, monthly sustainment commentary of platforms, Quarterly Performance Reviews and other sources. Defence asset custodians provide biannual updates on the condition and the status of assets including at balance date.

The primary approach to quantify impairment is based on an estimate or an assessment of the cost to remediate the underlying impairment, undertaken by subject matter experts. Where quantification through these approaches is not possible, rate of effort (RoE) impairment is used to quantify the impairment. This approach uses performance shortfall parameters, such as an assessment of actual flying hours against forecasted flying hours. Any shortfall percentage is considered in the impairment calculation.



## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (continued)

##### (k) Impairment of Assets (continued)

For military support items, the condition and status of assets is monitored and recorded in Defence's logistics information system. The logistics information system provides information for indicators of impairment and then quantifies impairment. To further ensure the accuracy of the information held within the logistics information systems, the indicators are statistically verified through an annual inspection performed on a sample basis. Where required the impairment value is further adjusted to consider any time-lag between the physical condition of the asset and the condition indicator recorded against the asset in the logistics information system.

Due to various techniques applied in fair value methodology for SME, the following three tables summarise the results from various approaches.

The table below summarises the results by each technique and total movement in the Asset Revaluation Reserve (ARR) relating to SME is \$1,917.8 million.

Movement Asset Revaluation Reserve	Current year (\$'m)	Comparator (\$'m)	Sale price <sup>1</sup> (\$'m)	External supplier catalogue <sup>2</sup> (\$'m)	Indexation (\$'m)	Impairment and other adjustment (\$'m)	Total movement (\$'m)
<i>SME components</i>							
Platforms	(6.5)	(326.0)	(2.6)	-	(930.3)	154.2 <sup>(3)</sup>	(1,111.2)
Military support items	83.5	-	-	165.7	(585.1)	(470.7)	(806.6)
<b>Total</b>	<b>77.0</b>	<b>(326.0)</b>	<b>(2.6)</b>	<b>165.7</b>	<b>(1,515.4)</b>	<b>(316.5)</b>	<b>(1,917.8)</b>

<sup>1</sup> This approach is only relevant to platform assets

<sup>2</sup> This approach is only relevant to military support items

<sup>3</sup> The amount is a positive because there are more reversals this year than additional impairment

The tables below provide the net book value coverage by fair value methodology and the impact on ARR.

##### Platforms

Fair Value Technique	Net Book Value 30 June 2021 (\$'m)	Movement (\$'m)
Current Year	5,477.5	(6.5)
Comparator	2,142.1	(326.0)
Sale Price	168.6	(2.6)
Indexation	33,743.7	(930.3)
Historical Costs	23,235.2	(530.2)
Prices sourced externally	10,508.5	(400.1)
Other <sup>4</sup>	277.2	-
Impairment	-	154.2
<b>Total</b>	<b>41,809.1</b>	<b>(1,111.2)</b>

<sup>4</sup> Indicates decommissioned assets and assets that have reached end of life

##### Military support items

Fair Value Technique	Net Book Value 30 June 2021 (\$'m)	Movement (\$'m)
Current Year	1,375.9	83.5
External Supplier Catalogue	2,140.4	165.7
Indexation	11,772.0	(585.1)
Historical Costs	9,481.0	(338.1)
Prices sourced externally	2,291.0	(247.0)
Impairment	-	(470.7)
<b>Total</b>	<b>15,288.3</b>	<b>(806.6)</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

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#### 3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (continued)

##### *(l) Derecognition of Assets*

Assets are derecognised upon disposal or when no future economic benefits or capability are expected from their use or disposal.

##### *(m) Lease Right of Use (ROU) Assets*

Leased ROU assets are capitalised at the commencement date of the lease and comprise of the initial lease liability and initial direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for by Commonwealth lessees as separate asset classes to corresponding assets owned outright, but included in the same column (where the corresponding underlying assets would be presented if they were owned).

Defence assesses right of use lease assets to determine if impairment indicators exist at the end of each reporting period. A loss is recognised against any right of use lease asset that is impaired. Lease ROU assets held at cost are measured after deducting accumulated depreciation and any accumulated impairment losses in Defence's financial statements.

#### Significant Accounting Judgements and Estimates

Defence assesses non-financial assets for impairment by monitoring impairment indicators specific to an asset's use in the Defence context. Where these indicators signify that an asset is impaired, management has made an estimate of the recoverable amount, or the estimated cost of repair to bring the asset back to service, to determine any impairment loss.

Significant judgements applied in assessing assets for indicators of impairment include an assessment of each Defence platform's rate of effort against estimated planned performance over each financial period.

With the exception of intangible assets, Defence's non-financial assets are measured at fair value using revaluation techniques that require significant judgements and estimates to be made. These include judgements and estimates in relation to reference to comparable assets, recently purchased assets, recent market data available and indexation based on the country of manufacture. Furthermore, valuation for land, buildings, infrastructure, other plant and equipment and heritage and cultural assets are performed by independent external valuers using inputs such as sales prices of comparable assets, replacement cost, expected useful life and adjustments for obsolescence.

##### *(i) Managing Uncertainties*

Defence's SME asset base is measured at fair value using revaluation techniques that require significant judgements and estimates to be made as outlined above. Given the limited market, and the scarcity of fair comparators, it is possible that the fair value of SME assets will fluctuate. This is also true for revaluation adjustments of spare parts.

Defence manages uncertainty through robust and documented estimation process and thorough review of annual calculations. All reports and inputs received, such as comparator assessments and market indices are reviewed to ensure that they are appropriate and in line with accounting standards. The amount recognised in impairment is the best estimate of the consideration to remediate the underlying impairment.

While Defence assesses the fair values of its SME annually for statutory reporting purposes, these values do not impact the future procurement decisions for acquisition of Defence capabilities.

##### *(ii) SME Indices and Foreign Exchange data*

National indices from US, Spain, France and Australia are the significant contributors resulting in fair value decrement through indexation in 2020-21. US Dollar, Euro and Australian Dollar are the primary currencies impacting the prices used for indexation.

##### *(iii) Impact of COVID-19*

Defence has considered the impact of COVID-19 on valuation activities. Given the current economic climate, price indices in countries of manufacture may fluctuate. Despite this, Defence considers that the indices materially reflect the current economic conditions as at 30 June 2021, and application of the indices is appropriate in accordance with AASB 13.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

	2021 \$'000	2020 \$'000
<b>3.2B: Inventories</b>		
Inventories - General	2,469,837	2,335,148
Inventories - Explosive ordnance <sup>1</sup>	5,303,672	4,937,650
Inventories - Fuel	49,763	67,696
<b>Total inventories</b>	<b>7,823,272</b>	<b>7,340,494</b>

<sup>1</sup> Prior period balances have been restated. Refer to Note 8.3 for further details.

No items of inventory were recognised at fair value less cost to sell.

The reversal of previous inventory write downs is attributable to price and quantity adjustments in the current financial year.

#### Accounting Policy

Defence holds inventory for its own use and does not ordinarily hold inventory for sale. Sales of inventory relate to minor fuel sales to foreign governments. Inventory held for use is valued at cost adjusted where applicable for loss of service potential. Defence considers that loss of operating capacity due to obsolescence is the most appropriate basis for loss of service potential of its inventories.

Costs incurred in bringing each item of inventory (primarily explosive ordnance and general stores inventory) to its present location and condition that are capable of being allocated on a reasonable basis are assigned to inventory. The costs of inventories are assigned by using the weighted average cost formula.

Inventories acquired at no cost or nominal considerations are measured at current replacement cost at the date of acquisition. Items of inventory are periodically evaluated with excess and obsolete inventory recorded as a reduction to inventory and an expense.

#### Significant Accounting Judgements and Estimates

Significant estimates and assumptions made in relation to inventory include:

- For all identified obsolete inventories, it is assumed that the service potential is nil; and
- The recognised obsolete inventories are valued using the average of all relevant district weighted average costs rather than the actual cost of the holding.
- Due to the nature of Defence operations, some assets have restrictions on title. Restrictions on title vary depending on each individual agreement, such as limitations in transactions where Defence is required to obtain relevant approval for sale. Whilst the effect of restrictions on some assets can be quantified, there are others that cannot, such as those titles held in inactive or unsophisticated markets. As part of the valuation process, consideration is given to the restrictions on title.

#### 3.2C: Prepayments

Capital prepayments	991,815	906,094
Non-capital prepayments	752,534	919,848
<b>Total prepayments</b>	<b>1,744,349</b>	<b>1,825,942</b>

#### Accounting Policy

Prepayments, excluding those paid to employees as retention benefit payments, are recognised if the value of the payment is \$50,000 or greater.

#### 3.2D: Assets held for sale

Land and buildings	86,535	46,148
Specialist military equipment	150,703	169,635
Infrastructure, Plant and equipment	1,113	39
<b>Total assets held for sale</b>	<b>238,351</b>	<b>215,819</b>

#### Accounting Policy

Non-current assets are classified as held for sale if the carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Classification as held for sale occurs when the asset is available for immediate sale in its present condition, and the sale is highly probable. On classification as held for sale, the asset is measured at the lower of its carrying amount and fair value less costs to sell. Any write down to fair value less costs to sell is recognised as an impairment loss. Assets which have been classified as held for sale are no longer subject to depreciation or amortisation.

The Australian Defence Sales Catalogue lists selected surplus Australian Defence Force (ADF) equipment and platforms that are held for sale. These platforms are available to Australia's international partners on a Government-to-Government and Commercial-to-Government sales transfer basis. The transfer of ex-ADF equipment to foreign governments is subject to approval processes, independent from the Australian Defence Export Office.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

	2021	2020
	\$'000	\$'000

### 3.3: Payables

#### 3.3A: Suppliers payables

Trade creditors and accruals

**Total suppliers payables**

4,665,311	2,719,992
<b>4,665,311</b>	<b>2,719,992</b>

Settlement is usually made within 20 days (2019-20: 20 days).

#### 3.3B: Employee payables

##### Australian Public Service (APS) employee payables

Salaries and wages

Superannuation

37,604	21,829
5,245	4,159

##### Australian Defence Force (ADF) employee payables

Salaries and wages

Superannuation

110,447	89,887
35,111	30,102

**Total employee payables**

<b>188,407</b>	<b>145,977</b>
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#### 3.3C: Other payables

Statutory payable

Other

**Total other payables**

209,205	275,969
228,251	282,957
<b>437,456</b>	<b>558,926</b>

### 3.4: Interest Bearing Liabilities

#### 3.4A: Leases

Lease Liabilities<sup>1</sup>

**Total leases**

2,909,311	2,884,524
<b>2,909,311</b>	<b>2,884,524</b>

#### Maturity analysis - contractual undiscounted cash flows

Within 1 year

Between 1 to 5 years

More than 5 years

**Total leases**

434,086
1,386,417
2,471,997
<b>4,292,501</b>

<sup>1</sup> Defence as a lessee enters into a range of leases covering land, buildings, specialist military equipment, infrastructure, plant and other equipment to support its operational requirements and to deliver effective outcomes for the Australian Government. There are no leases that are individually significant to Defence and the terms and conditions of leases vary according to Defence's requirements. Where leases contain price increases they ordinarily are either a fixed percentage of the lease payments, or variable based on a rate such as a price or cost index. In some cases, leases will contain options for Defence to extend the lease term or purchase the asset at the conclusion of the lease. Defence considers all relevant facts and circumstances that create an economic incentive for Defence to exercise, or not to exercise, the option, including any expected changes in facts and circumstances.

Defence does not guarantee the residual value of any significant lease assets and no sale and leaseback transactions were recorded in either the 2019-20 or 2020-21 financial years. Defence in its capacity as lessee does not have significant leasing arrangements with below market terms. Total cash outflows for leases for the year ended 30 June 2021 was \$449.7 million (2019-20: \$445.3 million).

All leases related information that is relevant to users of financial statements has been presented elsewhere in the financial statements, in addition to the above lease disclosures. The above lease disclosures should be read in conjunction with the accompanying notes 1.1B, 1.1D and 1.2B.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

<b>3.5: Provisions</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>3.5A: Employee provisions</b>		
<b>Australian Public Service (APS) employee provisions</b>		
Leave	738,135	744,390
<b>Total APS employee provisions</b>	<b>738,135</b>	<b>744,390</b>
<b>Australian Defence Force (ADF) employee provisions</b>		
Leave	2,517,306	2,644,741
Other provisions	27,817	23,464
<b>Total ADF employee provisions</b>	<b>2,545,123</b>	<b>2,668,205</b>
<b>Total employee provisions</b>	<b>3,283,258</b>	<b>3,412,595</b>
<b>Employee provisions are expected to be settled in:</b>		
No more than 12 months	992,309	1,040,035
More than 12 months	2,290,949	2,372,560
<b>Total employee provisions</b>	<b>3,283,258</b>	<b>3,412,595</b>

#### Accounting Policy

The relevant accounting policy for employee provisions is detailed in Note 1.1A Employee Benefits.

#### Significant Accounting Judgements and Estimates

The Australian Government Actuary (AGA) is engaged to provide actuarial assessments of employee liabilities in respect of provisions for annual leave and long service leave based on a variety of factors including but not limited to the likely tenure of existing staff, patterns of leave claims and payouts, future salary movements and future discount rates.

<b>3.5B: Restoration, decontamination and decommissioning provisions</b>		
Provisions for restoration	68,613	94,280
Provisions for decommissioning	506,564	626,701
Provisions for decontamination	568,852	693,053
<b>Total restoration, decontamination and decommissioning provisions</b>	<b>1,144,029</b>	<b>1,414,034</b>

#### Accounting Policy

Where a legal or constructive obligation arises on acquisition to restore an asset back to its original condition, or dismantle an asset at the end of its useful life, the net present value of estimated restoration and/or decommissioning costs is capitalised and added to the cost of the underlying asset and depreciated over the asset's useful life. At the same time, a corresponding provision is recognised for these costs. The carrying amount of the provision is adjusted to reflect the passage of time and any incremental costs are recognised as finance costs.

Where a legal or constructive obligation arises as a result of operations of Defence (i.e. use of the asset) the cost of restoration is recognised as an expense in the period in which the obligation arises.

Where Defence acquires land that is contaminated, the costs associated with the decontamination are capitalised as part of the land asset in its acquisition price. For land contaminated through use, the decontamination provisions are expensed through the income statement on the basis that the decontamination restores the land to its original state, being repairs and maintenance in nature and bringing no enhanced economic benefits to Defence. The activities that result in the contamination, such as damage to land from an oil spill or from training activities, are operating in nature and therefore the decontamination activities are also considered operating in nature and are expensed accordingly. Defence's land valuations do not factor in any decontamination costs into their valuation for financial reporting purposes.

One of the following past events would give rise to a constructive obligation:

- a public announcement or statement by Government or Defence that a site would be restored;
- the existence of an established pattern of past practice of restoring sites of a particular nature or type; or
- a specific policy adopted by Government with regard to restoration of sites of a particular nature or type.

Defence currently has 129 (2019-20: 147) agreements for the leasing of premises which have provisions requiring the entity to restore the premises to their original condition at the conclusion of the lease. Defence has made a provision to reflect the present value of this obligation.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### Significant Accounting Judgments and Estimates

Provisions for specialist military equipment decommissioning are based on Defence's estimates of future obligations relating to the underlying assets. These are management's best estimates based on actual decommissioning costs incurred for similar assets and are reviewed annually. Provisions for land decontamination and site restoration are supported by external valuations. Estimated provisions are adjusted to future value by applying a five year average of forecast consumer price index and discounting back to present value using the long term government bond rate.

Refer to Note 3.5D for a reconciliation of this balance.

	2021	2020
	\$'000	\$'000
<b>3.5C: Other provisions</b>		
Other provisions	296,562	332,561
<b>Total other provisions</b>	<b>296,562</b>	<b>332,561</b>

Refer to Note 3.5D for a reconciliation of this balance.

#### Accounting Policy

Provisions include possible future common law claims from several sources. The Australian Government Actuary (AGA) prepares an annual estimated future cost of certain potential common law claims. Provisions are recognised, in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets, when Defence is under an obligation to sacrifice future economic benefits but there is uncertainty about the timing or amount of the future expenditure required in settlement.

#### 3.5D: Reconciliation of provision balances

##### Movement in relation to 2021

	Restoration provisions \$'000	Decommissioning provisions \$'000	Decontamination provisions \$'000	Other provisions \$'000
<b>Carrying amount 1 July 2020</b>	94,280	626,701	693,053	332,561
Additional provisions made	624	17,654	94,467	-
Amounts used	-	(5,826)	(14,417)	(35,966)
Amounts reversed	(42,135)	(4,546)	(204,785)	-
Unwinding of discount rate	384	5,088	534	-
Parameter changes	15,459	(132,507)	-	(33)
<b>Closing balance 30 June 2021</b>	<b>68,613</b>	<b>506,564</b>	<b>568,852</b>	<b>296,562</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### ASSETS AND LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT

This section analyses assets used to conduct operations and the operating liabilities incurred as a result of activities that Defence does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

#### 4.1: Administered - Financial Assets

	2021 \$'000	2020 \$'000
<b>4.1A: Cash and cash equivalents</b>		
Cash held in the OPA - Special Accounts	277,148	146,014
<b>Total cash and cash equivalents</b>	<b>277,148</b>	<b>146,014</b>

The closing balance of cash in special accounts does not include amounts held in trust of \$1.73 million (2019-20: \$1.73 million). See Note 5.2 Special Accounts and Note 8.1 Assets Held in Trust for more information.

#### 4.1B: Trade and other receivables

##### Goods and services:

In connection with - external parties	31,075	30,545
<b>Total goods and services receivable</b>	<b>31,075</b>	<b>30,545</b>

##### Other receivables:

Dividends	47,130	25,604
Loans receivable - Defence Housing Australia <sup>1</sup>	-	509,580
Competitive neutrality - Defence Housing Australia	3,659	5,643
<b>Total other receivables</b>	<b>50,789</b>	<b>540,827</b>
<b>Total trade and other receivables (gross)</b>	<b>81,864</b>	<b>571,372</b>

##### Less impairment allowance:

Goods and services	(373)	(380)
<b>Total impairment allowance</b>	<b>(373)</b>	<b>(380)</b>
<b>Total trade and other receivables (net)</b>	<b>81,491</b>	<b>570,992</b>

<sup>1</sup> The loans to Defence Housing Australia (DHA) have been transferred to the Department of Finance (Finance) as part of the determination made under subsection 78(1) of the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)* to establish the DHA Borrowings Special Account 2020 (the special account).

Credit terms for goods and services were within 30 days (2019-20: 30 days).

#### Accounting Policy

##### Loans and Receivables

Where loans and receivables are not subject to concessional treatment, they are carried at amortised cost using the effective interest method. Gains and losses due to impairment, derecognition and amortisation are recognised as income or expense.



## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

	2021 \$'000	2020 \$'000
<b>4.1C: Equity accounted investments</b>		
Investments in Defence Housing Australia	2,643,333	2,630,545
Investments in other small portfolio entities	88,437	80,959
<b>Total investments accounted for using the equity method</b>	<b>2,731,770</b>	<b>2,711,504</b>

#### Accounting policy

Defence reports the Australian Government's capital investment in Defence Housing Australia (DHA).

The investment is classified as 'fair value through other comprehensive income' and is measured at fair value using the net assets valuation approach in accordance with the Financial Reporting Rule (FRR). The investment was assessed for impairment at year end and no indicators of impairment were noted.

The Australian Government holds a 100% interest in DHA which is a Government Business Enterprise. The principal activity of DHA is to deliver adequate and suitable housing and housing related services that meet Defence's operational needs.

The following Commonwealth entities and companies are small portfolio bodies within the Defence Portfolio of which the Australian Government holds a 100% interest.

- **Australian Strategic Policy Institute Limited**

The Australian Strategic Policy Institute Limited is a Commonwealth company that provides policy-relevant research and analysis to inform Government decisions and public understanding of strategic and defence issues.

- **Army and Air Force Canteen Service (Frontline Defence Services)**

The Army and Air Force Canteen Service (AAFCANS), trading since 1915, provides on-base and deployed convenience food, services and everyday essentials through a variety of retail options. AAFCANS is a non-profit organisation that supports local base community.

- **Australian Military Forces Relief Trust Fund (Army Relief Trust Fund)**

The legislative name Australian Military Forces Relief Trust Fund, trades as the Army Relief Trust Fund, provides benefits for soldiers who are serving or who have served in the Australian Army and their dependants.

- **Royal Australian Air Force Veterans' Residences Trust Fund**

RAAF Veterans' Residences Trust was established for the purpose of providing residences for former members of the Air Force and their families who are in necessitous circumstances.

- **Royal Australian Air Force Welfare Trust Fund**

The Trust provides benefits for serving and former members of the Royal Australian Air Force and their dependants.

- **Royal Australian Navy Central Canteens Board**

The Board administers the Royal Australian Navy Central Canteens Fund to provide sustainable recreational and lifestyle benefits to serving Navy members. The Board was prescribed as a Commonwealth authority under the Commonwealth Authorities and Companies Regulations 1997 on 1 July 2007.

- **Royal Australian Navy Relief Trust Fund**

The Fund provides welfare assistance to serving and ex-serving members of the RAN and their families.

- **AAF Company**

The Army Amenities Fund (AAF) Company is a not for profit company that acts as trustee of the Army Amenities Fund and Messes Trust Fund. The objectives of the Company are to provide amenities to enhance the well being of the soldiers in the Australian Army. This is achieved through a variety of means; however, the focal point is the provision of AAF Company owned holiday facilities and loans and grants for worthwhile projects.

- **RAAF Welfare Recreational Company (RWRC)**

To provide access to discounted recreational accommodation and to manage and promote RWRC owned recreational facilities for RAAF members, their families and other eligible persons, and to provide financial support to, and assist in the provision of, recreational amenities and services to RAAF members.

The Australian Strategic Policy Institute Limited is a Commonwealth company, the remaining bodies were established through either their own enabling legislation or constitution to provide oversight on the investment in these bodies on behalf of the beneficiaries. These investments are classified as 'fair value through other comprehensive income' and are measured using the net assets valuation approach in accordance with the FRR.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 4.2: Administered - Non-Financial Assets

	2021	2020
	\$'000	\$'000
<b>4.2A: Other non-financial assets</b>		
Prepayments - retention benefits	186,415	250,157
<b>Total other non-financial assets</b>	<b>186,415</b>	<b>250,157</b>

#### Accounting policy

Certain categories of ADF personnel, who are members of the Military Superannuation Benefits Scheme (MSBS) and have had 15 years of service, receive retention benefits as an incentive for continued service. Retention benefit payments are initially recorded as prepayments and amortised over the expected period of service.

#### 4.3: Administered - Payables

##### 4.3A: Other payables

Other payables	539	8,560
Special accounts liability	277,148	146,014
<b>Total other payables</b>	<b>277,687</b>	<b>154,574</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 4.4: Administered - Provisions

##### Overview of Schemes

Permanently appointed ADF employees of Defence are members of the Defence Forces Retirement Benefits Scheme (DFRB), the Defence Force Retirement and Death Benefits Scheme (DFRDB), the Military Superannuation and Benefits Scheme (MSBS) or the Australian Defence Force Superannuation (ADF Super)<sup>1</sup>. DFRB and DFRDB are fully unfunded defined benefit plans while MSBS is a partially funded defined benefit plan. DFRB, DFRDB and MSBS are closed to new members. All new members of the ADF are now eligible to enter ADF Super which is a defined contribution plan fully funded by employer contributions of 16.4% of member's full earnings. All new ADF members are entitled to an insurance cover for death and invalidity benefits under the provisions of the ADF Cover arrangement. ADF Cover is a fully unfunded scheme with all costs met by the Australian Government. It is a defined benefit plan.

Defence makes employer contributions for DFRB, DFRDB and MSBS based on an agreed employer contribution rate. The employer contributions assist the Government in meeting the cost of the superannuation entitlements under these defined benefit plans. Defence accounts for these employer contributions as contributions to defined contribution plans in accordance with AASB 119 in its departmental financial statements.

Defence, on behalf of the Australian Government, is responsible for administering the four defined benefit plans relating to DFRB, DFRDB, MSBS and ADF Cover. Defence recognises an administered liability for the present value of the Australian Government's expected future payments arising from the four defined benefit plans. These liabilities are based on an annual actuarial assessment performed by the Australian Government Actuary (AGA). Defence also has the responsibility to record the Australian Government's transactions in relation to the four defined benefit plans.

##### Accounting Policy and Measurement

In addition to the annual actuarial assessment, the AGA also completes a full review of the unfunded liabilities for the four defined benefit plans every three years and issues a Long Term Cost Report (LTCR). The demographic assumptions underlying the annual actuarial assessment are updated every three years as part of the LTCR. The economic assumptions underlying the actuarial assessment are updated annually. The most recent LTCR was issued for the 30 June 2020 financial year and forms the basis for the demographic assumptions applied in calculation of the net defined benefit liability (unfunded) for DFRB, DFRDB, MSBS and ADF Cover as at 30 June 2021.

Actuarial gains or losses arising from the annual actuarial assessment are recognised in Other Comprehensive Income in equity in the year in which they occur. Current and past service cost and interest on the net defined benefit liability are recognised in the line item 'employee benefits expense' in the Administered Schedule of Comprehensive Income. The return on fair value of plan assets excluding the amount included in interest income is recognised in equity. The net defined benefit liability is calculated annually as the present value of future obligations less the fair value of plan assets. The net defined benefit liability recognised in the Administered Schedule of Assets and Liabilities under the line item 'employee provisions' represents the actual deficit or surplus in Defence's four defined benefit plans.

<sup>1</sup>Individuals eligible for ADF Super can choose to join a superannuation scheme of their choice to receive employer contributions.

Amounts recognised in the Schedule of Assets and Liabilities	2021 \$'000	2020 \$'000
<b>4.4A: Employee provisions</b>		
Superannuation - DFRB	375,800	460,300
Superannuation - DFRDB	45,397,000	51,559,000
Superannuation - MSBS	131,734,000	134,511,000
Insurance cover - ADF Cover	2,712,900	1,620,900
<b>Total employee provisions</b>	<b>180,219,700</b>	<b>188,151,200</b>
<b>Employee provisions are expected to be settled in:</b>		
No more than 12 months	3,072,000	2,737,000
More than 12 months	177,147,700	185,414,200
<b>Total employee provisions</b>	<b>180,219,700</b>	<b>188,151,200</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 4.5: Administered - Defined Benefit Plans

##### Scheme Information

##### Funding Arrangements

The funding arrangements for the various schemes and the ADF Cover arrangement are as follows:

Scheme	Funding
DFRB	The scheme has no active members and therefore no employer contributions are made into the scheme. Benefits are paid from consolidated revenue on an emerging cost (or pay as you go) basis, which results in contributions from consolidated revenue made into the scheme equalling the benefits paid out from the scheme.
DFRDB	Unfunded as employer contributions and member contributions made to assist the Government in meeting the costs of the scheme are not held by the scheme, but paid directly into consolidated revenue. DFRDB's members contribute 5.5 per cent of the highest incremental salary for rank plus service allowance, which is paid into consolidated revenue. Benefits are paid from consolidated revenue on an emerging cost (or pay as you go) basis, which results in contributions made into the scheme equalling the benefits paid out from the scheme. Employer contributions also include the 3 per cent productivity contributions. Member contributions paid are included within the service cost.
MSBS	Partially funded as member contributions and some employer contributions are paid into the scheme, that is the MSB Fund, while the remaining employer contributions are paid directly into consolidated revenue. Employer productivity contributions of 3 per cent of superannuation salary, member contributions, usually of 5 per cent of superannuation salary, employee salary sacrifice contributions and Superannuation Guarantee top up payments are paid into the MSB Fund. The balance of superannuation benefits payable, after allowing for any funded part of the benefit, under the Military Superannuation and Benefits Act 1991, are paid from consolidated revenue on an emerging (or pay as you go) basis.
ADF Cover	Unfunded. No employer contributions are made in relation to ADF Cover as this arrangement is only providing death and invalidity benefits as these arise for employees that are eligible to be members of the ADF Super defined contribution plan. Benefits are paid from consolidated revenue on an emerging cost (or pay as you go) basis, which results in contributions made into the scheme equalling the benefits paid out from the scheme.

##### Benefits Paid

The nature of the benefits provided under the schemes are as follows:

Scheme	Benefits Paid
DFRB	All remaining DFRB members are in receipt of indexed lifetime pensions.
DFRDB	Length of service is the primary factor that determines benefit entitlement. Members who retire from the Australian Defence Force after twenty years of effective service (or after fifteen years of service at retirement age for rank) are entitled to an indexed lifetime pension <sup>1</sup> based on a percentage of their annual pay on retirement, some of which can be commuted to a lump sum. Members are entitled to a productivity benefit based on contributions of 3 per cent of pay increased with interest, which is paid as a lump sum in addition to the defined benefits. Most members are currently in receipt of a lifetime pension.
MSBS	Benefits payable comprise a lump sum of accumulated member contributions and an employer financed defined benefit. The employer financed defined benefit is calculated on the basis of the member's final average salary, length of contributory service and includes the 3 per cent of salary productivity component. Benefits arising from member's contributions are determined by the value of contributions and investment returns. The employer financed defined benefits payable may be taken as a lump sum or as an indexed lifetime pension <sup>1</sup> or as a combination of lump sum and pension. MSBS also has an ancillary accumulation section which can accept other employer contributions and member contributions for the provision of fully funded accumulation lump sum benefits.  An Invalidity benefit may also be payable, which depends on the level of invalidity suffered. Invalidity benefit type A pensions (60%-100% incapacity) are larger and have a higher cost compared to the invalidity benefit types B (30%-59% incapacity) and C (less than 30% incapacity).
ADF Cover	ADF Cover provides death and invalidity benefits for ADF personnel eligible to join the ADF Super accumulation scheme. A lump sum payment is payable upon the death of a member whilst in service based on prospective future service to age sixty and salary at death. A surviving spouse can opt to receive a pension in lieu of the lump sum death benefit. On an invalidity exit, the invalidity benefit type A is calculated based on a lifetime pension <sup>1</sup> of (60 less member's age at invalidity exit) x 2.2% x superannuation salary at exit plus a temporary top up pension payable to age 60 of completed years of service at exit x 2.2% x superannuation salary at exit. For Invalidity B benefits, a percentage of 1.1% is used to calculate benefits, while no benefits are payable for invalidity type C. Invalidity types for ADF Cover are determined using the same incapacity rates that apply for MSBS as outlined above.

<sup>1</sup>These pensions have an attaching lifetime reversionary pension payable to a surviving spouse following the death of the member.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 4.5: Administered - Defined Benefit Plans (continued)

##### Regulatory Framework

The applicable regulatory framework for each scheme and arrangement is as follows:

Scheme	Enabling Act	Period open for new members	Requirement
DFRB	<i>Defence Forces Retirement Benefits Act 1948</i>	From July 1948 to 30 September 1972	Exempt from <i>Superannuation Industry (Supervision) Act 1993</i>
DFRDB	<i>Defence Force Retirement and Death Benefits Act 1973</i> and the <i>Defence Force Act 1903</i>	From 1 October 1972 to 30 September 1991	Exempt from <i>Superannuation Industry (Supervision) Act 1993</i>
MSBS	<i>Military Superannuation and Benefits Act 1991</i>	From 1 October 1991 to 30 June 2016	Compliance with <i>Superannuation Industry (Supervision) Act 1993</i>
ADF Cover	<i>Australian Defence Force Cover Act 2015</i>	From 1 July 2016	Exempt from <i>Superannuation Industry (Supervision) Act 1993</i>

##### Governance of the defined benefit schemes

Commonwealth Superannuation Corporation (CSC) was established under the Governance of *Australian Government Superannuation Schemes Act 2011* and is responsible for:

- Providing administration services for each scheme;
- Management and investment of scheme assets;
- Compliance with superannuation taxation and other applicable laws; and
- Compliance with relevant legislation including the *Governance of Australian Government Superannuation Schemes Act 2011*.

CSC is supported by a custodian and other specialist providers. CSC is legally separate from Defence.

##### Risks

The scheme specific risks, as detailed below, apply to all four schemes and arrangements, unless specified otherwise.

Risk	Exposure
Interest Rate Risk	The present value of the scheme liability (referred to as the defined benefit obligation) is calculated using a discount rate determined by reference to the government bond rate consistent with the term of the liability for each scheme. This rate has no regard to the actual return on any assets of the scheme. A decrease in the bond rate will increase the defined benefit obligation.
Longevity Risk	The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of scheme participants and their spouses both during and after their employment. An increase in the life expectancy of the scheme participants and their spouses will increase the defined benefit obligation.
Salary Risk	The present value of the defined benefit obligation is calculated by reference to the future salaries of scheme participants. An increase in the salary (in excess of that assumed) of the participants prior to retirement will increase the defined benefit obligation. This risk does not apply to the DFRB and has minimal application to ADF Cover.
Pension Increase Risk	The present value of the defined benefit obligation is calculated by reference to the level of future pension indexation. For MSBS and ADF Cover pensioners, and DFRB and DFRDB pensioners under age 55, the pensions are linked to increases in the Consumer Price Index (CPI). For DFRB pensioners and DFRDB pensioners aged 55 or more, pension increases are calculated as the greater of CPI and Pensioner and Beneficiary Living Cost Index and benchmarked against a Male Total Average Weekly Earnings index. Higher than assumed pension increases will increase the defined benefit obligation.
Invalidity Exit Risk	Benefits are in the form of an indexed pension payable for life and the benefit formula is based on service to retirement age and level of invalidity suffered by the member. A temporary top up pension to age 60 is also payable for ADF Cover members. An increase in invalidity exits will increase the defined benefit obligation for MSBS and ADF Cover schemes only. This risk is not relevant for the DFRB and has minimal application to the DFRDB due to the absence of active members in these schemes.
Pension Take-up Risk	This risk is relevant for the MSBS scheme only. For MSBS, retiring members and surviving spouses of members who die in service have the option to receive the employer benefit as a part or full pension, compared to the alternative lump sum. When an individual opts to receive a pension on retirement, the actuarial value of the pension is greater than the value of the lump sum benefit foregone. Higher pension take up rates will increase the defined benefit obligation.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 4.5: Administered - Defined Benefit Plans (continued)

##### Assumptions

The economic assumptions outlined below are significant factors affecting the estimate of the scheme liability. However, the relationship between these assumptions is significant. Changes of equal magnitude in the absolute levels of each of the rates can have a major effect on nominal cash flows but may have only a minor effect on the liability and service cost.

For the defined benefit obligation, a range of other assumptions have also been made regarding rates of retirement, death (for active, preserved and pension members), mortality improvements, invalidity, resignation, retrenchment, retention and take up rates of pensions in the schemes. Assumptions have also been made for the ages of spouses and the proportion of members married at the time of their death.

Membership data for DFRB, DFRDB, MSBS and ADF Cover as at 30 June 2020 was used to calculate liabilities in the AASB 119 update. These liabilities were then projected forward to 30 June 2021, allowing for assumptions in accordance with the 2020 LTCR. The liabilities were then adjusted for aggregate experience over the year. In particular, actual experience relating to invalidity exits, pension increase rates, general salary increase rates, benefit payments, salaries per payroll data and the MSBS invested fund was incorporated.

##### Principal actuarial assumptions for the various schemes are as follows:

The demographic assumptions utilised for the 30 June 2021 actuarial estimate of DFRB, DFRDB, MSBS and ADF Cover are based on the assumptions used in the 30 June 2020 LTCR.

	2021	2020
<b>DFRB</b>		
Discount rate at 30 June	1.6%	1.0%
Expected pension increase rate <sup>1</sup>	-	-
Expected pension increase rate (aged 55 or more) <sup>2</sup>	4.0%	4.0%
Expected pension increase rate (aged less than 55) <sup>2</sup>	2.5%	2.5%

<sup>1</sup> Salary growth rate is nil as members are all pensioners.

<sup>2</sup> Short term Age Pension methodology increases for those age 55 or more are assumed to be 2.2% for two years (2021-22 to 2022-23) and 2.7% for the following two years (2023-24 to 2024-25) before reverting to the long term assumed rate of 4.0% per annum from 2025-26. Short term CPI increases for those under age 55 are assumed to be 2.0% for two years (2021-22 to 2022-23) before reverting to 2.5% per annum from 2023-24.

<b>DFRDB</b>		
Discount rate at 30 June	2.1%	1.7%
Expected salary increase rate <sup>3</sup>	4.0%	4.0%
Expected pension increase rate (aged 55 or more) <sup>4</sup>	4.0%	4.0%
Expected pension increase rate (aged less than 55) <sup>5</sup>	2.5%	2.5%

<sup>3</sup> Separate promotional salary scales are used to allow for promotional salary increase. For the first three years from 2021-22 to 2023-24, assumed salary growth is 2.0% per annum, 3.0% for 2024-25 before reverting to 4.0% from the 2025-26 financial year.

<sup>4</sup> For members aged 55 or more, pension increase rate is based on the Age Pension methodology.

<sup>5</sup> Pension increase rate is determined using the short term pension increases for the first two years from 2021-22 to 2022-23 (2.0%) before reverting to the long term pension increases (2.5%) based on CPI.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 4.5: Administered - Defined Benefit Plans (continued)

	2021	2020
<b>MSBS</b>		
Discount rate at 30 June (active members and pensioners)	2.3%	1.7%
Expected rate of return on plan assets	2.3%	1.7%
Expected salary increase rate <sup>1</sup>	4.0%	4.0%
Expected pension increase rate <sup>2</sup>	2.5%	2.5%
Invalidity exits - new <sup>3</sup> (approximate)	1,400 p.a.	1,000 p.a.
Invalidity exits - retrospective <sup>3</sup>	400 p.a.	150 p.a.
Pension take-up rate for direct retirements (officers/other ranks) <sup>4</sup>	100%/95%	100%/90%
Pension take-up rate for current preserved members (officers/other ranks) <sup>4</sup>	90%/85%	85%/65%
Pension take-up rate for current serving members projected to exit with a preserved benefit and retire some time later (officers/other ranks) <sup>3</sup>	90%/85%	90%/80%

<sup>1</sup> Separate promotional salary scales are used to allow for promotional salary increase. For the first three years from 2020-21 to 2023-24, assumed salary growth is 2.0% per annum, then 3.0% for 2024-25 before reverting to 4.0% from the 2025-26 financial year

<sup>2</sup> Pension increase rate is determined using the short term pension increases for the first two years from 2020-21 to 2021-22 (2.0%) before reverting to the long term pension increases (2.5%) based on CPI.

<sup>3</sup> In the 2020 Long Term Cost Report, approximately 2,150 new invalidity pension commencements for 2020-21 were assumed for MSBS and ADF cover. With this trending downwards over time towards an underlying 1,700, the commencement of new retrospective invalidity pensions decreases. The figures shown above are in respect of the MSBS portion of assumed new invalidity pension commencements.

<sup>4</sup> The pension take-up rates for members that exit directly from service are much higher compared to those who exited service, became preserved members and then retired some time later.

#### ADF Cover

Discount rate at 30 June	2.3%	1.7%
Expected pension increase rate <sup>5</sup>	2.5%	2.5%
Invalidity exits - new <sup>6</sup>	599	324

<sup>5</sup> Pension increase rate is determined using the short term pension increases for the first two years from 2020-21 to 2021-22 (2.0%) before reverting to the long term pension increases (2.5%) based on CPI.

<sup>6</sup> This represents the number of claims that are expected to emerge in respect of incidents that take place each year, based on the same age dependent rates as those used for MSBS and the number of members in ADF Cover as at 30 June 2021. This represents approximately 2.6% of the current membership base of about 22,700. The number of new invalidity pensions commencing in 2021-22 arising from incidents in 2021/22 and earlier years is expected to be around 300.

#### Maturity Profile

The maturity profiles of the defined benefit obligation under the schemes are as follows:

Scheme	Maturity profile of defined benefit obligation
DFRB	The interest rate and probability weighted mean term of the liabilities is 9.6 years (2019-20: 10.7 years).
DFRDB	The interest rate and probability weighted mean term of the liabilities is 16.8 years (2019-20: 18.6 years).
MSBS	The interest rate and probability weighted mean term of the liabilities is 28.6 years (2019-20: 31.2 years).
ADF Cover	The interest rate and probability weighted mean term of the liabilities is 29.5 years (2019-20: 34.3 years).

#### Expected Contributions

The expected contributions which are the expected amount of benefit payments under the schemes are as follows:

Scheme	Expected contributions
DFRB	The expected employer contribution for 2021-22 is \$32m (2020-21 actual: \$37m).
DFRDB	The expected contribution (including 3% productivity contributions) for 2021-22 is \$1,635m (2020-21 actual: \$1,702m). Note that member contributions paid to consolidated revenue would be an offset to this.
MSBS	The expected contribution for 2021-22 is \$1,445m (2020-21 actual: \$1,293m). This includes expected employer contributions to meet unfunded benefit payments and funding via the MSBS Fund.
ADF Cover	The expected contribution for 2021-22 is \$54m (2020-21 actual: \$26m).



## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 4.5: Administered - Defined Benefit Plans (continued)

##### Sensitivity analysis for significant actuarial assumptions

The impact of a change in the defined benefit obligation reported as at 30 June 2021 under several scenarios is presented below.

	Change in assumption <sup>1</sup>	Impact on defined benefit obligation	
		Increase in assumption \$m	Decrease in assumption \$m
<b>DFRB</b>			
<b>Reported</b>	<b>\$377.1m</b>		
Discount rate	+/- 0.5%	(17.1)	18.6
Pension increase rate	+/- 0.5%	17.7	(16.5)
<b>DFRDB</b>			
<b>Reported</b>	<b>\$45,457m</b>		
Discount rate	+/- 0.5%	(3,510.0)	3,977.0
Salary and Age Pension methodology	+/- 0.5%	2,941.0	(2,656.0)
CPI increase rate (aged under 55)	+/- 0.5%	795.0	(784.0)
<b>MSBS</b>			
<b>Reported</b>	<b>\$143,953m</b>		
Discount rate	+/- 0.5%	(17,000.0)	20,000.0
Salary increase rate	+/- 0.5%	2,000.0	(2,000.0)
CPI increase rate	+/- 0.5%	17,000.0	(14,000.0)
Invalidity exits - new	+/- 40%	5,000.0	(5,000.0)
Pension take-up rate	+/-10%	4,000.0	(5,000.0)
<b>ADF Cover</b>			
<b>Reported</b>	<b>\$2,714m</b>		
Discount rate	+/- 0.5%	(348.0)	441.0
Pension increase rate	+/- 0.5%	441.0	(358.0)
Invalidity exits	+/- 40%	409.0	(409.0)

<sup>1</sup> Change in assumption reflects additive adjustments, except for invalidity exits, which reflect a multiplicative adjustment. The sensitivity analysis is based on the change in a particular assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The factors used to conduct the sensitivity analysis are based on an expectation of a realistic and potential movement in the defined benefit obligation, based on historical experience. The underlying results of the sensitivity factors used are deemed to be materially accurate as they are in line with historical experience and management's understanding of the underlying defined benefit obligation. There has been no change from previous periods in the methods and assumptions used to prepare the sensitivity analysis for economic assumptions. For demographic assumptions, the methods and assumptions used to undertake the sensitivity analysis are based on the 2020 LTCR.

Sensitivity analysis of economic assumptions of +0.5% and -0.5% for all four schemes is generally based on the methodology used for estimating the reported liability, except where noted below. These economic assumptions include the discount rate, pension increase rate (based on CPI or Salary and Age Pension methodology), CPI increase rate, and salary increase rate.

For ADF Cover, the sensitivity analysis for the discount rate of -0.5% is based on the experience of MSBS. The extrapolation is modelled based on the impact that a lower discount rate had on the MSBS reported liability, compared to the impact of a higher discount rate. This has been applied to extrapolate the -0.5% movement in the discount rate for ADF Cover.

The -0.5% sensitivity assumption used for the DFRB pension increase rate; DFRDB Salary and Age Pension methodology; and DFRDB CPI increase rate are modelled by extrapolation from the +0.5% calculation, assuming that the additive percentage increase in liability due to a higher +0.5% assumption will apply as a percentage decrease due to a lower -0.5% assumption.

**Department of Defence**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2021*

**4.5: Administered - Defined Benefit Plans (continued)**

Sensitivity analysis of the invalidity exits assumption (new invalidity pensions) for MSBS is based on the sensitivity analysis included in the 2020 LTCR and includes both direct exits from the ADF and new retrospective invalidity pensions. Given the uncertainty around new invalidity pension commencements, the sensitivity analysis in the 2020 LTCR allows for invalidity pension commencements to be 40 per cent higher than the assumed rate of 2,100 for 2021/22 across MSBS and ADF Cover combined. This sensitivity analysis effectively assumes that there would be around 3,000 new invalidity pension commencements across MSBS and ADF Cover combined trending down towards 2,400 over time.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 4.5: Administered - Defined Benefit Plans (continued)

The actuarial estimate of the net defined benefit liability for DFRB, DFRDB, MSBS, ADF Cover and in aggregate is presented below. The net defined benefit liability equals the present value of the future defined benefit obligation less the fair value of defined benefit plan assets. The most recent actuarial estimates were calculated by the AGA as at 30 June 2021. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The reconciliations included below show movements in the net defined benefit liability, the present value of the defined benefit obligation and the fair value of the defined benefit plan assets. The disclosures below are in line with requirements of AASB 119.

	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000
	DFRB	DFRDB	MSBS	ADF Cover	Total
<b>The amounts recognised in the Administered Schedule of Assets and Liabilities are as follows:</b>					
Present value of funded obligations	1,300	60,000	12,219,000	1,000	12,281,300
Fair Value of plan assets	(1,300)	(60,000)	(12,219,000)	(1,000)	(12,281,300)
Present value of unfunded obligations	375,800	45,397,000	131,734,000	2,712,900	180,219,700
<b>Net liability recorded:</b>	<b>375,800</b>	<b>45,397,000</b>	<b>131,734,000</b>	<b>2,712,900</b>	<b>180,219,700</b>
<b>The amount recognised in the Administered Schedule of Comprehensive Income are as follows:</b>					
Current service cost	-	102,000	5,258,000	974,000	6,334,000
Interest on obligation	4,400	863,000	2,495,000	36,000	3,398,400
Expected return on plan assets	-	-	(175,000)	-	(175,000)
<b>Total expense recognised:</b>	<b>4,400</b>	<b>965,000</b>	<b>7,578,000</b>	<b>1,010,000</b>	<b>9,557,400</b>
Actuarial losses/(gains) on liabilities recognised	(51,700)	(5,425,000)	(7,337,000)	108,000	(12,705,700)
Expected return on plan assets	-	-	175,000	-	175,000
Actual return on plan assets (interest income)	-	-	(1,900,000)	-	(1,900,000)
Actuarial (gains)/losses on plan assets recognised	-	-	(1,725,000)	-	(1,725,000)
<b>Other Comprehensive Income recorded:</b>	<b>(51,700)</b>	<b>(5,425,000)</b>	<b>(9,062,000)</b>	<b>108,000</b>	<b>(14,430,700)</b>
	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000
	DFRB	DFRDB	MSBS	ADF Cover	Total
<b>The amounts recognised in the Administered Schedule of Assets and Liabilities are as follows:</b>					
Present value of funded obligations	-	-	10,273,000	-	10,273,000
Fair Value of plan assets	-	-	(10,273,000)	-	(10,273,000)
Present value of unfunded obligations	460,300	51,559,000	134,511,000	1,620,900	188,151,200
<b>Net liability recorded:</b>	<b>460,300</b>	<b>51,559,000</b>	<b>134,511,000</b>	<b>1,620,900</b>	<b>188,151,200</b>
<b>The amount recognised in the Administered Schedule of Comprehensive Income are as follows:</b>					
Current service cost	-	124,000	5,444,000	662,300	6,230,300
Interest on obligation	6,900	1,031,000	2,626,000	20,200	3,684,100
Expected return on plan assets	-	-	(196,000)	-	(196,000)
<b>Total expense recognised:</b>	<b>6,900</b>	<b>1,155,000</b>	<b>7,874,000</b>	<b>682,500</b>	<b>9,718,400</b>
Actuarial losses/(gains) on liabilities recognised	(22,100)	(2,993,000)	1,709,000	214,600	(1,091,500)
Expected return on plan assets	-	-	196,000	-	196,000
Actual return on plan assets (interest income)	-	-	93,000	-	93,000
Actuarial (gains)/losses on plan assets recognised	-	-	289,000	-	289,000
<b>Other Comprehensive Income recorded:</b>	<b>(22,100)</b>	<b>(2,993,000)</b>	<b>1,998,000</b>	<b>214,600</b>	<b>(802,500)</b>

Department of Defence

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

4.5: Administered - Defined Benefit Plans (continued)

	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000
	DFRB	DFRDB	MSBS	ADF Cover	Total
<b>Reconciliation of the net defined benefit liability</b>					
Opening value at 1 July	460,300	51,559,000	134,511,000	1,620,900	188,151,200
Current Service cost	-	102,000	5,258,000	974,000	6,334,000
Interest cost	4,400	863,000	2,495,000	36,000	3,398,400
Expected return on plan assets (interest income)	-	-	(175,000)	-	(175,000)
Losses/(gains) on curtailments and settlements	-	-	-	-	-
Total expense	4,400	965,000	7,578,000	1,010,000	9,557,400
Actuarial losses/(gains) in plan assets recognised in other comprehensive income	-	-	(1,725,000)	-	(1,725,000)
Actuarial losses/(gains) in liabilities arising from:					
Changes in liability experience	(2,300)	(55,000)	4,565,000	382,000	4,889,700
Changes in financial assumptions	(19,300)	(2,825,000)	(24,095,000)	(497,000)	(27,436,300)
Changes in demographic assumptions*	(30,100)	(2,545,000)	12,193,000	223,000	9,840,900
Contributions	(37,200)	(1,702,000)	(1,293,000)	(26,000)	(3,058,200)
Past service cost	-	-	-	-	-
<b>Net defined benefit liability as at 30 June</b>	<b>375,800</b>	<b>45,397,000</b>	<b>131,734,000</b>	<b>2,712,900</b>	<b>180,219,700</b>
<b>Reconciliation of the present value of the defined benefit obligation</b>					
Opening present value at 1 July	460,300	51,559,000	144,784,000	1,620,900	198,424,200
Current Service cost	-	102,000	5,258,000	974,000	6,334,000
Interest cost	4,400	863,000	2,495,000	36,000	3,398,400
Losses/(gains) on curtailments and settlements	-	-	-	-	-
Funded contributions by plan participants	-	-	254,000	-	254,000
Actuarial losses/(gains) in liabilities arising from:					
Changes in liability experience	(2,300)	(55,000)	4,565,000	382,000	4,889,700
Changes in financial assumptions	(19,300)	(2,825,000)	(24,095,000)	(497,000)	(27,436,300)
Changes in demographic assumptions*	(30,100)	(2,545,000)	12,193,000	223,000	9,840,900
Benefits paid	(35,900)	(1,642,000)	(1,501,000)	(25,000)	(3,203,900)
Past service cost	-	-	-	-	-
<b>Defined benefit obligation as at 30 June</b>	<b>377,100</b>	<b>45,457,000</b>	<b>143,953,000</b>	<b>2,713,900</b>	<b>192,501,000</b>
* The demographic assumptions used for the 30 June 2021 actuarial estimate are based on the 30 June 2020 LTCR.					
<b>Reconciliation of the fair value of plan assets</b>					
Opening fair value at 1 July	-	-	10,273,000	-	10,273,000
Expected return on plan assets (interest income)	-	-	175,000	-	175,000
Experience actuarial gains/(losses)	-	-	1,725,000	-	1,725,000
Contributions	37,200	1,702,000	1,293,000	26,000	3,058,200
Funded contributions by plan participants	-	-	254,000	-	254,000
Benefits paid	(35,900)	(1,642,000)	(1,501,000)	(25,000)	(3,203,900)
<b>Fair value of plan assets at 30 June</b>	<b>1,300</b>	<b>60,000</b>	<b>12,219,000</b>	<b>1,000</b>	<b>12,281,300</b>
The major categories of plan assets at the end of the reporting period for each category, as follows:					
Australian equities	-	-	3,176,940	-	3,176,940
Overseas equities	-	-	3,054,750	-	3,054,750
Property and infrastructure	-	-	1,344,090	-	1,344,090
Private equity	-	-	1,221,900	-	1,221,900
Cash, debt instruments	-	-	2,077,230	-	2,077,230
Other liabilities	-	-	1,344,090	-	1,344,090
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>12,219,000</b>	<b>-</b>	<b>12,219,000</b>

The actual return on plan assets was a gain of \$1,900m (2019-20: loss of \$93m). The fair value of scheme assets relates to investments in the CSC Pooled Superannuation Trust. These are disclosed as level 2 in the fair value hierarchy, where the net market value is derived from observable inputs (other than quoted prices) such as prices or derived from prices.

Department of Defence

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

4.5: Administered - Defined Benefit Plans (continued)

	2020 \$'000 DFRB	2020 \$'000 DFRDB	2020 \$'000 MSBS	2020 \$'000 ADF Cover	2020 \$'000 Total
<b>Reconciliation of the net defined benefit liability</b>					
Opening value at 1 July	513,900	55,023,000	125,745,000	736,300	182,018,200
Current Service cost	-	124,000	5,444,000	662,300	6,230,300
Interest cost	6,900	1,031,000	2,626,000	20,200	3,684,100
Expected return on plan assets (interest income)	-	-	(196,000)	-	(196,000)
Total expense	6,900	1,155,000	7,874,000	682,500	9,718,400
Actuarial losses/(gains) in plan assets recognised in other comprehensive income	-	-	289,000	-	289,000
Actuarial losses/(gains) in liabilities arising from:					
Changes in liability experience	(6,500)	(874,000)	(239,000)	157,000	(962,500)
Changes in financial assumptions	(15,600)	(2,119,000)	1,948,000	57,600	(129,000)
Contributions	(38,400)	(1,626,000)	(1,106,000)	(12,500)	(2,782,900)
<b>Net defined benefit liability as at 30 June</b>	<b>460,300</b>	<b>51,559,000</b>	<b>134,511,000</b>	<b>1,620,900</b>	<b>188,151,200</b>
<b>Reconciliation of the present value of the defined benefit obligation</b>					
Opening present value at 1 July	513,900	55,023,000	136,008,000	736,300	192,281,200
Current Service cost	-	124,000	5,444,000	662,300	6,230,300
Interest cost	6,900	1,031,000	2,626,000	20,200	3,684,100
Funded contributions by plan participants	-	-	280,000	-	280,000
Actuarial losses/(gains) in liabilities arising from:					
Changes in liability experience	(6,500)	(874,000)	(239,000)	157,000	(962,500)
Changes in financial assumptions	(15,600)	(2,119,000)	1,948,000	57,600	(129,000)
Benefits paid	(38,400)	(1,626,000)	(1,283,000)	(12,500)	(2,959,900)
<b>Defined benefit obligation as at 30 June</b>	<b>460,300</b>	<b>51,559,000</b>	<b>144,784,000</b>	<b>1,620,900</b>	<b>198,424,200</b>
* The demographic assumptions used for the 30 June 2020 actuarial estimate are based on the 30 June 2017 LTCR.					
<b>Reconciliation of the fair value of plan assets</b>					
Opening fair value at 1 July	-	-	10,263,000	-	10,263,000
Expected return on plan assets (interest income)	-	-	196,000	-	196,000
Experience actuarial gains/(losses)	-	-	(289,000)	-	(289,000)
Contributions	38,400	1,626,000	1,106,000	12,500	2,782,900
Funded contributions by plan participants	-	-	280,000	-	280,000
Benefits paid	(38,400)	(1,626,000)	(1,283,000)	(12,500)	(2,959,900)
<b>Fair value of plan assets at 30 June</b>	<b>-</b>	<b>-</b>	<b>10,273,000</b>	<b>-</b>	<b>10,273,000</b>
The major categories of plan assets at the end of the reporting period for each category, as follows:					
Australian equities	-	-	2,362,790	-	2,362,790
Overseas equities	-	-	2,362,790	-	2,362,790
Property and infrastructure	-	-	1,232,760	-	1,232,760
Private equity	-	-	719,110	-	719,110
Cash, debt instruments	-	-	2,157,330	-	2,157,330
Other liabilities	-	-	1,438,220	-	1,438,220
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>10,273,000</b>	<b>-</b>	<b>10,273,000</b>

The actual return on plan assets was a loss of \$93m (2018-19: gain of \$737m). The fair value of scheme assets relates to investments in the CSC Pooled Superannuation Trust. These are disclosed as level 2 in the fair value hierarchy, where the net market value is derived from observable inputs (other than quoted prices) such as prices or derived from prices.

Department of Defence  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2021*

**FUNDING**

This section identifies Defence's funding structure.

**5.1: Appropriations**

**5.1A: Annual appropriations ('Recoverable GST exclusive')**

**Annual Appropriations for 2020-21**

	Annual Appropriation <sup>1</sup> \$'000	Adjustments to appropriation <sup>2</sup> \$'000	Total Appropriation \$'000	Appropriation applied in 2021 (Current and prior years) \$'000	Variance <sup>3</sup> \$'000
<b>DEPARTMENTAL</b>					
Ordinary annual services	27,578,533	1,027,561	28,606,094	27,906,534	699,560
Capital budget <sup>4</sup>	2,718,949	-	2,718,949	2,691,667	27,282
<b>Other services</b>					
Equity injection	11,671,009	-	11,671,009	10,123,411	1,547,598
<b>Total departmental</b>	<b>41,968,491</b>	<b>1,027,561</b>	<b>42,996,052</b>	<b>40,721,612</b>	<b>2,274,440</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 5.1: Appropriations (continued)

##### 5.1A: Annual appropriations ('Recoverable GST exclusive') (continued)

###### Notes for 2020-21

<sup>1</sup> Details of quarantined appropriations are as follows: \$'000

*Amounts withheld under section 51 determinations*

2020-21 Appropriation Act 1 - Operating <sup>(a)</sup>	111,754
2020-21 Appropriation Act 1 - Departmental Capital Budget <sup>(b)</sup>	27,282
2020-21 Appropriation Act 2 - Equity Injections <sup>(c)</sup>	525,258
<b>Total Quarantined</b>	<b>664,294</b>

In 2020-21, departmental appropriations of \$664.3 million were withheld (Section 51 of the PGPA Act).

<sup>(a)</sup> Approximately \$111.8 million was related to the return of departmental foreign exchange gains under No Win, No Loss arrangements in 2020-21 Appropriation Act 1 - Operating.

<sup>(b)</sup> Approximately \$27.3 million was related to the return of departmental foreign exchange gains under No Win, No Loss arrangements in 2020-21 Appropriation Act 1 - Departmental Capital Budget.

<sup>(c)</sup> In 2020-21 Appropriation Act 2 - Equity Injections, approximately \$443.8 million was related to the return of departmental foreign exchange gains under No Win, No Loss arrangements. The remainder of \$81.5 million was withheld in accordance with budget measures taken by the Government.

<sup>2</sup> Adjustment to appropriations relate to PGPA Section 74 receipts.

<sup>3</sup> Reasons for material variance:

	Ordinary Annual Service \$'000	Equity \$'000
Unspent departmental annual appropriations 2020-21	1,039,480	1,047,772
Prior year appropriation drawn down	(528,425)	(25,432)
Net GST payments made not yet recovered	76,750	-
2020-21 Appropriation Act 1 withheld under Section 51	111,754	27,282
2020-21 Appropriation Act 2 withheld under Section 51	-	525,258
<b>Total</b>	<b>699,559</b>	<b>1,574,880</b>

The departmental variance relates to the movement in cash and appropriation receivable between the current and prior financial years including drawdowns of prior year appropriation and timing differences between expenses and cash outflows. \$528.4 million and \$25.4 million were drawn down from non-lapsed appropriations to fund operating and capital expenditure incurred in the current financial year respectively. Consequently, this has resulted in an increase in the balance of unspent departmental annual appropriations in 2020-21.

<sup>4</sup> Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services and are not separately identified in the Appropriation Acts.



Department of Defence

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

5.1: Appropriations (continued)

5.1A: Annual appropriations ('Recoverable GST exclusive') (continued)

Annual Appropriations for 2019-20

	Annual Appropriation <sup>1</sup> \$'000	Adjustments to appropriation <sup>2</sup> \$'000	Total Appropriation \$'000	Appropriation applied in 2020 (Current and prior years) \$'000	Variance <sup>3</sup> \$'000
<b>DEPARTMENTAL</b>					
Ordinary annual services	34,348,197	1,394,851	35,743,048	(35,417,543)	325,505
<b>Other services</b>					
Equity injection	4,040,461	-	4,040,461	(4,015,029)	25,432
<b>Total departmental</b>	38,388,658	1,394,851	39,783,509	(39,432,572)	350,937

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 5.1: Appropriations (continued)

##### 5.1A: Annual appropriations ('Recoverable GST exclusive') (continued)

###### Notes for 2019-20

<sup>1</sup> Details of quarantined appropriations are as follows: \$'000

###### Quarantined appropriations

###### Amounts withheld under section 51 determinations

2017-18 Appropriation Act 2	369,788
2017-18 Appropriation Act 3	22,521
2017-18 Appropriation Act 5	194,202
2018-19 Appropriation Act 1	50,562
2018-19 Appropriation Act 3	215,614
2019-20 Appropriation Act 3	13,249
2019-20 Appropriation Act 4	25,432
<b>Total Quarantined</b>	<b>891,368</b>

<sup>2</sup> Adjustment to appropriations relate to PGPA Section 74 receipts.

<sup>3</sup> Reasons for material variance:

	Ordinary Annual Service \$'000	Equity \$'000
Unspent departmental annual appropriations 2019-20	389,458	-
Prior year appropriation drawn down	(41,715)	-
Net GST payments made not yet recovered	(35,487)	-
2019-20 Appropriation Act 3 withheld under Section 51	13,249	-
2019-20 Appropriation Act 4 withheld under Section 51	-	25,432
<b>Total</b>	<b>325,505</b>	<b>25,432</b>

**Department of Defence**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2021*

**5.1B: Unspent annual appropriations ('Recoverable GST exclusive')**

<b>Authority</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
<b>DEPARTMENTAL</b>		
<b>Operating</b>		
Act 1 2019-20	-	531,418
Act 1 2018-19	-	50,562
Act 1 2020-21 <sup>1,3</sup>	1,342,167	-
Act 3 2019-20 <sup>2</sup>	-	158,249
Act 3 2018-19 <sup>3</sup>	-	215,614
Act 3 2017-18 <sup>4</sup>	-	22,521
Act 3 2020-21	236,485	-
Act 5 2017-18 <sup>4</sup>	-	194,202
	-	-
<b>Total Operating</b>	<b>1,578,652</b>	<b>1,172,566</b>
<b>Equity</b>		
Act 4 2019-20	-	25,432
Act 2 2017-18 <sup>4</sup>	-	369,788
Act 1 2020-21 (DCB) <sup>2</sup>	27,282	-
Act 2 2020-21 <sup>3</sup>	1,573,030	-
<b>Total Equity</b>	<b>1,600,312</b>	<b>395,220</b>
<b>Total</b>	<b>3,178,964</b>	<b>1,567,786</b>
<b>Total unspent annual appropriations<sup>5</sup></b>	<b>3,178,964</b>	<b>1,567,786</b>

**Notes**

<sup>1</sup> Includes unspent amounts held within cash and cash equivalents of \$285.883m.

<sup>2</sup> Unspent annual appropriations have been formally reduced by the Department of Finance.

<sup>3</sup> Unspent annual appropriations have been partially reduced by the Department of Finance.

Of the \$2,915.197m of unspent appropriations, \$637.012m has been formally reduced by the Department of Finance.

<sup>4</sup> Appropriation Acts have been repealed in the current period.

<sup>5</sup> The unspent annual appropriations are \$3,178.964m, allocated as follows:

a) \$664.294m has been formally extinguished by Department of Finance; and

b) \$2,514.670m of unspent annual appropriations (including cash and cash equivalents) available to the Department.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2021

**5.1: Appropriations (continued)**

**5.1C: Special appropriations ('Recoverable GST exclusive')**

Authority	Nature	Type	Purpose	Appropriation Applied	
				2021 \$'000	2020 \$'000
<i>Defence Force Retirement Benefits Act 1948, Administered<sup>(1)</sup></i>	Administered	Unlimited Amount	To provide Retirement Benefits for Members of the Defence Force who enlisted before 1 October 1972, and for other purposes.	37,245	38,375
<i>Defence Force Retirement and Death Benefits Act 1973, Administered<sup>(1)</sup></i>	Administered	Unlimited Amount	To make provision for and in relation to a Scheme for Retirement and Death Benefits for Members of the Defence Force who enlisted before 1 October 1991.	1,687,042	1,608,370
<i>Military Superannuation and Benefits Act 1991, Administered<sup>(1)</sup></i>	Administered	Unlimited Amount	To make provision for and in relation to an occupational superannuation scheme for, and the payment of other benefits to members of the Defence Force, and for related purposes.	1,395,468	1,112,392
<i>Military Superannuation and Benefits Act 1991, Administered</i>	Administered	Unlimited Amount	To make provision for and in relation to retention benefits for ADF personnel.	35,528	100,026
<i>Defence Force (Home Loans Assistance) Act 1990, Administered</i>	Administered	Unlimited Amount s.38	To provide for the payment of home loan subsidies in respect of certain members of the Defence Force and certain other persons, and for related purposes. To refund amount to Bank in certain circumstances as stipulated in Schedule 1 - Subclause 8.4 of the agreement between the Commonwealth and the Bank.	127	207
<i>Defence Home Ownership Assistance Scheme Act 2008, Administered</i>	Administered	Unlimited Amount	To provide financial assistance to members of the Defence Force and certain other persons, for the purchase, maintenance and development of their homes, and for related purposes.	104,884	108,933
<i>Australian Defence Force Cover Act 2015, Administered<sup>(1)</sup></i>	Administered	Unlimited Amount	To make provision for benefits for incapacity or death suffered by certain members of the Australian Defence Force, and for related purposes.	25,575	12,508
<b>Total</b>				<b>3,285,869</b>	<b>2,980,811</b>

<sup>(1)</sup> Commonwealth Superannuation Corporation draw funds from the CRF on behalf of Defence.

<sup>(2)</sup> While s.38(b) contains a limit as to the refund amounts to Bank in certain circumstances, the special appropriation as a whole, is classified as 'Unlimited' in nature according to the Chart of Special Appropriations 30 June 2021 published by the Department of Finance.

**Note**

Defence is responsible for the following additional Special Appropriations. No payments have been made from these Special Appropriations for this financial year. The following pension related Special Appropriations are administered, for unlimited amounts during a limited period of time, or to effect transitional arrangements or machinery of government changes. No payment has been made from the following special appropriations in the past four years or longer.

- *Defence Forces Retirement Benefits (Pension Increases) Act 1961*
- *Defence Forces Retirement Benefits (Pension Increases) Act 1967*
- *Defence Forces Retirement Benefits (Pension Increases) Act 1971*
- *Defence Forces Retirement Benefits (Pension Increases) Act 1973*
- *Defence Force Retirement and Death Benefits (Pension Increases) Act 1974*
- *Defence Force Retirement and Death Benefits (Pension Increases) Act 1976*
- *Public Governance, Performance and Accountability Act 2013*

The following Special Appropriation is administered and 'unlimited' in nature. No payment has been made from the following special appropriation in the past four years or longer.

- *War Gratuity Act 1945*

Department of Defence  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the period ended 30 June 2021

5.2: Special Accounts

	Defence Endowments, Bequests and Other Account <sup>1,5</sup>		Service for Other Entities And Trust Special Account <sup>2,5</sup>		Defence Endowments Special Account <sup>3</sup>		Fedorczenko Legacy Special Account <sup>4,5</sup>	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Balance brought forward from previous period	153,085	-	-	115,240	-	51	-	167
Increases:	249,651	324,817	-	1,852	-	-	-	-
Available for payments	402,736	324,817	-	117,092	-	51	-	167
Decreases:								
Departmental	-	-	-	-	-	-	-	-
Total Departmental	-	-	-	-	-	-	-	-
Administered								
Total Administered	(157,463)	(171,732)	-	(117,092)	-	(51)	-	(167)
Total Decreases	(157,463)	(171,732)	-	(117,092)	-	(51)	-	(167)
Total Balance to be carried forward to next period	245,273	153,085	-	-	-	-	-	-
Balance represented by:								
Cash held in entity bank accounts	-	-	-	-	-	-	-	-
Cash held in the Official Public Account	245,273	153,085	-	-	-	-	-	-

Notes

1. Appropriation: Public Governance, Performance and Accountability (PGPA) Act 2013 section 78.

- Establishing Instrument: PGPA Act Determination (Defence Endowments, Bequests and Other Trust Moneys Special Account 2019).
- Purpose: This account was created to:
  - disburse amounts held on trust or otherwise for the benefit of persons other than the Commonwealth;
  - carry out activities consistent with the Fedorczenko Trust;
  - undertake activities approved by the Young Endeavour Youth Program Board of Management, or the Commonwealth, in relation to the STS Young Endeavour;
  - to disburse an amount in connection with services performed for or on behalf of any entities or bodies other than non-corporate Commonwealth entities;
  - to disburse an amount in connection with services performed for, on behalf of, or together with, another government, or in connection with an agreement between the Commonwealth and another government;
  - to credit an amount to the ASD account;
  - to repay an amount where a court order, Act or other law requires or permits the repayment of an amount received;
  - to carry out activities that are incidental to one or more of the purposes of the special account, including costs of administering the special account;
  - to reduce the balance of the special account (and, therefore, the available appropriation for the special account) without making a real or notional payment.
- This special account was established on 15 July 2019 and replaces Defence's existing special accounts which were repealed under section 78(3) of the PGPA Act. The opening balance is equal to the sum of the amounts standing to the credit of Defence's existing special accounts immediately prior to 15 July 2019.
- Special account is disclosed on a recoverable GST exclusive basis.
- This account is non-interest bearing.

2. Appropriation: Public Governance, Performance and Accountability Act 2013 section 78.

- Establishing Instrument: Financial Management and Accountability Determination 2009/15.
- Purpose: This account was created to disburse amounts held on trust or otherwise for the benefit of persons other than the Commonwealth.
- Special account is disclosed on a recoverable GST exclusive basis.
- This account is non-interest bearing.
- This account was repealed on 15 July 2019 through the PGPA Act Determination (Defence Endowments, Bequests and Other Trust Moneys Special Account 2019) in accordance with section 78(3) of the PGPA Act.

3. Appropriation: Public Governance, Performance and Accountability Act 2013 section 78.

- Establishing Instrument: Financial Management and Accountability Determination 2009/11.
- Purpose: For expenditure in accordance with the terms provided for in the endowments.
- Special account is disclosed on a recoverable GST exclusive basis.
- This account is interest bearing.
- This account was repealed on 15 July 2019 through the PGPA Act Determination (Defence Endowments, Bequests and Other Trust Moneys Special Account 2019) in accordance with section 78(3) of the PGPA Act.

4. Appropriation: Public Governance, Performance and Accountability Act 2013 section 78.

- Establishing Instrument: Financial Management and Accountability Determination 2009/13.
- Purpose: For expenditure in relation to the defence of Australia of the residual of the estate of the late Petro Fedorczenko.
- Special account is disclosed on a recoverable GST exclusive basis.
- This account is interest bearing.
- This account was repealed on 15 July 2019 through the PGPA Act Determination (Defence Endowments, Bequests and Other Trust Moneys Special Account 2019) in accordance with section 78(3) of the PGPA Act.

5. Moneys held in trust:

This Special Account contains monetary assets held in trust. Further details are disclosed in Note 8.1 Assets Held in Trust.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2021*

**5.3: Net Cash Appropriation Arrangements**

		2021 \$'000
<b>Defence Net Cash Result - surplus / (deficit)<sup>1</sup></b>		<b>271,068</b>
<b>Less: Items included in Total comprehensive (loss)/income attributable to the Australian Government but not included in Net Cash:</b>		
Depreciation and amortisation <sup>2</sup>	3.2A	(5,981,350)
Inventory consumption <sup>2</sup>	1.1B	(904,521)
Net write-down and net impairment of assets <sup>2,3</sup>		(928,566)
<b>Plus: Items included in Net Cash but not included in Total comprehensive (Loss)/Income attributable to the Australian Government but not included in Net Cash:</b>		
Repayment of lease liabilities funded through revenue appropriations		301,137
Net Capital (surplus) / deficit <sup>4</sup>		(626,662)
<b>(Deficit)/Surplus attributable to the Australian Government</b>		<b>(7,868,894)</b>
<b>Plus: Other comprehensive (loss)/income</b>		
<i>Items not subject to subsequent reclassification to net cost of services:</i>		
Changes in asset revaluation reserves	3.2A	(793,092)
<b>Total comprehensive (loss)/income attributable to the Australian Government</b>		<b>(8,661,986)</b>

<sup>1</sup> From 2010-11, the Government introduced net cash appropriation arrangements where revenue appropriations for depreciation/amortisation expenses of non-corporate Commonwealth entities and selected corporate Commonwealth entities were replaced with a separate capital budget provided through equity injections. Capital budgets are to be appropriated in the period when capital expenditure is to be recognised. Defence has adopted Net cash funding arrangements from 2020-21 and the move aligns Defence's funding and reporting with other Commonwealth agencies. Consistent with the Portfolio Budget Statements 2020-21 and the Portfolio Additional Estimates Statements 2020-21, the new presentation does not apply to the 2019-20 prior year figures.

Historically, Defence has reported appropriation revenues equal to total budgeted expenses that included funding for cash and non-cash based expenses, with the remaining funding provided as an equity injection for the purchase of major assets under the Capability Acquisition Program. The new net cash funding presentation provides a clearer line of sight between appropriation funding from Government and planned expenditure. The operating loss is reported in 2020-21 since the operating revenue no longer includes the cost of depreciation, inventory consumption and write-downs. Instead, these items are fully funded via capital appropriations captured in the Statement of Changes in Equity. The budgeted and actual operating loss is a direct result of, amongst other factors, the above-mentioned changes to the presentation.

<sup>2</sup> Under the net cash appropriation framework, Defence receives an operating appropriation to meet budgeted expenses (including repayment of lease liabilities and excluding asset depreciation, consumption and impairment) and equity injections to fund capital and inventory additions. Defence presents the information in a consistent format that corresponds to relevant tables in the Portfolio Budget Statements 2020-21 and the Portfolio Additional Estimates Statements 2020-21.

<sup>3</sup> Net write-down and net impairment of assets comprises of impairment loss allowance on financial instruments, write-down and impairment of assets and reversals of previous asset write-downs and impairments.

<sup>4</sup> Net Capital (surplus) / deficit is the difference between total capital funding and total capital expenditure. Capital funding comprises a departmental capital budget (DCB) for the purchase of minor assets and Defence inventory, and a capital appropriation equity injection for the purchase of major assets. Capital expenditure includes asset and inventory additions as the outlay against capital funding.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### PEOPLE AND RELATIONSHIPS

This section describes our relationship with key people.

#### 6.1: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Defence, directly or indirectly. The key management personnel of Defence are considered to be the:

- i. Minister for Defence;
- ii. Minister for Defence Industry;
- iii. Minister for Veterans and Defence Personnel;
- iv. Assistant Defence Minister;
- v. Secretary, Department of Defence;
- vi. Chief of the Defence Force (CDF);
- vii. Vice Chief of the Defence Force;
- viii. Associate Secretary, Department of Defence;
- ix. Chief of Navy;
- x. Chief of Army;
- xi. Chief of Air Force;
- xii. Chief of Joint Operations;
- xiii. Chief of Joint Capabilities;
- xiv. Chief Finance Officer (CFO);
- xv. Deputy Secretary Strategic Policy and Industry
- xvi. Deputy Secretary Capability Acquisition and Sustainment;
- xvii. Chief Information Officer (CIO);
- xviii. Chief Defence Scientist;
- xix. Deputy Secretary Estate and Infrastructure;
- xx. Deputy Secretary Defence People;
- xxi. Deputy Secretary National Naval Shipbuilding;
- xxii. Chief of Defence Intelligence; and
- xxiii. Commander Defence COVID-19 Task Force.

Key management personnel remuneration is reported in the table below.

	2021 \$	2020 \$
Short-term employee benefits <sup>1</sup>	9,960,177	8,903,256
Post-employment benefits	2,035,177	1,713,509
Long-term benefits	213,928	195,860
<b>Total key management personnel remuneration expenses<sup>2,3</sup></b>	<b>12,209,282</b>	<b>10,812,625</b>

#### Notes

The above key management personnel remuneration excludes the remuneration and other benefits of the Minister for Defence, Minister for Defence Industry, Minister for Veterans and Defence Personnel and Assistant Defence Minister. The remuneration and other benefits of these Ministers are not paid by the Department of Defence.

<sup>1</sup>The prior period balances have been restated to reflect the inclusion of non-reportable fringe benefits which had previously been excluded.

<sup>2</sup>The total number of key management personnel that are included in the above table is 24 (2019-20: 21).

Acting KMP are included in this figure (four). The Chief of Defence Intelligence was a newly created position during the year.

<sup>3</sup>During 2020-21 a number of minor overpayments to KMP were identified, totalling \$21,622.52. The overpayments were calculated with reference to the *Remuneration Tribunal Act 1973* and its associated Determinations. All of the amounts relate to the inclusion of reportable fringe benefits (non-cash), predominately the provision of access to a motor vehicle. Overpayments are recoverable under s16A(1) of the *Remuneration Tribunal Act 1973*.



## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*For the period ended 30 June 2021*

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#### 6.2: Related Party Disclosures

##### **Related party relationships:**

The Department of Defence (Defence) is an Australian Government controlled entity. Related parties to Defence are:

- i) Key Management Personnel (as detailed in Note 6.1);
- ii) Spouse or domestic partner (also known as de facto partner) of a KMP;
- iii) Children or dependents of a KMP or their spouse or domestic partner;
- iv) Entities, individually or jointly, controlled by the above individuals;
- v) Cabinet Ministers; and
- vi) Other Australian Government Entities.

##### **Transactions with related parties:**

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been separately disclosed in this note.

No transactions with related parties requiring disclosure occurred during the financial year (2019-20: Nil).

Significant transactions with related parties can include:

- i) the payments of grants or loans;
- ii) purchases of goods and services;
- iii) asset purchases, sales transfers or leases;
- iv) debts forgiven; and
- v) guarantees.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period (including comparative year) by Defence, it has been determined that there are no related party transactions to be separately disclosed.

Department of Defence has entered into transactions during the reporting period with related parties, such as the Australian War Memorial. These transactions, including the gifting of assets, occurred during the course of the department delivering on its objectives. These amounts are not material or significant to warrant separate disclosure.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### MANAGING UNCERTAINTIES

This section analyses how Defence manages financial risk within its operating environment.

#### 7.1: Contingent Liabilities and Assets

##### 7.1A: Contingent liabilities and assets

	Claims for damages / costs		Total	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Contingent Assets</b>				
Balance from previous period	-	1,500	-	1,500
New	-	-	-	-
Re-measurement	6,000	(1,500)	6,000	(1,500)
Assets realised	(6,000)	-	(6,000)	-
Rights expired	-	-	-	-
<b>Total contingent assets</b>	-	-	-	-
<b>Contingent Liabilities</b>				
Balance from previous period	65,400	67,460	65,400	67,460
New	35,700	55,900	35,700	55,900
Re-measurement	(51,659)	154,563	(51,659)	154,563
Liabilities realised	(597)	(212,523)	(597)	(212,523)
Obligations expired	(3,000)	-	(3,000)	-
<b>Total Contingent liabilities</b>	<b>45,844</b>	<b>65,400</b>	<b>45,844</b>	<b>65,400</b>
<b>Net contingent assets (liabilities)</b>	<b>(45,844)</b>	<b>(65,400)</b>	<b>(45,844)</b>	<b>(65,400)</b>

##### Quantifiable Contingencies

Contingent Assets: At 30 June 2021, there are no instances (2019-20: nil) of non-remote, quantifiable contingent assets in respect of claims by the Department (2019-20: nil).

Contingent Liabilities: At 30 June 2021, there are 13 (2019-20: 6) instances of non-remote, quantifiable contingent liabilities in respect of claims on the Department valued at \$45.8 million (2019-20: \$65.4 million). The estimated figure is determined by conducting an objective analysis of the probable amount payable for all the matters managed by firms engaged by Defence through the Attorney General's Legal Services Multi Use List and those being handled in-house by Defence Legal Division. However, the exact amount payable under those claims is uncertain. The Department is defending the claims or is trying to resolve them by recourse to alternative dispute resolution measures.

##### Unquantifiable Contingencies

Contingent Assets: At 30 June 2021 Defence had no instances (2019-20: nil) of unquantifiable non-remote contingent assets. Contingent Liabilities: At 30 June 2021 Defence had five (2019-20: 1) instances of unquantifiable non-remote contingent liabilities.

*Land decontamination, site restoration and decommissioning of Defence assets:* Defence has made a financial provision for the future estimates involved in land decontamination, site restoration and decommissioning of Defence assets where a legal or constructive obligation has arisen. For those decontamination, restoration and decommissioning activities for which there is no legal or constructive obligation, the potential costs have not been assessed and are unquantifiable. Where there is a possible legal or constructive obligation, but the potential cost could not be quantified, the obligations have been assessed as unquantifiable contingencies. It was not possible to estimate the amounts of any eventual payments or receipts that may have eventuated in relation to these claims.

##### Quantifiable Remote Contingencies

Remote Contingent Assets: At 30 June 2021 Defence had one (2019-20: 1) instance of quantifiable remote contingent assets valued at \$0.7 million (2019-20: \$0.7 million).

Remote Contingent Liabilities: At 30 June 2021 Defence had 183 (2019-20: 152) instances of quantifiable remote contingent liabilities valued at \$5,043.8 million (2019-20: \$4,501 million). This balance relates to an Indemnity Register, which Defence maintains and records all potential quantifiable and unquantifiable contingent liabilities arising from Defence's legal and contractual obligations.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*For the period ended 30 June 2021*

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#### 7.1: Contingent Liabilities and Assets (continued)

##### **Unquantifiable Remote Contingencies**

Contingent Assets: At 30 June 2021 Defence had 8 instances of unquantifiable remote contingent assets (2019-20: 3).

Contingent Liabilities: At 30 June 2021 Defence had 1,546 instances of unquantifiable remote contingent liabilities (2019-20: 1,326).

##### **Accounting Policy**

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are disclosed in the relevant notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain, and contingent liabilities are disclosed when settlement is greater than remote.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 7.2: Financial Instruments

	Notes	2021 \$'000	2020 \$'000
<b>7.2A: Categories of financial instruments</b>			
<b>Financial assets at amortised cost</b>			
Cash and cash equivalents	3.1A	285,883	427,418
Loans and receivables:			
Trade and other receivables		455,606	645,062
<b>Total financial assets at amortised cost</b>		<b>741,489</b>	<b>1,072,480</b>
<b>Carrying amount of financial assets</b>		<b>741,489</b>	<b>1,072,480</b>
<b>Financial Liabilities</b>			
Financial liabilities measured at amortised cost:			
Suppliers	3.3A	4,665,311	2,719,992
Employee payables	3.3B	188,407	145,977
Other payables		219,557	195,535
Leases	3.4A	2,909,311	2,884,524
<b>Total financial liabilities measured at amortised cost</b>		<b>7,982,586</b>	<b>5,946,028</b>
<b>Carrying amount of financial liabilities</b>		<b>7,982,586</b>	<b>5,946,028</b>

As Defence is a government appropriated entity, its total financial assets are primarily funded through appropriations which are utilised to meet the department's liabilities as and when they fall due. The department's liabilities are considered as part of the yearly appropriation process. As the department will continue to be funded on an appropriation basis, this will enable the department to meet its liabilities as and when they fall due. Consequently, no liquidity issues are present as at 30 June 2021.

#### Accounting Policy

##### Financial Assets

Defence classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income; and
- financial assets measured at amortised cost.

The classification depends on both Defence's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition. Financial assets are recognised when Defence becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

##### (a) Financial Assets at Amortised Cost

Financial assets included in this category need to meet two criteria:

- the financial asset is held in order to collect the contractual cash flows; and
- the cash flows are solely payments of principal and interest on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

##### (b) Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

##### (c) Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period based on Expected Credit Losses, using the general approach which measures the loss allowance based on an amount equal to lifetime expected credit losses where risk has significantly increased, or an amount equal to 12-month expected credit losses if risk has not increased.

**Financial assets held at amortised cost** - if there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of loss is measured using the simplified approach of the expected credit loss model at an amount equal to lifetime expected credit losses. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

## 7.2: Financial Instruments (continued)

### Accounting Policy (continued)

#### Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon trade date.

#### (a) Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

#### (b) Financial Liabilities at Amortised Cost

Financial liabilities at amortised cost, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Defence's supplier and other payables are generally payable within the short term and are recognised at the amount of cash or cash equivalents required to settle the liability. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

#### Financial Risk Management

Under relevant legislation and Australian Government policy, Defence is restricted from entering into borrowings, some investments and entering into derivative transactions to offset risk exposure. As such, Defence's exposure to risk is primarily related to credit risk on trade receivables and foreign currency risk in relation to payments to overseas suppliers of goods and services received. However, this exposure is minimal in terms of the operations of Defence as Defence is subject to a no win/no loss funding arrangement for foreign exchange gains and losses.

Defence is also exposed to some contract price escalation risk. This risk exposure is due to the difference in the basis on which Defence is funded for price escalations from government to the price escalation clauses embedded within the contracts. The risk of increased cost is managed by Defence to ensure exposure to the Australian Government is minimised.

#### Derecognition of Financial Assets and Liabilities

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the assets with the associated risks and rewards are transferred to another entity. Financial liabilities are derecognised when the obligation under the contract is discharged, cancelled or has expired.

	2021 \$'000	2020 \$'000
<b>7.2B: Net gains or losses on financial assets</b>		
<b>Financial assets at amortised cost</b>		
Exchange (loss)/gain	(4,670)	994
Impairment (loss)/reversal	(4,660)	2,963
<b>Net gain on financial assets at amortised cost</b>	<b>(9,330)</b>	<b>3,957</b>
<b>Net gain on financial assets</b>	<b>(9,330)</b>	<b>3,957</b>

The net interest income from financial assets not at fair value through net cost of services is nil (2019-20: nil).

### 7.2C: Net gains or losses on financial liabilities

#### Financial liabilities measured at amortised cost

Exchange gain/(loss)	36,228	(44,915)
Interest expense	(109,217)	(115,742)
<b>Net (loss) on financial liabilities measured at amortised cost</b>	<b>(72,989)</b>	<b>(160,657)</b>
<b>Net (loss) on financial liabilities</b>	<b>(72,989)</b>	<b>(160,657)</b>

The net interest expense from financial liabilities not at fair value through net cost of services is nil (2019-20: nil).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 7.3: Administered - Financial Instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis for measurement in respect of each class of financial asset and financial liability are disclosed in Note 7.2A Financial Instruments.

	Notes	2021 \$'000	2020 \$'000
<b>7.3A: Categories of financial instruments</b>			
<b>Financial assets at amortised cost</b>			
Cash and cash equivalents	4.1A	277,148	146,014
Loans and receivables:			
Trade and other receivables	4.1B	81,491	570,992
<b>Total financial assets at amortised cost</b>		<b>358,639</b>	<b>717,006</b>
<b>Financial assets at fair value through other comprehensive income (investments in equity instruments)</b>			
Investment - Defence Housing Australia	4.1C	2,643,333	2,630,545
Investment - Small Portfolio bodies	4.1C	88,437	80,959
<b>Total financial assets at fair value through other comprehensive income (investments in equity instruments)</b>		<b>2,731,770</b>	<b>2,711,504</b>
<b>Carrying amount of financial assets</b>		<b>3,090,409</b>	<b>3,428,510</b>
<b>Financial Liabilities</b>			
Financial liabilities measured at amortised cost:			
Other payables	4.3A	539	8,560
Special accounts	4.3A	277,148	146,014
<b>Total financial liabilities measured at amortised cost</b>		<b>277,687</b>	<b>154,574</b>
<b>Carrying amount of financial liabilities</b>		<b>277,687</b>	<b>154,574</b>
<b>7.3B: Net gains or losses on financial assets</b>			
<b>Financial assets at amortised cost</b>			
Interest revenue	2.2B	4,305	20,809
Impairment	2.1C	(4,834)	-
Exchange gains/(loss)	2.2F	-	103
<b>Net gains on financial assets at amortised cost</b>		<b>(529)</b>	<b>20,912</b>
<b>Investments in equity instruments at fair value through other comprehensive income (designated)</b>			
Dividend revenue	2.2C	47,130	25,604
<b>Net gains on investments in equity instruments at fair value through other comprehensive income (designated)</b>		<b>47,130</b>	<b>25,604</b>
<b>Net gain on financial assets</b>		<b>46,601</b>	<b>46,516</b>

The net interest income from financial assets not at fair value through net cost of service is nil (2019-20: nil).

#### 7.3C: Net gains or losses on financial liabilities

There was no net gain/(loss) from financial liabilities.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 7.4: Fair Value Measurements

The following disclosures provide an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the statement of financial position do not apply to the fair value hierarchy.

The different levels of the fair value are detailed below:

- Level 1: Quote prices (unadjusted) in the active market for identical assets or liabilities that the entity can access at measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for an asset or liability.

#### Accounting Policy

In estimating the fair value of an asset or a liability, Defence uses market-observable data to the extent it is available. For level 2 and 3 inputs, Defence engages third party qualified valuers and internal experts to establish the appropriate valuation techniques and inputs to the models to ensure the valuations are in line with AASB 13 *Fair Value Measurement*.

The Asset Accounting branch reviews all reports received from third party valuers and internal experts to ensure unobservable inputs used align with Defence's own assumptions and understanding of the market. This review includes investigation of significant fluctuations in the fair value of the assets and liabilities and that the report includes sufficient information to ensure compliance with AASB 13.

Defence deems transfers between levels of fair value hierarchy to have occurred when there has been a change to the inputs to the fair value measurement (for instance from observable to unobservable and vice versa) and the significance that the changed input has in determining the fair value measurement.

		Fair value measurements at the end of the reporting period	
		2021 \$'000	2020 \$'000
<b>7.4A: Fair Value Measurements</b>			
<b>Non-financial assets - Recurring fair value</b>			
Land <sup>1</sup>	3.2A	5,782,681	5,543,999
Buildings <sup>1</sup>	3.2A	15,001,353	14,302,908
Specialist military equipment <sup>1</sup>	3.2A	74,517,501	72,183,189
Infrastructure <sup>1</sup>	3.2A	7,168,467	6,365,276
Plant and equipment <sup>1</sup>	3.2A	1,555,343	1,597,297
Heritage and cultural <sup>1</sup>	3.2A	464,510	471,454
Assets held for sale <sup>2</sup>	3.2D	238,351	215,819
<b>Total Non-financial assets - Recurring fair value</b>		<b>104,728,206</b>	<b>100,679,942</b>
<b>Assets not measured at fair value in the statement of financial position<sup>3</sup></b>			
<b>Financial assets</b>			
Cash and cash equivalents	3.1A	285,883	427,418
Trade and other receivables	3.1B	3,064,343	1,124,027
<b>Non-financial assets</b>			
Inventories <sup>1</sup>	3.2B	7,823,272	7,340,494
Intangibles <sup>1</sup>	3.2A	1,261,150	877,212
Prepayments	3.2C	1,744,349	1,825,942
<b>Total assets not measured at fair value in the statement of financial position</b>		<b>14,178,997</b>	<b>11,595,093</b>

<sup>1</sup> Prior period balances have been restated. Refer to Note 8.3 for further details.

<sup>2</sup> Assets held for sale are measured at fair value in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*

<sup>3</sup> These items carrying amounts equate to their approximate fair values.



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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

		2021 \$'000	2020 \$'000
<b>7.4: Fair Value Measurements (continued)</b>			
<b>Liabilities not measured at fair value in the statement of financial position<sup>1</sup></b>			
<b>Payables</b>			
Suppliers	3.3A	4,665,311	2,719,992
Other payables and personal benefits	3.3B, 3.3C	625,863	704,903
<b>Interest bearing liabilities</b>			
Finance lease payables	3.4A	2,909,311	2,884,524
<b>Provisions</b>			
Employee provisions	3.5A	3,283,258	3,412,595
Restoration, decontamination and decommissioning	3.5B	1,144,029	1,414,034
Other provisions	3.5C	296,562	332,561
<b>Total liabilities not measured at fair value in the statement of financial position</b>		<b>12,924,334</b>	<b>11,468,609</b>

<sup>1</sup> These items carrying amounts equate to their approximate fair values.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 7.5: Administered - Fair Value Measurements

##### Accounting Policy

The following tables provide an analysis of the assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the statement of financial position do not apply the fair value hierarchy.

The different levels of the fair value are detailed below:

- Level 1: Quote prices (unadjusted) in the active market for identical assets or liabilities that the entity can access at measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for an asset or liability.

Administered investments are valued using the net assets valuation approach.

		Fair value measurements at the end of the reporting period	
		2021 \$'000	2020 \$'000
<b>7.5A: Administered Fair value measurements</b>			
<b>Financial assets</b>			
Administered Investment	4.1C	2,731,770	2,711,504
<b>Total Financial Assets</b>		<b>2,731,770</b>	<b>2,711,504</b>
<b>Assets not measured at fair value in the statement of financial position<sup>1</sup></b>			
Cash and cash equivalents	4.1A	277,148	146,014
Trade and other receivables	4.1B	81,491	570,992
Prepayments	4.2A	186,415	250,157
<b>Total assets not measured at fair value in the statement of financial position</b>		<b>545,054</b>	<b>967,163</b>
<b>Liabilities not measured at fair value in the statement of financial position<sup>1</sup></b>			
Other payables	4.3A	277,687	154,574
Employee provisions	4.4A	180,219,700	188,151,200
<b>Total liabilities not measured at fair value in the statement of financial position</b>		<b>180,497,387</b>	<b>188,305,774</b>

<sup>1</sup> These carrying amounts for these items equate to their approximate fair values.

Department of Defence

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For the period ended 30 June 2021

OTHER INFORMATION

8.1: Assets Held in Trust

	2021 \$'000	2020 \$'000
<b>Young Endeavour Youth Program Public Fund (Trust)</b>		
As at 30 June 2021, monetary assets held in trust were also disclosed in Note 5.2 Special Accounts in the table titled "Defence Endowments, Bequests and Other Trust Moneys Special Account".		
<i>Purpose of trust arrangement:</i>		
<i>To create a capital fund for the purpose of furthering youth development initiatives to make specific acquisitions and to support the Young Endeavour Youth Scheme through sail training for young Australians.</i>		
The fund is listed as a deductible gift recipient.		
Total amount held at the beginning of the reporting period	1,563	1,523
Other receipts	1	42
<b>Total credits</b>	<b>1,564</b>	<b>1,565</b>
Payment made to suppliers	0	(2)
<b>Total debits</b>	<b>0</b>	<b>(2)</b>
<b>Total amount held at the end of the reporting period</b>	<b>1,564</b>	<b>1,563</b>
<b>Peter Mitchell Trust Fund (Trust)</b>		
As at 30 June 2021, monetary assets held in trust were also disclosed in Note 5.2 Special Accounts in the table titled "Defence Endowments, Bequests and Other Trust Moneys Special Account".		
<i>Purpose of trust arrangement:</i>		
<i>To disburse amounts held on trust or otherwise for the benefit of a person other than the Commonwealth.</i>		
Total amount held at the beginning of the reporting period	3	1
Other receipts	-	9
<b>Total credits</b>	<b>3</b>	<b>10</b>
Payment made to suppliers	0	(7)
<b>Total debits</b>	<b>0</b>	<b>(7)</b>
<b>Total amount held at the end of the reporting period</b>	<b>3</b>	<b>3</b>
<b>Fedorczenko Legacy Fund Special Account (Trust)</b>		
As at 30 June 2021, monetary assets held in trust were also disclosed in Note 5.2 Special Accounts in the table titled "Defence Endowments, Bequests and Other Trust Moneys Special Account".		
<i>Purpose of trust arrangement:</i>		
<i>For expenditure in relation to the defence of Australia of the residual of the estate of the late Petro Fedorczenko.</i>		
Total amount held at the beginning of the reporting period	165	167
Other receipts	1	2
<b>Total credits</b>	<b>166</b>	<b>169</b>
Payment made to suppliers	-	(4)
<b>Total debits</b>	<b>-</b>	<b>(4)</b>
<b>Total amount held at the end of the reporting period</b>	<b>166</b>	<b>165</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 8.2: Current/non-current distinction for assets and liabilities

##### 8.2A: Current/non-current distinction for assets and liabilities

	2021 \$'000	2020 \$'000
<b>Assets expected to be recovered in</b>		
<b>No more than 12 months</b>		
Cash and cash equivalents	285,883	427,418
Trade and other receivables	2,833,014	908,195
Assets held for sale	238,351	215,819
Inventories	1,264,520	1,297,711
Prepayments	1,499,873	1,473,551
<b>Total no more than 12 months</b>	<b>6,121,641</b>	<b>4,322,694</b>
<b>More than 12 months</b>		
Trade and other receivables	231,329	215,832
Land and buildings	20,784,034	19,846,907
Specialist military equipment	74,517,501	72,183,189
Infrastructure	7,168,467	6,365,276
Plant and equipment	1,555,343	1,597,297
Heritage and cultural assets	464,510	471,454
Intangibles	1,261,150	877,212
Inventories	6,558,752	6,042,783
Prepayments	244,476	352,391
<b>Total more than 12 months</b>	<b>112,785,562</b>	<b>107,952,341</b>
<b>Total assets</b>	<b>118,907,203</b>	<b>112,275,035</b>
<b>Liabilities expected to be settled in</b>		
<b>No more than 12 months</b>		
Suppliers payables	4,165,184	2,182,507
Employee payables	188,407	145,977
Other payables	274,348	334,988
Finance Leases	274,375	249,382
Employee provisions	992,309	1,040,035
Restoration, decontamination and decommissioning	98,920	657,850
Other provisions	296,562	332,561
<b>Total no more than 12 months</b>	<b>6,290,105</b>	<b>4,943,300</b>
<b>More than 12 months</b>		
Suppliers payables	500,127	537,485
Other payables	163,108	223,938
Finance Leases	2,634,936	2,635,142
Employee provisions	2,290,949	2,372,560
Restoration, decontamination and decommissioning	1,045,109	756,184
<b>Total more than 12 months</b>	<b>6,634,229</b>	<b>6,525,309</b>
<b>Total liabilities</b>	<b>12,924,334</b>	<b>11,468,609</b>

Department of Defence

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

8.2: Current/non-current distinction for assets and liabilities (continued)

8.2B: Administered - Current/non-current distinction for assets and liabilities		
	2021 \$'000	2020 \$'000
<b>Assets expected to be recovered in</b>		
<b>No more than 12 months</b>		
Cash and cash equivalents	277,148	146,014
Trade and other receivables	81,491	196,412
Equity accounted investments	-	-
Prepayments	11,406	10,138
<b>Total no more than 12 months</b>	<b>370,045</b>	<b>352,564</b>
<b>More than 12 months</b>		
Trade and other receivables	-	374,580
Equity accounted investments	2,731,770	2,711,504
Prepayments	175,009	240,019
<b>Total more than 12 months</b>	<b>2,906,779</b>	<b>3,326,103</b>
<b>Total assets</b>	<b>3,276,824</b>	<b>3,678,667</b>
<b>Liabilities expected to be settled in</b>		
<b>No more than 12 months</b>		
Other payables	277,687	154,574
Employee provisions	3,072,000	2,737,000
<b>Total no more than 12 months</b>	<b>3,349,687</b>	<b>2,891,574</b>
<b>More than 12 months</b>		
Other payables	-	-
Employee provisions	177,147,700	185,414,200
<b>Total more than 12 months</b>	<b>177,147,700</b>	<b>185,414,200</b>
<b>Total liabilities</b>	<b>180,497,387</b>	<b>188,305,774</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 8.3: Restatement of Prior Period Balances

##### 8.3A Restatement of Prior Period Balances

In the 2020-21 financial period, Defence made a change to its accounting policy relating to asset capitalisation thresholds, and has identified a number of errors relating to balances reported in prior financial periods resulting in the restatement of comparatives within the 2020-21 financial statements. The impact of the restatement was to:

- increase the 2019-20 reported surplus by \$213.5 million including \$55.3 million due to changes in accounting policy and \$158.2 million due to errors (restated 2019-20 surplus of \$463.5 million);
- increase the 2019-20 reported net asset value by \$0.2 million including a decrease of \$320.4 million due to changes in accounting policy, offset by an increase of \$320.6 million due to errors (restated 2019-20 net assets of \$37,027.6 million); and
- increase the 2019-20 reported opening retained surpluses by \$0.2 million, including a decrease of \$320.4 million due to changes in accounting policy, offset by an increase of \$320.6 million due to errors; and
- there is a reclassification of cash flow between investing and operating for \$31.0 million with respect to changes in accounting policy and \$55.8 million gross up of operating cash received and paid with respect to changes due to errors.

	2019-20 Original Balance	Increase/ (Decrease) due to changes in accounting policy <sup>1</sup>	Increase/ (Decrease) due to errors <sup>2</sup>	2019-20 Restated Balance
	\$'000	\$'000	\$'000	\$'000
<b>STATEMENT OF COMPREHENSIVE INCOME</b>				
<b>Expenses</b>				
Suppliers expenses	15,527,765	31,042	137,315	15,696,122
Depreciation and amortisation	6,258,164	(86,355)	(214,349)	5,957,460
Write-down and impairment of assets	705,960	-	275,660	981,620
<b>Gains</b>				
Reversals of previous asset write-downs and impairment	380,363	-	297,409	677,772
<b>Own-source revenue</b>				
Revenue from contracts with customers	322,735	-	36,668	359,403
Other revenue	66,054	-	22,702	88,756
<b>Surplus attributable to the Australian Government</b>	<b>250,017</b>	<b>55,313</b>	<b>158,153</b>	<b>463,483</b>
<b>STATEMENT OF FINANCIAL POSITION</b>				
<b>Financial assets</b>				
Trade and other receivables	1,120,443	-	3,584	1,124,027
<b>Non-Financial Assets</b>				
Land	5,543,999	-	-	5,543,999
Buildings	14,421,135	(121,286)	3,058	14,302,908
Specialist military equipment	71,753,855	-	429,333	72,183,189
Infrastructure	6,452,925	(75,088)	(12,562)	6,365,276
Plant and equipment	1,770,450	(114,494)	(58,660)	1,597,297
Heritage and cultural assets	474,107	(1,840)	(812)	471,454
Intangibles	899,284	(7,734)	(14,338)	877,212
Inventories	7,369,485	-	(28,991)	7,340,494
<b>Net Assets</b>	<b>100,806,256</b>	<b>(320,442)</b>	<b>320,612</b>	<b>100,806,426</b>
<b>Equity</b>				
Retained surpluses	37,027,476	(320,442)	320,612	37,027,646
<b>CASH FLOW STATEMENT</b>				
<b>Cash used</b>				
Suppliers	(14,777,443)	(31,042)	(55,786)	(14,864,271)
Purchase of land and buildings	(804,995)	514	-	(804,481)
Purchase of Infrastructure	(674,945)	309	-	(674,636)
Purchase of plant and equipment	(328,973)	30,219	-	(298,754)
<b>Cash received</b>				
Goods and services (including cost recovery)	558,697	-	33,084	591,781
Other	183,744	-	22,702	206,446
<b>Net increase/(decrease) in cash held</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Refer to Note 1 in 8.3A Restatement of Prior Period Balances.

<sup>2</sup> Refer to Notes 2 and 3 in 8.3A Restatement of Prior Period Balances.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

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#### 8.3: Restatement of Prior Period Balances (continued)

##### 8.3B: Reconciliation of Adjustments (Adj) to 2019-20 Financial Statements

###### Notes:

1. In 2020-21, Defence made a voluntary change in accounting policy for asset capitalisation thresholds including property, plant and equipment and intangibles. The purpose of the change is to reduce the administrative burden, processes and costs involved in accounting for the low value items. The change in thresholds resulted in the following adjustments:

- a) \$86.4 million decrease in depreciation expense that has been restated in 2019-20 comparatives, relating to land and buildings, infrastructure, plant and equipment, heritage and cultural and intangibles.

This is partially offset by an increase of \$31.0 million in supplier expenses that have been restated in 2019-20 comparatives as a result of the increase in capitalisation thresholds. The impact is to increase the 2019-20 reported surplus by \$55.3 million.

There is also a reclassification of \$31.0 million from cash used in investing activities to cash used in operating activities.

- b) \$375.8 million of assets relating to financial periods prior to 2019-20, relating to land and buildings, infrastructure, plant and equipment, heritage and cultural and intangibles have been restated in 2019-20 comparatives for opening retained earnings. The impact is to decrease the 2019-20 reported opening retained earnings by \$375.8 million.

2. In the 2020-21 financial period, asset review activities have identified adjustments that should have been recorded in prior financial periods:

- a) \$275.7 million of write-down and impairment of asset expenses have been restated in 2019-20 comparatives, relating to land and buildings, specialist military equipment, infrastructure, plant and equipment, heritage and cultural, intangibles and inventories. These were identified through asset remediation activities undertaken in 2020-21, representing only 0.3% of the 2019-20 closing balance of non-financial assets. The impact is to decrease the 2019-20 reported retained earnings by \$275.7 million.

- b) \$297.4 million of reversals of previous asset write-downs have been restated in 2019-20 comparatives, relating to land and buildings, specialist military equipment, infrastructure, plant and equipment and inventories. These were identified through asset remediation activities undertaken in 2020-21, representing only 0.3% of the 2019-20 closing balance of non-financial assets. The impact is to increase the 2019-20 reported retained earnings by \$297.4 million.

- c) \$214.3 million of depreciation expense has been restated in 2019-20 comparatives, relating to land and buildings, specialist military equipment, infrastructure, plant and equipment and intangibles. These were identified through asset remediation activities undertaken in 2020-21, representing only 0.2% of the 2019-20 closing balance of non-financial assets.

This is partially offset by \$81.5 million of suppliers expense which was incorrectly capitalised through the amortisation of a prepayment, relating to specialist military equipment. This represents only 0.1% of the 2019-20 closing balance of non-financial assets. The impact is to increase the 2019-20 reported retained earnings by \$132.8 million. There is a nil impact on the cash flow statement.

- d) A net impact of \$162.4 million of write-downs and impairment of asset expenses, and reversals of previous asset write-downs relating to financial periods prior to 2019-20, have been restated in 2019-20 comparatives for opening retained surpluses. This restatement relates to the cumulative impact of restatements to land and buildings, specialist military equipment, infrastructure, plant and equipment, intangibles and inventories relating to financial periods prior to 2019-20. The impact is to increase the 2019-20 reported opening retained earnings by \$162.4 million.

Refer to Note 8.3B for the quantum of the adjustment for each financial statement line item impacted.

3. Defence has entered into a number of arrangements to perform activities on behalf of foreign governments under which funding is received to cover costs incurred by Defence. In 2019-20, funding received was considered a pass through cost and subsequently not reported within Defence's statement of comprehensive income. Instead this was recorded as cash and other payables in Defence's statement of financial position. In 2020-21, it has been determined that the foreign funding received meets requirements for revenue recognition along with the corresponding supplier expenses. As a result, revenue has increased by \$59.4 million, partially offset by an increase in suppliers expenses of \$55.8 million. Amounts yet to be reimbursed are recorded as a receivable. The overall net impact is to increase the 2019-20 reported surplus by \$3.6 million, there is a nil impact on the cash flow.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2021*

**8.3: Restatement of Prior Period Balances (continued)**

**8.3B: Reconciliation of Adjustments (Adj) to 2019-20 Financial Statements (continued)**

	Adj 1a \$'000	Adj 1b	Adj 2a \$'000	Adj 2b \$'000	Adj 2c \$'000	Adj 2d	Adj 3 \$'000	Total Adjustments \$'000
<b>STATEMENT OF COMPREHENSIVE INCOME</b>								
<b>Expenses</b>								
Suppliers expenses	31,042	-	-	-	81,529	-	55,786	(168,357)
Depreciation and amortisation	(86,355)	-	-	-	(214,349)	-	-	300,704
Write-down and impairment of assets	-	-	275,660	-	-	-	-	(275,660)
<b>Gains</b>								
Reversals of previous asset write-downs and impairment	-	-	-	297,409	-	-	-	297,409
<b>Revenue</b>								
Revenue from contracts with customers	-	-	-	-	-	-	36,668	36,668
Other revenue	-	-	-	-	-	-	22,702	22,702
Increase/(Decrease) in surplus attributable to the Australian Government	55,313	-	(275,660)	297,409	132,820	-	3,584	213,466
<b>STATEMENT OF FINANCIAL POSITION</b>								
<b>Financial assets</b>								
Trade and other receivables	-	-	-	-	-	-	3,584	3,584
<b>Non-financial assets</b>								
Land and buildings	12,892	(134,178)	(17,327)	7,190	9,228	3,967	-	(118,228)
Specialist military equipment	-	-	(181,469)	262,862	119,893	228,047	-	429,333
Infrastructure	7,626	(82,714)	(16,862)	1,103	3,104	93	-	(87,650)
Plant and equipment	19,236	(133,730)	(48,040)	15,683	366	(26,669)	-	(173,154)
Heritage and cultural assets	151	(1,991)	(812)	-	-	-	-	(2,652)
Intangibles	15,408	(23,142)	(579)	-	229	(13,988)	-	(22,072)
Inventories	-	-	(10,571)	10,571	-	(28,991)	-	(28,991)
NET ASSETS	55,313	(375,755)	(275,660)	297,409	132,820	162,459	3,584	170
<b>Equity</b>								
Retained surpluses	55,313	(375,755)	(275,660)	297,409	132,820	162,459	3,584	170
<b>CASH FLOW STATEMENT</b>								
<b>Cash used</b>								
Suppliers	31,042	-	-	-	-	-	55,786	86,828
Purchase of land and buildings	(514)	-	-	-	-	-	-	(514)
Purchase of Infrastructure	(309)	-	-	-	-	-	-	(309)
Purchase of plant and equipment	(30,219)	-	-	-	-	-	-	(30,219)
<b>Cash received</b>								
Goods and services (including cost recovery)	-	-	-	-	-	-	33,084	33,084
Other	-	-	-	-	-	-	22,702	22,702
Net increase/(decrease) in cash held	-	-	-	-	-	-	-	-

Increases/(decreases) to balances are reflected as positive/(negative) amounts above, irrespective of the nature of the balance.



## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2021

#### 8.3: Restatement of Prior Period Balances (continued)

##### 8.3C Restatement of Prior Period Balances - Administered

	2019-20 Original Balance \$'000	Increase/ (Decrease) due to errors \$'000	2019-20 Restated Balance \$'000
<b>STATEMENT OF COMPREHENSIVE INCOME</b>			
<b>Expenses</b>			
Suppliers expenses	0	133,860	133,860
<b>Non-taxation Revenue</b>			
Other revenue	54,809	133,860	188,669
Increase/(Decrease) in surplus attributable to the Australian Government	(8,458,452)	-	(8,458,452)
<b>CASH FLOW STATEMENT</b>			
<b>Cash received</b>			
Other	54,210	133,860	188,070
<b>Cash used</b>			
Suppliers	-	133,860	133,860
Net increase/(decrease) in cash held	(1,365,365)	-	(1,365,365)

#### Notes:

Within the administered special account, Defence has entered into a joint arrangement to perform activities in conjunction with a foreign government. Funding contributions for the arrangement are received by the Special Account. In 2019-20, funding received was considered a pass through cost and subsequently not reported within Defence's administered schedule of comprehensive income instead recorded as cash and other payables. In 2020-21, it has been determined that the foreign funding received meets requirements for revenue recognition along with the corresponding supplier expenses. Overall net in the administered schedule of comprehensive income is nil. The restatement of comparatives also includes a restatement of comparatives within the administered cash flow statement to recognise other cash received and supplier cash used.

##### 8.3D Reconciliation of Adjustments (Adj) to 2019-20 Financial Statements

	Adj FGA \$'000	Total Adjustments \$'000
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
<b>Expenses</b>		
Suppliers expenses	133,860	133,860
<b>Non-taxation Revenue</b>		
Other revenue	133,860	133,860
Increase/(Decrease) in surplus attributable to the Australian Government	-	-
<b>CASH FLOW STATEMENT</b>		
<b>Cash received</b>		
Other	133,860	133,860
<b>Cash used</b>		
Suppliers	133,860	133,860
Net increase/(decrease) in cash held	-	-

## Appendix B: Additional workforce tables

Table B.1: All ongoing APS employees by location, 2020–21

	Male			Female			Indeterminate			Total
	Full time	Part time	Total male	Full time	Part time	Total female	Full time	Part time	Total indeterminate	
NSW	1,292	20	1,312	876	153	1,029	1	–	1	2,342
Qld	614	9	623	517	60	577	–	–	–	1,200
SA	1,398	30	1,428	474	68	542	1	1	2	1,972
Tas	23	2	25	31	6	37	–	–	–	62
Vic <sup>1</sup>	1,934	41	1,975	1,094	142	1,236	1	–	1	3,212
WA	267	2	269	175	21	196	–	–	–	465
ACT <sup>2</sup>	3,265	84	3,349	3,452	463	3,915	6	–	6	7,270
NT	84	2	86	112	3	115	–	–	–	201
External Territories	–	–	–	–	–	–	–	–	–	–
Overseas	78		78	48	1	49	–	–	–	127
<b>Total</b>	<b>8,955</b>	<b>190</b>	<b>9,145</b>	<b>6,779</b>	<b>917</b>	<b>7,696</b>	<b>9</b>	<b>1</b>	<b>10</b>	<b>16,851</b>

**Notes:**

Figures in this table show headcount, based on actual location. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions.

1. Victorian figures include individuals located in Albury NSW.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).

Table B.2: All ongoing APS employees by location, 2019–20

	Male			Female			Indeterminate			Total
	Full time	Part time	Total male	Full time	Part time	Total female	Full time	Part time	Total indeterminate	
NSW	1,336	20	1,356	955	161	1,116	–	–	–	2,472
Qld	622	12	634	525	73	598	–	–	–	1,232
SA	1,451	35	1,486	480	73	553	–	1	1	2,040
Tas	31	2	33	31	5	36	–	–	–	69
Vic <sup>1</sup>	2,016	47	2,063	1,089	166	1,255	1	–	1	3,319
WA	262	1	263	165	25	190	–	–	–	453
ACT <sup>2</sup>	3,260	80	3,340	3,388	452	3,840	2	–	2	7,182
NT	86	2	88	108	5	113	–	–	–	201
External Territories	–	–	–	–	–	–	–	–	–	–
Overseas	82	1	83	50	1	51	–	–	–	134
<b>Total</b>	<b>9,146</b>	<b>200</b>	<b>9,346</b>	<b>6,791</b>	<b>961</b>	<b>7,752</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>17,102</b>

**Notes:**

Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions. Some figures have been adjusted from what was reported in the *Defence Annual Report 2019–20* to account for retrospective transactions.

1. Victorian figures include individuals located in Albury NSW.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).

Table B.3: All non-ongoing APS employees by location, 2020–21

	Male			Female			Indeterminate			Total
	Full time	Part time	Total male	Full time	Part time	Total female	Full time	Part time	Total indeterminate	
NSW	5	1	6	7	2	9	–	–	–	15
Qld	8	–	8	13	–	13	1	–	1	22
SA	15	13	28	17	–	17	–	–	–	45
Tas	–	–	–	–	–	–	–	–	–	–
Vic <sup>1</sup>	29	1	30	26	3	29	–	–	–	59
WA	1	–	1	2	–	2	–	–	–	3
ACT <sup>2</sup>	41	4	45	49	12	61	2	2	4	110
NT	–	–	–	3	–	3	–	–	–	3
External Territories	–	–	–	–	–	–	–	–	–	–
Overseas	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>99</b>	<b>19</b>	<b>118</b>	<b>117</b>	<b>17</b>	<b>134</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>257</b>

**Notes:**

Figures in this table show headcount, based on actual location. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions.

1. Victorian figures include individuals located in Albury NSW.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).

Table B.4: All non-ongoing APS employees by location, 2019–20

	Male			Female			Indeterminate			Total
	Full time	Part time	Total male	Full time	Part time	Total female	Full time	Part time	Total indeterminate	
NSW	9	2	11	15	2	17	–	–	–	28
Qld	6	–	6	8	–	8	–	–	–	14
SA	16	16	32	10	3	13	–	–	–	45
Tas	1	–	1	5	–	5	–	–	–	6
Vic <sup>1</sup>	71	3	74	58	–	58	–	–	–	132
WA	2	–	2	2	–	2	–	–	–	4
ACT <sup>2</sup>	51	1	52	51	13	64	–	–	–	116
NT	–	–	–	2	–	2	–	–	–	2
External Territories	–	–	–	–	–	–	–	–	–	–
Overseas	1	–	1	–	–	–	–	–	–	1
<b>Total</b>	<b>157</b>	<b>22</b>	<b>179</b>	<b>151</b>	<b>18</b>	<b>169</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>348</b>

**Notes:**

Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions. Some figures have been adjusted from what was reported in the *Defence Annual Report 2019–20* to account for retrospective transactions.

1. Victorian figures include individuals located in Albury NSW.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).

Table B.5: Australian Public Service Act ongoing employees, 2020–21

	Male			Female			Indeterminate			Total
	Full time	Part time	Total male	Full time	Part time	Total female	Full time	Part time	Total indeterminate	
Secretary	1	–	1	–	–	–	–	–	–	1
SES 3	5	–	5	3	–	3	–	–	–	8
SES 2	29	–	29	14	–	14	–	–	–	43
SES 1	48	1	49	55	1	56	–	–	–	105
EL 2	1,151	19	1,170	504	28	532	–	–	–	1,702
EL 1	2,133	39	2,172	1,303	173	1,476	1	1	2	3,650
APS 6	2,790	57	2,847	1,884	305	2,189	–	–	–	5,036
APS 5	1,408	32	1,440	1,243	128	1,371	4	–	4	2,815
APS 4	626	18	644	841	111	952	1	–	1	1,597
APS 3	369	12	381	625	126	751	–	–	–	1,132
APS 2	290	5	295	244	38	282	2	–	2	579
APS 1	105	7	112	63	7	70	1	–	1	183
Other	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>8,955</b>	<b>190</b>	<b>9,145</b>	<b>6,779</b>	<b>917</b>	<b>7,696</b>	<b>9</b>	<b>1</b>	<b>10</b>	<b>16,851</b>

**Note:**

Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions.

Table B.6: Australian Public Service Act ongoing employees, 2019–20

	Male			Female			Indeterminate			Total
	Full time	Part time	Total male	Full time	Part time	Total female	Full time	Part time	Total indeterminate	
Secretary	1	–	1	–	–	–	–	–	–	1
SES 3	5	–	5	3	–	3	–	–	–	8
SES 2	29	–	29	12	–	12	–	–	–	41
SES 1	47	1	48	50	–	50	–	–	–	98
EL 2	1,119	21	1,140	460	26	486	–	–	–	1,626
EL 1	2,162	41	2,203	1,218	160	1,378	1	1	2	3,583
APS 6	2,826	58	2,884	1,850	325	2,175	–	–	–	5,059
APS 5	1,464	29	1,493	1,243	141	1,384	–	–	–	2,877
APS 4	655	18	673	878	121	999	–	–	–	1,672
APS 3	414	15	429	693	135	828	–	–	–	1,257
APS 2	327	8	335	306	43	349	2	–	2	686
APS 1	97	9	106	78	10	88	–	–	–	194
Other	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>9,146</b>	<b>200</b>	<b>9,346</b>	<b>6,791</b>	<b>961</b>	<b>7,752</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>17,102</b>

**Note:**

Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions. Some figures have been adjusted from what was reported in the *Defence Annual Report 2019–20* to account for retrospective transactions.

Table B.7: Australian Public Service Act non-ongoing employees, 2020–21

	Male			Female			Indeterminate			Total
	Full time	Part time	Total male	Full time	Part time	Total female	Full time	Part time	Total indeterminate	
Secretary	–	–	–	–	–	–	–	–	–	–
SES 3	2	–	2	–	–	–	–	–	–	2
SES 2	2	–	2	–	–	–	–	–	–	2
SES 1	1	–	1	–	–	–	–	–	–	1
EL 2	6	9	15	5	1	6	–	1	1	22
EL 1	7	5	12	10	3	13	–	–	–	25
APS 6	12	3	15	13	3	16	1	–	1	32
APS 5	8	–	8	13	4	17	1	–	1	26
APS 4	8	1	9	29	2	31	1	1	2	42
APS 3	17	1	18	23	3	26	–	–	–	44
APS 2	11	–	11	15	1	16	–	–	–	27
APS 1	25	–	25	9	–	9	–	–	–	34
Other	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>99</b>	<b>19</b>	<b>118</b>	<b>117</b>	<b>17</b>	<b>134</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>257</b>

**Note:**

Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions.

Table B.8: Australian Public Service Act non-ongoing employees, 2019–20

	Male			Female			Indeterminate			Total
	Full time	Part time	Total male	Full time	Part time	Total female	Full time	Part time	Total indeterminate	
Secretary	–	–	–	–	–	–	–	–	–	–
SES 3	2	–	2	–	–	–	–	–	–	2
SES 2	2	–	2	–	–	–	–	–	–	2
SES 1	2	–	2	–	–	–	–	–	–	2
EL 2	7	13	20	4	1	5	–	–	–	25
EL 1	14	3	17	6	3	9	–	–	–	26
APS 6	23	4	27	19	6	25	–	–	–	52
APS 5	13	1	14	24	4	28	–	–	–	42
APS 4	9	–	9	25	3	28	–	–	–	37
APS 3	19	1	20	27	–	27	–	–	–	47
APS 2	22	–	22	22	1	23	–	–	–	45
APS 1	44	–	44	24	–	24	–	–	–	68
Other	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>157</b>	<b>22</b>	<b>179</b>	<b>151</b>	<b>18</b>	<b>169</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>348</b>

**Note:**

Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions. Some figures have been adjusted from what was reported in the *Defence Annual Report 2019–20* to account for retrospective transactions.

Table B.9: Australian Public Service Act employees by full-time and part-time status, 2020–21

	Ongoing			Non-ongoing			Total
	Full time	Part time	Total ongoing	Full time	Part time	Total non-ongoing	
Secretary	1	–	1	–	–	–	1
SES 3	8	–	8	2	–	2	10
SES 2	43	–	43	2	–	2	45
SES 1	103	2	105	1	–	1	106
EL 2	1,655	47	1,702	11	11	22	1,724
EL 1	3,437	213	3,650	17	8	25	3,675
APS 6	4,674	362	5,036	26	6	32	5,068
APS 5	2,655	160	2,815	22	4	26	2,841
APS 4	1,468	129	1,597	38	4	42	1,639
APS 3	994	138	1,132	40	4	44	1,176
APS 2	536	43	579	26	1	27	606
APS 1	169	14	183	34	–	34	217
Other	–	–	–	–	–	–	–
<b>Total</b>	<b>15,743</b>	<b>1,108</b>	<b>16,851</b>	<b>219</b>	<b>38</b>	<b>257</b>	<b>17,108</b>

**Note:**

Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions.

Table B.10: Australian Public Service Act employees by full-time and part-time status, 2019–20

	Ongoing			Non-ongoing			Total
	Full time	Part time	Total ongoing	Full time	Part time	Total non-ongoing	
Secretary	1	–	1	–	–	–	1
SES 3	8	–	8	2	–	2	10
SES 2	41	–	41	2	–	2	43
SES 1	97	1	98	2	–	2	100
EL 2	1,579	47	1,626	11	14	25	1,651
EL 1	3,381	202	3,583	20	6	26	3,609
APS 6	4,676	383	5,059	42	10	52	5,111
APS 5	2,707	170	2,877	37	5	42	2,919
APS 4	1,533	139	1,672	34	3	37	1,709
APS 3	1,107	150	1,257	46	1	47	1,304
APS 2	635	51	686	44	1	45	731
APS 1	175	19	194	68	–	68	262
Other	–	–	–	–	–	–	–
<b>Total</b>	<b>15,940</b>	<b>1,162</b>	<b>17,102</b>	<b>308</b>	<b>40</b>	<b>348</b>	<b>17,450</b>

**Note:**

Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions. Some figures have been adjusted from what was reported in the *Defence Annual Report 2019–20* to account for retrospective transactions.

Table B.11: Permanent ADF members by location, 2020–21

	Male				Female				Indeterminate				Total			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
NSW	5,203	4,701	3,327	13,231	1,422	720	1,048	3,190	1	1	–	2	6,626	5,422	4,375	16,423
Qld	584	10,147	2,545	13,276	219	1,901	887	3,007	–	–	–	–	803	12,048	3,432	16,283
SA	97	1,614	1,547	3,258	23	171	436	630	–	–	1	1	120	1,785	1,984	3,889
Tas	17	38	8	63	2	12	3	17	–	–	–	–	19	50	11	80
Vic <sup>1</sup>	1,426	2,687	889	5,002	425	500	310	1,235	–	1	–	1	1,851	3,188	1,199	6,238
WA	2,318	778	243	3,339	594	100	72	766	1	–	–	1	2,913	878	315	4,106
ACT <sup>2</sup>	1,372	2,467	1,596	5,435	615	602	728	1,945	1	–	–	1	1,988	3,069	2,324	7,381
NT	545	2,293	682	3,520	198	409	256	863	–	–	–	–	743	2,702	938	4,383
Overseas <sup>3</sup>	202	240	258	700	20	17	49	86	–	–	–	–	222	257	307	786
<b>Total</b>	<b>11,764</b>	<b>24,965</b>	<b>11,095</b>	<b>47,824</b>	<b>3,518</b>	<b>4,432</b>	<b>3,789</b>	<b>11,739</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>6</b>	<b>15,285</b>	<b>29,399</b>	<b>14,885</b>	<b>59,569</b>

**Notes:** Figures are for permanent members (Service Categories 7 and 6) and do not include Reserves, (Service Categories 5, 4 and 3), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G). Figures in this table are based on substantive location for the ADF.

1. Victorian figures include individuals located in Albury NSW.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).
3. Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.

Table B.12: Permanent ADF members by location, 2019–20

	Male				Female				Indeterminate				Total			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
NSW	5,107	4,611	3,291	13,009	1,345	745	1,002	3,092	–	–	1	1	6,452	5,356	4,294	16,102
Qld	604	10,434	2,547	13,585	206	1,914	835	2,955	–	1	–	1	810	12,349	3,382	16,541
SA	150	1,620	1,511	3,281	18	181	406	605	–	–	–	–	168	1,801	1,917	3,886
Tas	17	40	6	63	4	12	4	20	–	–	–	–	21	52	10	83
Vic <sup>1</sup>	1,614	2,618	807	5,039	487	429	298	1,214	–	–	–	–	2,101	3,047	1,105	6,253
WA	2,185	814	219	3,218	527	92	53	672	1	–	–	1	2,713	906	272	3,891
ACT <sup>2</sup>	1,335	2,429	1,538	5,302	581	593	681	1,855	1	1	1	3	1,917	3,023	2,220	7,160
NT	488	2,394	690	3,572	163	418	234	815	–	–	–	–	651	2,812	924	4,387
Overseas <sup>3</sup>	167	260	275	702	30	27	42	99	–	–	–	–	197	287	317	801
<b>Total</b>	<b>11,667</b>	<b>25,220</b>	<b>10,884</b>	<b>47,771</b>	<b>3,361</b>	<b>4,411</b>	<b>3,555</b>	<b>11,327</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>6</b>	<b>15,030</b>	<b>29,633</b>	<b>14,441</b>	<b>59,104</b>

**Notes:** Figures are for permanent members (Service Categories 7 and 6) and do not include Reserves, (Service Categories 5, 4, 3 and 2), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G). Some 30 June 2020 figures have been adjusted from what was reported in the *Defence Annual Report 2019–20* to account for retrospective transactions. Figures in this table are based on substantive location for the ADF.

1. Victorian figures include individuals located in Albury NSW.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).
3. Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.

Table B.13: Reserve members by location, 2020-21

	Male				Female				Indeterminate				Total			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
NSW	959	4,805	1,258	7,022	246	783	304	1,333	–	–	–	–	1,205	5,588	1,562	8,355
Qld	405	4,273	1,085	5,763	105	863	334	1,302	–	–	–	–	510	5,136	1,419	7,065
SA	82	1,362	553	1,997	24	286	143	453	–	–	–	–	106	1,648	696	2,450
Tas	71	425	36	532	20	89	16	125	–	–	–	–	91	514	52	657
Vic <sup>1</sup>	250	2,994	334	3,578	94	472	72	638	–	–	–	–	344	3,466	406	4,216
WA	281	1,705	180	2,166	82	314	49	445	–	–	–	–	363	2,019	229	2,611
ACT <sup>2</sup>	923	884	912	2,719	307	194	299	800	–	–	–	–	1,230	1,078	1,211	3,519
NT	61	553	84	698	18	116	26	160	–	–	–	–	79	669	110	858
Overseas <sup>3</sup>	4	5	–	9	–	–	–	–	–	–	–	–	4	5	–	9
<b>Total</b>	<b>3,036</b>	<b>17,006</b>	<b>4,442</b>	<b>24,484</b>	<b>896</b>	<b>3,117</b>	<b>1,243</b>	<b>5,256</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,932</b>	<b>20,123</b>	<b>5,685</b>	<b>29,740</b>

**Notes:** Figures in this table are headcount. Reserves include all members who render Reserve service in Service Categories 5, 4 and 3, and Reserves undertaking continuous full-time service (Service Option C). Figures in this table are based on substantive location for the ADF. This does not include members in Service Category 2, who do not render service.

1. Victorian figures include individuals located in Albury NSW.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).
3. Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.

Table B.14: Reserve members by location, 2019-20

	Male				Female				Indeterminate				Total			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
NSW	862	4,669	1,238	6,769	222	757	303	1,282	–	–	–	–	1,084	5,426	1,541	8,051
Qld	376	4,157	1,083	5,616	100	819	318	1,237	–	–	–	–	476	4,976	1,401	6,853
SA	77	1,364	536	1,977	26	287	121	434	–	–	–	–	103	1,651	657	2,411
Tas	68	415	41	524	18	83	14	115	–	–	–	–	86	498	55	639
Vic <sup>1</sup>	230	2,998	351	3,579	71	473	72	616	–	–	–	–	301	3,471	423	4,195
WA	261	1,706	169	2,136	68	291	46	405	–	–	–	–	329	1,997	215	2,541
ACT <sup>2</sup>	883	839	885	2,607	286	170	284	740	–	–	–	–	1,169	1,009	1,169	3,347
NT	65	532	77	674	18	109	32	159	–	–	–	–	83	641	109	833
Overseas <sup>3</sup>	3	4	–	7	–	–	–	–	–	–	–	–	3	4	–	7
<b>Total</b>	<b>2,825</b>	<b>16,684</b>	<b>4,380</b>	<b>23,889</b>	<b>809</b>	<b>2,989</b>	<b>1,190</b>	<b>4,988</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,634</b>	<b>19,673</b>	<b>5,570</b>	<b>28,877</b>

**Notes:** Figures in this table are headcount. Reserves include all members who render Reserve service in Service Categories 5, 4 and 3, and Reserves undertaking continuous full-time service (Service Option C). Some 30 June 2020 figures have been adjusted from what was reported in the *Defence Annual Report 2019-20* to account for retrospective transactions. Figures in this table are based on substantive location for the ADF. This does not include members in Service Category 2, who do not render service.

1. Victorian figures include individuals located in Albury NSW.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).
3. Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.



Table B.15: ADF permanent members, 2020–21

	Male				Female				Indeterminate				Total			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
<b>Officer</b>																
General (E)	–	1	–	1	–	–	–	–	–	–	–	–	–	1	–	1
Lieutenant General (E)	4	4	1	9	–	–	–	–	–	–	–	–	4	4	1	9
Major General (E)	8	16	8	32	3	5	2	10	–	–	–	–	11	21	10	42
Brigadier (E)	41	52	36	129	4	9	8	21	–	–	–	–	45	61	44	150
Colonel (E)	144	160	139	443	29	32	25	86	–	–	–	–	173	192	164	529
Lieutenant Colonel (E)	413	625	428	1,466	108	113	112	333	1	–	–	1	522	738	540	1,800
Major (E)	692	1,604	883	3,179	204	269	276	749	–	–	–	–	896	1,873	1,159	3,928
Captain (E)	932	1,514	1,513	3,959	290	329	468	1,087	1	–	–	1	1,223	1,843	1,981	5,047
Lieutenant (E)	323	838	554	1,715	98	300	236	634	–	1	1	2	421	1,139	791	2,351
2nd Lieutenant (E)	58	1	354	413	19	–	118	137	–	–	–	–	77	1	472	550
Officer Cadet (E)	411	549	282	1,242	178	132	138	448	–	–	–	–	589	681	420	1,690
<b>Officer total</b>	<b>3,026</b>	<b>5,364</b>	<b>4,198</b>	<b>12,588</b>	<b>933</b>	<b>1,189</b>	<b>1,383</b>	<b>3,505</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>3,961</b>	<b>6,554</b>	<b>5,582</b>	<b>16,097</b>
<b>Other ranks</b>																
Regimental Sergeant Major (E)	–	1	–	1	1	–	1	2	–	–	–	–	1	1	1	3
Warrant Officer Class 1 (E)	230	638	462	1,330	26	71	71	168	–	–	–	–	256	709	533	1,498
Warrant Officer Class 2 (E)	919	1,718	669	3,306	133	183	125	441	–	–	–	–	1,052	1,901	794	3,747
Staff Sergeant (E)	–	2	–	2	–	–	–	–	–	–	–	–	–	2	–	2
Sergeant (E)	1,323	2,057	1,240	4,620	282	274	261	817	–	–	–	–	1,605	2,331	1,501	5,437
Corporal (E)	2,055	3,593	1,739	7,387	584	629	473	1,686	–	1	–	1	2,639	4,223	2,212	9,074
Lance Corporal (E)	–	1,276	–	1,276	–	195	–	195	–	–	–	–	–	1,471	–	1,471
Private Proficient (E)	2,508	6,576	1,786	10,870	980	1,148	924	3,052	1	–	–	1	3,489	7,724	2,710	13,923
Private(E)	821	1,762	395	2,978	287	351	281	919	–	–	–	–	1,108	2,113	676	3,897
Private Trainee (E)	705	1,421	428	2,554	222	283	200	705	–	–	–	–	927	1,704	628	3,259
Recruit (E)	177	557	178	912	70	109	70	249	–	–	–	–	247	666	248	1,161
<b>Other ranks total</b>	<b>8,738</b>	<b>19,601</b>	<b>6,897</b>	<b>35,236</b>	<b>2,585</b>	<b>3,243</b>	<b>2,406</b>	<b>8,234</b>	<b>1</b>	<b>1</b>	<b>–</b>	<b>2</b>	<b>11,324</b>	<b>22,845</b>	<b>9,303</b>	<b>43,472</b>
<b>Total ADF</b>	<b>11,764</b>	<b>24,965</b>	<b>11,095</b>	<b>47,824</b>	<b>3,518</b>	<b>4,432</b>	<b>3,789</b>	<b>11,739</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>6</b>	<b>15,285</b>	<b>29,399</b>	<b>14,885</b>	<b>59,569</b>

**Note:** Figures in this table are headcount for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4, 3 and 2), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).

Table B.16: ADF permanent members, 2019-20

	Male				Female				Indeterminate				Total			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
<b>Officer</b>																
General (E)	–	1	–	1	–	–	–	–	–	–	–	–	–	1	–	1
Lieutenant General (E)	3	3	2	8	–	–	–	–	–	–	–	–	3	3	2	8
Major General (E)	8	18	8	34	2	4	1	7	–	–	–	–	10	22	9	41
Brigadier (E)	38	51	32	121	6	9	6	21	–	–	–	–	44	60	38	142
Colonel (E)	139	164	135	438	29	28	25	82	–	–	–	–	168	192	160	520
Lieutenant Colonel (E)	403	608	435	1,446	102	107	105	314	1	–	–	1	506	715	540	1,761
Major (E)	691	1,589	870	3,150	183	282	259	724	–	–	–	–	874	1,871	1,129	3,874
Captain (E)	913	1,520	1,483	3,916	284	302	462	1,048	–	–	1	1	1,197	1,822	1,946	4,965
Lieutenant (E)	290	831	513	1,634	90	292	214	596	–	1	–	1	380	1,124	727	2,231
2nd Lieutenant (E)	49	3	330	382	10	–	109	119	–	–	1	1	59	3	440	502
Officer Cadet (E)	356	552	243	1,151	150	142	136	428	–	–	–	–	506	694	379	1,579
<b>Officer total</b>	<b>2,890</b>	<b>5,340</b>	<b>4,051</b>	<b>12,281</b>	<b>856</b>	<b>1,166</b>	<b>1,317</b>	<b>3,339</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>3,747</b>	<b>6,507</b>	<b>5,370</b>	<b>15,624</b>
<b>Other ranks</b>																
Regimental Sergeant Major (E)	–	1	–	1	1	–	1	2	–	–	–	–	1	1	1	3
Warrant Officer Class 1 (E)	227	611	476	1,314	25	71	72	168	–	–	–	–	252	682	548	1,482
Warrant Officer Class 2 (E)	915	1,769	647	3,331	131	180	117	428	–	–	–	–	1,046	1,949	764	3,759
Staff Sergeant (E)	–	2	–	2	–	–	–	–	–	–	–	–	–	2	–	2
Sergeant (E)	1,293	2,147	1,281	4,721	272	270	264	806	–	–	–	–	1,565	2,417	1,545	5,527
Corporal (E)	2,040	3,668	1,770	7,478	573	620	472	1,665	–	1	–	1	2,613	4,289	2,242	9,144
Lance Corporal (E)	–	1,405	–	1,405	–	166	–	166	–	–	–	–	–	1,571	–	1,571
Private Proficient (E)	2,521	6,708	2,003	11,232	915	1,168	847	2,930	–	–	–	–	3,436	7,876	2,850	14,162
Private(E)	678	1,716	240	2,634	264	376	235	875	1	–	–	1	943	2,092	475	3,510
Private Trainee (E)	814	1,272	317	2,403	212	226	164	602	–	–	–	–	1,026	1,498	481	3,005
Recruit (E)	289	581	99	969	112	168	66	346	–	–	–	–	401	749	165	1,315
<b>Other ranks total</b>	<b>8,777</b>	<b>19,880</b>	<b>6,833</b>	<b>35,490</b>	<b>2,505</b>	<b>3,245</b>	<b>2,238</b>	<b>7,988</b>	<b>1</b>	<b>1</b>	<b>–</b>	<b>2</b>	<b>11,283</b>	<b>23,126</b>	<b>9,071</b>	<b>43,480</b>
<b>Total ADF</b>	<b>11,667</b>	<b>25,220</b>	<b>10,884</b>	<b>47,771</b>	<b>3,361</b>	<b>4,411</b>	<b>3,555</b>	<b>11,327</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>6</b>	<b>15,030</b>	<b>29,633</b>	<b>14,441</b>	<b>59,104</b>

**Notes:** Figures in this table are headcount for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4, 3 and 2), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G). Some 30 June 2020 figures have been adjusted from what was reported in the *Defence Annual Report 2019-20* to account for retrospective transactions.

Table B.17: **ADF Reserve members, 2020–21**

	Male				Female				Indeterminate				Total			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
<b>Officer</b>																
General (E)	–	–	1	1	–	–	–	–	–	–	–	–	–	–	1	1
Lieutenant General (E)	3	1	4	8	–	–	–	–	–	–	–	–	3	1	4	8
Major General (E)	21	20	23	64	2	2	2	6	–	–	–	–	23	22	25	70
Brigadier (E)	54	87	68	209	6	7	7	20	–	–	–	–	60	94	75	229
Colonel (E)	122	254	166	542	11	30	24	65	–	–	–	–	133	284	190	607
Lieutenant Colonel (E)	306	524	324	1,154	44	79	64	187	–	–	–	–	350	603	388	1,341
Major (E)	409	1,179	678	2,266	100	218	150	468	–	–	–	–	509	1,397	828	2,734
Captain (E)	401	1,060	604	2,065	146	244	245	635	–	–	–	–	547	1,304	849	2,700
Lieutenant (E)	6	469	30	505	6	201	30	237	–	–	–	–	12	670	60	742
2nd Lieutenant (E)	1	2	–	3	–	–	1	1	–	–	–	–	1	2	1	4
Officer Cadet (E)	–	458	–	458	2	83	–	85	–	–	–	–	2	541	–	543
<b>Officer total</b>	<b>1,323</b>	<b>4,054</b>	<b>1,898</b>	<b>7,275</b>	<b>317</b>	<b>864</b>	<b>523</b>	<b>1,704</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,640</b>	<b>4,918</b>	<b>2,421</b>	<b>8,979</b>
<b>Other ranks</b>																
Regimental Sergeant Major (E)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Warrant Officer Class 1 (E)	120	447	366	933	6	68	42	116	–	–	–	–	126	515	408	1,049
Warrant Officer Class 2 (E)	340	649	242	1,231	57	78	53	188	–	–	–	–	397	727	295	1,419
Staff Sergeant (E)	–	13	–	13	–	1	–	1	–	–	–	–	–	14	–	14
Sergeant (E)	290	1,031	401	1,722	115	184	141	440	–	–	–	–	405	1,215	542	2,162
Corporal (E)	501	2,031	688	3,220	209	405	217	831	–	–	–	–	710	2,436	905	4,051
Lance Corporal (E)	–	1,087	–	1,087	–	122	–	122	–	–	–	–	–	1,209	–	1,209
Private Proficient (E)	455	4,017	688	5,160	176	667	205	1,048	–	–	–	–	631	4,684	893	6,208
Private(E)	7	2,175	107	2,289	15	405	43	463	–	–	–	–	22	2,580	150	2,752
Private Trainee (E)	–	874	34	908	1	193	11	205	–	–	–	–	1	1,067	45	1,113
Recruit (E)	–	628	18	646	–	130	8	138	–	–	–	–	–	758	26	784
<b>Other ranks total</b>	<b>1,713</b>	<b>12,952</b>	<b>2,544</b>	<b>17,209</b>	<b>579</b>	<b>2,253</b>	<b>720</b>	<b>3,552</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,292</b>	<b>15,205</b>	<b>3,264</b>	<b>20,761</b>
<b>Total ADF</b>	<b>3,036</b>	<b>17,006</b>	<b>4,442</b>	<b>24,484</b>	<b>896</b>	<b>3,117</b>	<b>1,243</b>	<b>5,256</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,932</b>	<b>20,123</b>	<b>5,685</b>	<b>29,740</b>

**Note:** Figures in this table are headcount. Reserves include all members who render Reserve service in Service Categories 5, 4 and 3 and Reserves undertaking continuous full-time service (Service Option C). This does not include members in Service Category 2, who do not render service.

Table B.18: ADF Reserve members, 2019–20

	Male				Female				Indeterminate				Total			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
<b>Officer</b>																
General (E)	–	–	1	1	–	–	–	–	–	–	–	–	–	–	1	1
Lieutenant General (E)	4	2	3	9	–	–	–	–	–	–	–	–	4	2	3	9
Major General (E)	19	16	24	59	2	2	2	6	–	–	–	–	21	18	26	65
Brigadier (E)	51	80	67	198	4	8	7	19	–	–	–	–	55	88	74	217
Colonel (E)	114	241	171	526	6	27	23	56	–	–	–	–	120	268	194	582
Lieutenant Colonel (E)	281	503	324	1,108	41	71	61	173	–	–	–	–	322	574	385	1,281
Major (E)	381	1,153	641	2,175	90	202	151	443	–	–	–	–	471	1,355	792	2,618
Captain (E)	392	988	613	1,993	132	236	238	606	–	–	–	–	524	1,224	851	2,599
Lieutenant (E)	6	428	30	464	7	178	25	210	–	–	–	–	13	606	55	674
2nd Lieutenant (E)	–	1	–	1	–	–	1	1	–	–	–	–	–	1	1	2
Officer Cadet (E)	–	414	–	414	–	88	–	88	–	–	–	–	–	502	–	502
<b>Officer total</b>	<b>1,248</b>	<b>3,826</b>	<b>1,874</b>	<b>6,948</b>	<b>282</b>	<b>812</b>	<b>508</b>	<b>1,602</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,530</b>	<b>4,638</b>	<b>2,382</b>	<b>8,550</b>
<b>Other ranks</b>																
Regimental Sergeant Major (E)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Warrant Officer Class 1 (E)	120	448	365	933	5	65	35	105	–	–	–	–	125	513	400	1,038
Warrant Officer Class 2 (E)	326	638	253	1,217	50	75	53	178	–	–	–	–	376	713	306	1,395
Staff Sergeant (E)	–	13	–	13	–	1	–	1	–	–	–	–	–	14	–	14
Sergeant (E)	278	1,015	408	1,701	111	198	143	452	–	–	–	–	389	1,213	551	2,153
Corporal (E)	449	1,950	666	3,065	193	373	206	772	–	–	–	–	642	2,323	872	3,837
Lance Corporal (E)	–	1,082	–	1,082	–	108	–	108	–	–	–	–	–	1,190	–	1,190
Private Proficient (E)	397	4,027	669	5,093	162	663	195	1,020	–	–	–	–	559	4,690	864	6,113
Private(E)	4	2,108	90	2,202	5	378	31	414	–	–	–	–	9	2,486	121	2,616
Private Trainee (E)	1	721	41	763	1	158	15	174	–	–	–	–	2	879	56	937
Recruit (E)	2	856	14	872	–	158	4	162	–	–	–	–	2	1,014	18	1,034
<b>Other ranks total</b>	<b>1,577</b>	<b>12,858</b>	<b>2,506</b>	<b>16,941</b>	<b>527</b>	<b>2,177</b>	<b>682</b>	<b>3,386</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,104</b>	<b>15,035</b>	<b>3,188</b>	<b>20,327</b>
<b>Total ADF</b>	<b>2,825</b>	<b>16,684</b>	<b>4,380</b>	<b>23,889</b>	<b>809</b>	<b>2,989</b>	<b>1,190</b>	<b>4,988</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,634</b>	<b>19,673</b>	<b>5,570</b>	<b>28,877</b>

**Notes:** Figures in this table are headcount. Reserves include all members who render Reserve service in Service Categories 5, 4 and 3 and Reserves undertaking continuous full-time service (Service Option C). This does not include members in Service Category 2, who do not render service. Some 30 June 2020 figures have been adjusted from what was reported in the *Defence Annual Report 2019–20* to account for retrospective transactions.

Table B.19: ADF permanent and Reserve members, 2020–21

	Permanent <sup>1</sup>				Reserve <sup>2</sup>			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
<b>Officer</b>								
General (E)	–	1	–	1	–	–	1	1
Lieutenant General (E)	4	4	1	9	3	1	4	8
Major General (E)	11	21	10	42	23	22	25	70
Brigadier (E)	45	61	44	150	60	94	75	229
Colonel (E)	173	192	164	529	133	284	190	607
Lieutenant Colonel (E)	522	738	540	1,800	350	603	388	1,341
Major (E)	896	1,873	1,159	3,928	509	1,397	828	2,734
Captain (E)	1,223	1,843	1,981	5,047	547	1,304	849	2,700
Lieutenant (E)	421	1,139	791	2,351	12	670	60	742
2nd Lieutenant (E)	77	1	472	550	1	2	1	4
Officer Cadet (E)	589	681	420	1,690	2	541	–	543
<b>Officer total</b>	<b>3,961</b>	<b>6,554</b>	<b>5,582</b>	<b>16,097</b>	<b>1,640</b>	<b>4,918</b>	<b>2,421</b>	<b>8,979</b>
<b>Other ranks</b>								
Regimental Sergeant Major (E)	1	1	1	3	–	–	–	–
Warrant Officer Class 1 (E)	256	709	533	1,498	126	515	408	1,049
Warrant Officer Class 2 (E)	1,052	1,901	794	3,747	397	727	295	1,419
Staff Sergeant (E)	–	2	–	2	–	14	–	14
Sergeant (E)	1,605	2,331	1,501	5,437	405	1,215	542	2,162
Corporal (E)	2,639	4,223	2,212	9,074	710	2,436	905	4,051
Lance Corporal (E)	–	1,471	–	1,471	–	1,209	–	1,209
Private Proficient (E)	3,489	7,724	2,710	13,923	631	4,684	893	6,208
Private(E)	1,108	2,113	676	3,897	22	2,580	150	2,752
Private Trainee (E)	927	1,704	628	3,259	1	1,067	45	1,113
Recruit (E)	247	666	248	1,161	–	758	26	784
<b>Other ranks total</b>	<b>11,324</b>	<b>22,845</b>	<b>9,303</b>	<b>43,472</b>	<b>2,292</b>	<b>15,205</b>	<b>3,264</b>	<b>20,761</b>
<b>Total ADF</b>	<b>15,285</b>	<b>29,399</b>	<b>14,885</b>	<b>59,569</b>	<b>3,932</b>	<b>20,123</b>	<b>5,685</b>	<b>29,740</b>

**Notes:**

- Figures are for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4, 3 and 2), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
- Reserves include all members rendering service in Service Categories 5, 4 and 3 and Reserves undertaking continuous full-time service (Service Option C). This does not include members in Service Category 2, who do not render service.

Table B.20: **ADF permanent and Reserve members, 2019–20**

	Permanent <sup>1</sup>				Reserve <sup>2</sup>			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
<b>Officer</b>								
General (E)	–	1	–	1	–	–	1	1
Lieutenant General (E)	3	3	2	8	4	2	3	9
Major General (E)	10	22	9	41	21	18	26	65
Brigadier (E)	44	60	38	142	55	88	74	217
Colonel (E)	168	192	160	520	120	268	194	582
Lieutenant Colonel (E)	506	715	540	1,761	322	574	385	1,281
Major (E)	874	1,871	1,129	3,874	471	1,355	792	2,618
Captain (E)	1,197	1,822	1,946	4,965	524	1,224	851	2,599
Lieutenant (E)	380	1,124	727	2,231	13	606	55	674
2nd Lieutenant (E)	59	3	440	502	–	1	1	2
Officer Cadet (E)	506	694	379	1,579	–	502	–	502
<b>Officer total</b>	<b>3,747</b>	<b>6,507</b>	<b>5,370</b>	<b>15,624</b>	<b>1,530</b>	<b>4,638</b>	<b>2,382</b>	<b>8,550</b>
<b>Other ranks</b>								
Regimental Sergeant Major (E)	1	1	1	3	–	–	–	–
Warrant Officer Class 1 (E)	252	682	548	1,482	125	513	400	1,038
Warrant Officer Class 2 (E)	1,046	1,949	764	3,759	376	713	306	1,395
Staff Sergeant (E)	–	2	–	2	–	14	–	14
Sergeant (E)	1,565	2,417	1,545	5,527	389	1,213	551	2,153
Corporal (E)	2,613	4,289	2,242	9,144	642	2,323	872	3,837
Lance Corporal (E)	–	1,571	–	1,571	–	1,190	–	1,190
Private Proficient (E)	3,436	7,876	2,850	14,162	559	4,690	864	6,113
Private(E)	943	2,092	475	3,510	9	2,486	121	2,616
Private Trainee (E)	1,026	1,498	481	3,005	2	879	56	937
Recruit (E)	401	749	165	1,315	2	1,014	18	1,034
<b>Other ranks total</b>	<b>11,283</b>	<b>23,126</b>	<b>9,071</b>	<b>43,480</b>	<b>2,104</b>	<b>15,035</b>	<b>3,188</b>	<b>20,327</b>
<b>Total ADF</b>	<b>15,030</b>	<b>29,633</b>	<b>14,441</b>	<b>59,104</b>	<b>3,634</b>	<b>19,673</b>	<b>5,570</b>	<b>28,877</b>

**Notes:**

Some 30 June 2020 figures have been adjusted from what was reported in the *Defence Annual Report 2019–20*.

- Figures are for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4, 3 and 2), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
- Reserves include all members rendering service in Service Categories 5, 4 and 3 and Reserves undertaking continuous full-time service (Service Option C). This does not include members in Service Category 2, who do not render service.

Table B.21: Australian Public Service Act employment type by location, 2020–21

	Ongoing	Non-ongoing	Total
NSW	2,342	15	2,357
Qld	1,200	22	1,222
SA	1,972	45	2,017
Tas	62	–	62
Vic <sup>1</sup>	3,212	59	3,271
WA	465	3	468
ACT <sup>2</sup>	7,270	110	7,380
NT	201	3	204
External Territories	–	–	–
Overseas	127	–	127
<b>Total</b>	<b>16,851</b>	<b>257</b>	<b>17,108</b>

**Notes:**

Figures in this table show headcount, based on actual location. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions.

1. Victorian figures include individuals located in Albury NSW.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).

Table B.22: Australian Public Service Act employment type by location, 2019–20

	Ongoing	Non-ongoing	Total
NSW	2,472	28	2,500
Qld	1,232	14	1,246
SA	2,040	45	2,085
Tas	69	6	75
Vic <sup>1</sup>	3,319	132	3,451
WA	453	4	457
ACT <sup>2</sup>	7,182	116	7,298
NT	201	2	203
External Territories	–	–	–
Overseas	134	1	135
<b>Total</b>	<b>17,102</b>	<b>348</b>	<b>17,450</b>

**Notes:**

Figures in this table show headcount, based on actual location. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions. Some 30 June 2020 figures have been adjusted from what was reported in the *Defence Annual Report 2019–20*.

1. Victorian figures include individuals located in Albury NSW.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).

Table B.23: **ADF permanent and Reserve members by location, 2020–21**

	Permanent <sup>1</sup>	Reserve <sup>2</sup>	Total
NSW	16,423	8,355	24,778
Qld	16,283	7,065	23,348
SA	3,889	2,450	6,339
Tas	80	657	737
Vic <sup>3</sup>	6,238	4,216	10,454
WA	4,106	2,611	6,717
ACT <sup>4</sup>	7,381	3,519	10,900
NT	4,383	858	5,241
Overseas <sup>5</sup>	786	9	795
<b>Total</b>	<b>59,569</b>	<b>29,740</b>	<b>89,309</b>

**Notes:**

Figures in this table show headcount, based on substantive location.

- Figures are for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4, 3 and 2), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
- Reserves include all members rendering service in Service Categories 5, 4 and 3 and Reserves undertaking continuous full-time service (Service Option C). This does not include members in Service Category 2, who do not render service.
- Victorian figures include individuals located in Albury NSW.
- Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).
- Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.

Table B.24: **ADF permanent and Reserve members by location, 2019–20**

	Permanent <sup>1</sup>	Reserve <sup>2</sup>	Total
NSW	16,102	8,051	24,153
Qld	16,541	6,853	23,394
SA	3,886	2,411	6,297
Tas	83	639	722
Vic <sup>3</sup>	6,253	4,195	10,448
WA	3,891	2,541	6,432
ACT <sup>4</sup>	7,160	3,347	10,507
NT	4,387	833	5,220
Overseas <sup>5</sup>	801	7	808
<b>Total</b>	<b>59,104</b>	<b>28,877</b>	<b>87,981</b>

**Notes:**

Figures in this table show headcount based on substantive location. Some figures have been adjusted from what was reported in the *Defence Annual Report 2019–20* to account for retrospective transactions.

- Figures are for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4 and 3), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
- Reserves include all members rendering service in Service Categories 5, 4 and 3 and Reserves undertaking continuous full-time service (Service Option C). This does not include members in Service Category 2, who do not render service.
- Victorian figures include individuals located in Albury NSW.
- Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).
- Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.



Table B.25: Australian Public Service Act Indigenous employment 2020–21

	Total
Ongoing	382
Non-ongoing	2
<b>Total</b>	<b>384</b>

**Note:** Figures in this table show substantive headcount numbers. Data for this table is reliant on self-identification on the Defence human resources system; therefore, the data is likely to under-report actual participation rates.

Table B.26: Australian Public Service Act Indigenous employment, 2019–20

	Total
Ongoing	412
Non-ongoing	6
<b>Total</b>	<b>418</b>

**Note:** Figures in this table show substantive headcount numbers. Data for this table is reliant on self-identification on the Defence human resources system; therefore, the data is likely to under-report actual participation rates. Some figures have been adjusted from what was reported in the *Defence Annual Report 2019–20* to account for retrospective transactions.

Table B.27: ADF Indigenous members, 2020–21

	Navy	Army	Air Force	ADF
Permanent <sup>1</sup>	560	1,021	394	1,975
Reserves <sup>2</sup>	48	699	79	826
<b>Total</b>	<b>608</b>	<b>1,720</b>	<b>473</b>	<b>2,801</b>

**Notes:**

Figures in this table show Indigenous headcount numbers. Data for this table is reliant on self-identification on the Defence human resources system; therefore, the data is likely to under-report actual participation rates.

- Figures are for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4 and 3), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
- Reserves include all members rendering service in Service Categories 5, 4 and 3 and Reserves undertaking continuous full-time service (Service Option C). This does not include members in Service Category 2, who do not render service.

Table B.28: ADF Indigenous members, 2019–20

	Navy	Army	Air Force	ADF
Permanent <sup>1</sup>	548	1,027	367	1,942
Reserves <sup>2</sup>	47	633	71	751
<b>Total</b>	<b>595</b>	<b>1,660</b>	<b>438</b>	<b>2,693</b>

**Notes:**

Figures in this table show Indigenous headcount numbers. Data for this table is reliant on self-identification on the Defence human resources system; therefore, the data is likely to under-report actual participation rates. Some figures have been adjusted from what was reported in the *Defence Annual Report 2019–20* to account for retrospective transactions.

- Figures are for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4 and 3), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
- Reserves include all members rendering service in Service Categories 5, 4 and 3 and Reserves undertaking continuous full-time service (Service Option C). This does not include members in Service Category 2, who do not render service.

Table B.29: Key management personnel remuneration, 2020-21

Name	Position <sup>1</sup>	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits (\$)	Total remuneration <sup>3</sup> (\$)
		Base salary (\$)	Bonuses (\$)	Other benefits and allowances <sup>2</sup> (\$)	Superannuation contributions (\$)	Long service leave (\$)	Other long-term benefits (\$)		
Mr Greg Moriarty	Secretary	831,065	–	–	110,572	21,791	–	–	963,428
GEN Angus Campbell	Chief of the Defence Force	786,300	–	14,708	217,269	16,038	–	–	1,034,315
VADM David Johnston	Vice Chief of the Defence Force	554,442	–	–	153,203	11,416	–	–	719,061
Ms Katherine Jones	Associate Secretary	474,466	–	–	77,700	11,923	–	–	564,089
VADM Michael Noonan	Chief of Navy	519,206	–	4,759	146,242	10,897	–	–	681,104
RADM Mark Hammond	Acting Chief of Navy	19,132	–	13,026	7,335	1,156	–	–	40,649
LTGEN Richard Burr	Chief of Army	527,019	–	11,001	146,242	10,795	–	–	695,057
AIRMSHL Mel Hupfeld	Chief of Air Force	521,215	–	15,086	123,023	11,406	–	–	670,730
Mr Steven Groves	Chief Finance Officer	372,531	–	27,896	67,374	10,085	–	–	477,886
Mr Stephen Pearson	Chief Information Officer	511,368	–	54,764	21,522	8,481	–	–	596,135
Mr Peter Tesch	Deputy Secretary Strategic Policy & Intelligence	330,653	–	28,664	61,742	9,517	–	–	430,576
LTGEN Gregory Bilton	Chief Joint Operations	487,212	–	46,589	148,588	10,968	–	–	693,357
RADM Jaimie Hatcher	Acting Chief Joint Operations	66,337	–	43,585	29,794	1,156	–	–	140,872
Ms Justine Greig	Deputy Secretary Defence People	339,694	–	28,664	63,576	9,517	–	–	441,451
AIRMSHL Warren McDonald	Chief of Joint Capabilities	162,552	–	8,103	60,656	4,828	–	–	236,139
VADM Jonathan Mead	Chief of Joint Capabilities	256,580	–	42,698	75,340	7,756	–	–	382,374
RADM Ian Murray	Acting Chief of Joint Capabilities	62,937	–	39,895	27,094	2,769	–	–	132,695

Name	Position <sup>1</sup>	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits (\$)	Total remuneration <sup>3</sup> (\$)
		Base salary (\$)	Bonuses (\$)	Other benefits and allowances <sup>2</sup> (\$)	Superannuation contributions (\$)	Long service leave (\$)	Other long-term benefits (\$)		
Mr Steven Grzeskowiak	Deputy Secretary Estate & Infrastructure	368,199	–	28,664	67,600	10,085	–	–	474,548
Prof Tanya Monro	Chief Defence Scientist	457,321	–	–	25,096	7,013	–	–	489,430
Mr Tony Fraser	Deputy Secretary Capability Acquisition & Sustainment	559,632	–	3,640	83,573	8,858	–	–	655,703
Mr Tony Dalton	Deputy Secretary National Naval Shipbuilding	415,438	–	54,764	25,096	5,903	–	–	501,201
LTGEN John Frewen	Commander Defence COVID-19 Task Force	387,994	–	9,795	138,818	10,054	–	–	546,661
LTGEN Gavan Reynolds	Chief of Defence Intelligence	430,905	–	5,730	148,588	10,968	–	–	596,191
RADM Christopher Smith	Acting Chief of Navy	32,570	–	3,378	9,134	548	–	–	45,630
<b>Total</b>		<b>9,474,768</b>	<b>0</b>	<b>485,409</b>	<b>2,035,177</b>	<b>213,928</b>	<b>0</b>	<b>0</b>	<b>12,209,282</b>

**Notes:**

- Those staff who were permanently appointed to or acted in a KMP position for a period of 12 or more continuous weeks were included in the KMP disclosures. Those staff who acted in a KMP role for a shorter period who meet the definition of KMP were included in the above table. The Chief of Defence Intelligence was a newly created position during the year.
- Other Benefits and Allowances includes the value of items such as motor vehicle allowances and cost of living allowances (to support members and their families in remote or overseas locations) and any Reportable Fringe Benefits Tax payable by Defence. This column includes non-cash benefits.
- During 2020–21 a number of minor overpayments to KMP were identified, totalling \$21,622.52. The overpayments were calculated with reference to the *Remuneration Tribunal Act 1973* and its associated Determinations. All of the amounts relate to the inclusion of reportable fringe benefits (non-cash), predominately the provision of access to a motor vehicle. Overpayments are recoverable under s16A(1) of the *Remuneration Tribunal Act 1973*.

Table B.30: Senior executives Australian Public Service (APS) remuneration, 2020-21

Remuneration band	Number of senior executives <sup>1</sup>	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Average base salary (\$)	Average bonuses (\$)	Average other benefits and allowances <sup>2</sup> (\$)	Average superannuation contributions (\$)	Average long service leave (\$)	Average other long-term benefits (\$)	Average termination benefits <sup>3</sup> (\$)	Average total remuneration (\$)
\$0 – \$220,000	62	80,369	248	11,569	15,848	2,810	–	1,922	112,766
\$220,001 – \$245,000	33	172,635	65	24,472	30,184	4,567	–	–	231,923
\$245,001 – \$270,000	35	186,937	53	24,835	33,714	5,014	–	6,557	257,111
\$270,001 – \$295,000	22	215,226	–	23,921	36,669	5,577	–	–	281,393
\$295,001 – \$320,000	12	217,729	–	38,359	39,046	6,060	–	5,318	306,511
\$320,001 – \$345,000	14	249,644	–	33,247	43,834	6,436	–	–	333,161
\$345,001 – \$370,000	1	260,172	–	26,945	55,824	7,459	–	–	350,400
\$370,001 – \$395,000	1	306,881	–	26,945	44,832	4,117	–	–	382,774
\$420,001 – \$445,000	3	337,501	–	54,159	32,515	7,433	–	–	431,608
\$445,001 – \$470,000	2	296,901	–	33,745	49,480	6,025	–	62,942	449,092

**Notes:**

1. The number of senior executives listed above is the number of individual SES, not the number of SES positions. Staff who were permanently appointed to or acted in an SES level position for a period longer than six months are included.
2. Other Benefits and Allowances includes the value of items such as motor vehicle allowances and cost of living allowances (to support members and their families in remote or overseas locations), and any Reportable Fringe Benefits Tax payable by Defence. This column includes non-cash benefits.
3. In accordance with APSC Guidelines, SES staff may be eligible to a termination payment under an incentive to retire package. The amount of the payment is based on the period of service and is an amount of two weeks' pay per year of service, to a maximum of 48 weeks.

Table B.31: Star rank Australian Defence Force (ADF) personnel remuneration, 2020–21

Remuneration band	Number of Star ranks <sup>1</sup>	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Average base salary (\$)	Average bonuses (\$)	Average other benefits and allowances (\$) <sup>2</sup>	Average superannuation contributions (\$)	Average long service leave (\$)	Average other long-term benefits (\$)	Average termination benefits (\$) <sup>3</sup>	Average total remuneration (\$)
\$0 – \$220,000	45	90,278	–	23,549	28,715	1,929	–	936	145,408
\$220,001 – \$245,000	5	140,761	–	35,711	45,556	4,019	–	–	226,047
\$245,001 – \$270,000	7	164,358	–	43,604	49,008	3,956	–	–	260,926
\$270,001 – \$295,000	6	157,823	–	36,650	50,530	4,660	–	33,713	283,375
\$295,001 – \$320,000	15	196,794	–	31,650	62,972	5,557	–	15,873	312,846
\$320,001 – \$345,000	58	218,906	–	34,176	68,424	5,892	–	3,554	330,952
\$345,001 – \$370,000	22	224,117	–	46,748	70,137	6,494	–	9,194	356,690
\$370,001 – \$395,000	25	238,438	–	58,675	76,027	7,103	–	–	380,243
\$395,001 – \$420,000	17	249,432	–	58,931	78,347	6,735	–	11,899	405,344
\$420,001 – \$445,000	10	212,867	–	71,795	61,360	5,822	–	81,466	433,310
\$445,001 – \$470,000	12	223,171	–	71,510	68,415	6,468	–	87,591	457,154
\$470,001 – \$495,000	3	300,540	–	59,652	66,879	6,680	–	50,726	484,477
\$495,001 – \$520,000	2	250,547	–	83,940	70,112	6,319	–	103,392	514,310
\$520,001 – \$545,000	1	202,025	–	63,597	58,738	5,242	–	206,156	535,758
\$545,001 – \$570,000	1	200,757	–	62,394	58,863	6,019	–	238,100	566,133

Notes:

1. The number of ADF Star Ranks listed above is the number of individuals not the number of positions. Staff who were permanently appointed to or acted in a Star Rank ADF position for a period longer than six months are included in the table.
2. Other Benefits and Allowances includes the value of items such as motor vehicle allowances and cost of living allowances (to support members and their families in remote or overseas locations), and any Reportable Fringe Benefits Tax payable by Defence. This column includes non-cash benefits.
3. Defence members compulsorily transferred to the Reserves may be eligible for a special benefit payment. The amount of a special benefit payment is based on the member's period of service and is an amount equal to two weeks' pay for every year of service, to a maximum of 48 weeks.

Table B.32: Other highly paid staff – Australian Defence Force remuneration, 2020-21

Remuneration band	Number of highly paid ADF personnel	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Average base salary (\$)	Average bonuses (\$)	Average other benefits and allowances (\$) <sup>1</sup>	Average superannuation contributions (\$)	Average long service leave (\$)	Average other long-term benefits (\$)	Average termination benefits (\$) <sup>2</sup>	Average total remuneration (\$)
\$230,001 – \$245,000	1,218	145,267	4,894	32,388	50,105	4,455	–	147	237,256
\$245,001 – \$270,000	1,183	155,436	5,786	37,303	52,878	4,803	–	152	256,358
\$270,001 – \$295,000	714	169,291	5,779	42,873	57,038	5,173	–	731	280,885
\$295,001 – \$320,000	257	173,249	10,574	58,923	57,738	5,398	–	479	306,362
\$320,001 – \$345,000	154	181,930	26,938	55,151	59,669	5,355	–	2,257	331,300
\$345,001 – \$370,000	93	187,523	24,097	67,572	61,054	5,490	–	9,242	354,979
\$370,001 – \$395,000	49	182,784	37,420	75,473	58,985	5,284	–	22,353	382,298
\$395,001 – \$420,000	21	193,331	65,319	73,047	61,112	5,379	–	8,543	406,731
\$420,001 – \$445,000	11	190,076	76,257	47,839	61,641	5,616	–	49,968	431,397
\$445,001 – \$470,000	7	231,888	45,258	44,703	74,000	5,854	–	53,947	455,650
\$470,001 – \$495,000	6	263,889	58,322	36,107	85,303	7,823	–	31,469	482,913
\$495,001 – \$520,000	6	315,570	30,556	12,527	97,058	7,525	–	40,038	503,273
\$520,001 – \$545,000	2	301,148	100,801	21,576	97,304	6,670	–	–	527,498
\$720,001 – \$745,000	1	455,979	–	134,820	124,654	12,227	–	–	727,680
\$745,001 – \$770,000	1	315,039	304,445	21,927	102,441	8,700	–	–	752,552

**Notes:**

- Other Benefits and Allowances includes the value of items such as motor vehicle allowances and cost of living allowances (to support members and their families in remote or overseas locations), and any Reportable Fringe Benefits Tax payable by Defence. This column includes non-cash benefits.
- Defence members compulsorily transferred to the Reserves may be eligible for a special benefit payment. The amount of a special benefit payment is based on the member's period of service and is an amount equal to two weeks' pay for every year of service, to a maximum of 48 weeks.

Table B.33: Other highly paid staff – Australian Public Service remuneration, 2020–21

Remuneration band	Number of highly paid APS staff	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Average base salary (\$)	Average bonuses (\$)	Average other benefits and allowances (\$)¹	Average superannuation contributions (\$)	Average long service leave (\$)	Average other long-term benefits (\$)	Average termination benefits² (\$)	Average total remuneration (\$)
\$230,001 – \$245,000	42	167,533	12,748	2,137	28,779	4,298	–	21,300	236,794
\$245,001 – \$270,000	22	135,298	27,683	2,081	25,430	3,694	–	60,638	254,823
\$270,001 – \$295,000	12	189,349	12,417	3,116	31,853	4,252	–	42,044	283,031
\$295,001 – \$320,000	7	206,114	13,277	3,284	33,948	5,775	–	42,185	304,582
\$320,001 – \$345,000	11	270,046	–	2,616	43,189	6,995	–	13,680	336,527
\$345,001 – \$370,000	6	250,197	–	2,384	39,038	5,556	–	59,563	356,737
\$395,001 – \$420,000	2	253,314	2,039	9,156	41,834	6,729	–	103,903	416,973
\$420,001 – \$445,000	2	372,044	–	1,680	49,586	9,989	–	–	433,298

**Notes:**

- Other Benefits and Allowances includes the value of items such as motor vehicle allowances and cost of living allowances (to support members and their families in remote or overseas locations), and any Reportable Fringe Benefits Tax payable by Defence. This column includes non-cash benefits.
- In accordance with APSC Guidelines, APS staff may be eligible to a termination payment. The amount of the payment is based on the period of service and is an amount of two weeks' pay per year of service, to a maximum of 48 weeks.

## Appendix C: Other mandatory information

### Consultancy contracts

Defence engages consultants where it lacks specialist expertise or when independent research and assessment is required. Decisions to engage consultants during 2020–21 were made in accordance with the PGPA Act and related regulations including the Commonwealth Procurement Rules and relevant internal policies.

Annual reports contain information about actual expenditure on reportable consultancy contracts. Information on the value of reportable consultancy contracts is available on the AusTender website.

The Department selects consultants through the use of panel arrangements or by making an open approach to market.

During 2020–21, 294 new reportable consultancy contracts were entered into valued at \$110.6 million (see tenders.gov.au) with actual expenditure of \$49.5 million. In addition, 290 reportable consultancy contracts were ongoing from a previous period with actual expenditure of \$77.9 million. (Note: All figures are GST inclusive.)

Table C.1: Reportable consultancy contract expenditure 2020–21

	Number of new contracts	Expenditure (\$)
New contracts entered into during 2020–21	294	49,463,886
Ongoing contracts entered into during a previous period	290	77,879,655
Total	584	127,343,541

**Note:** All figures are GST inclusive.

Table C.2 below shows the top five consultants (by value spend) with Defence during 2020–21.

Table C.2: Top five organisations receiving a share of reportable consultancy contract expenditure by Defence in 2020–21

Organisation	Number of consultancy contracts	Expenditure (\$)	Proportion of 2020–21 total consultancy spend (%)
KPMG	30	10,058,650	7.9
PricewaterhouseCoopers	13	8,831,946	6.9
GHD	14	8,027,972	6.3
AECOM	18	6,528,113	5.1
Ernst & Young	5	3,968,330	3.1
Total of top five consultancy contracts	80	37,415,011	29.4

**Note:** All figures are GST inclusive. Percentages may not add due to rounding. Organisation refers to a company trading under a specified ABN.

### Non-consultancy contracts

During 2020–21, 25,168 new reportable non-consultancy contracts (a contract published on AusTender that does not identify as consultancy) were entered into valued at \$21.4 billion (see tenders.gov.au) with actual expenditure of \$5.5 billion. In addition, 9,551 reportable non-consultancy contracts were ongoing from a previous period with actual expenditure of \$21.5 billion. (Note: All figures are GST inclusive.)

Table C.3: Reportable non-consultancy contract expenditure 2020–21

	Number of new contracts	Expenditure (\$)
New contracts entered into during 2020–21	25,168	5,545,361,564
Ongoing contracts entered into during a previous period	9,551	21,467,551,686
Total	34,719	27,012,913,250

**Note:** All figures are GST inclusive.



Table C.4 below shows the top five non-consultancy contracts (by value spend) with Defence during 2020–21.

**Table C.4: Top five organisations receiving a share of reportable non-consultancy contract expenditure by Defence in 2020–21**

Organisation	Number of non-consultancy contracts	Expenditure (\$)	Proportion of 2020–21 non-consultancy total spend (%)
Thales	1,112	1,042,065,655	3.9
Boeing	211	774,464,037	2.9
BAE Systems	358	755,832,941	2.8
Ventia	207	682,465,743	2.5
Raytheon	217	615,465,776	2.3
<b>Total of top five non-consultancy contracts</b>	<b>2,105</b>	<b>3,870,294,152</b>	<b>14.3</b>

**Note:** All figures are GST inclusive. Percentages may not add due to rounding. Organisation refers to a company trading under a specified ABN.

## Australian National Audit Office access clause

The Defence contracting templates include standard clauses providing the Auditor-General access to contractors' and major subcontractors' premises, records and accounts. During 2020–21, Defence had 41 contracts that did not include the clause providing access to the Auditor-General (Table C.5).

**Table C.5: Contracts that do not include the ANAO access clause, 2020–21**

Group and company	2020–21 (\$)	Purpose	Reason for non-inclusion of ANAO access clause
<b>Army</b>			
United States Government	323,713,274	Special Military Equipment	Foreign Military Sale
United States Government	208,926,000	Electronic hardware and component parts	Foreign Military Sale
United States Government	38,413,053	Explosive Ordnance	Foreign Military Sale
United States Government	16,838,444	Special Military Equipment	Foreign Military Sale
United States Government	12,574,513	Explosive Ordnance	Foreign Military Sale
United States Government	12,422,394	Special Military Equipment	Foreign Military Sale
United States Government	11,526,421	Special Military Equipment	Foreign Military Sale
United States Government	9,524,867	Explosive Ordnance	Foreign Military Sale
United States Government	5,450,099	Technical and Engineering Services	Foreign Military Sale
United States Government	3,840,960	Software Support	Foreign Military Sale
United States Government	2,973,855	Technical and Engineering Services	Foreign Military Sale
United States Government	2,717,340	Explosive Ordnance	Foreign Military Sale
United States Government	1,209,108	Technical and Engineering Services	Foreign Military Sale
United States Government	932,353	Explosive Ordnance	Foreign Military Sale
United States Government	821,543	Special Military Equipment	Foreign Military Sale
United States Government	651,892	Software Support	Foreign Military Sale
United States Government	381,301	Software Support	Foreign Military Sale
United States Government	364,050	Technical and Engineering Services	Foreign Military Sale
United States Government	290,786	Communication equipment	Foreign Military Sale
United States Government	258,243	Explosive Ordnance	Foreign Military Sale
United States Government	197,543	Technical Data and Support	Foreign Military Sale
United States Government	104,297	Explosive Ordnance	Foreign Military Sale
<b>Total for Army</b>	<b>654,132,336</b>		

Group and company	2020–21 (\$)	Purpose	Reason for non- inclusion of ANAO access clause
<b>Air Force</b>			
United States Government	333,374,799	Technical and Engineering Services	Foreign Military Sale
United States Government	92,454,269	Explosive Ordnance	Foreign Military Sale
United States Government	36,622,669	Technical and Engineering Services	Foreign Military Sale
United States Government	9,082,301	Communication equipment	Foreign Military Sale
United States Government	5,841,456	Communication equipment	Foreign Military Sale
United States Government	3,666,551	Communication equipment	Foreign Military Sale
United States Government	2,791,562	Technical Data and Support	Foreign Military Sale
United States Government	2,220,520	Explosive Ordnance	Foreign Military Sale
United States Government	150,229	Technical and Engineering Services	Foreign Military Sale
United States Government	134,143	Explosive Ordnance	Foreign Military Sale
<b>Total for Air Force</b>	<b>486,338,499</b>		
<b>Navy</b>			
United States Government	902,295,689	Special Military Equipment	Foreign Military Sale
United States Government	28,238,400	Special Military Equipment	Foreign Military Sale
United States Government	526,532	Communication equipment	Foreign Military Sale
<b>Total for Navy</b>	<b>931,060,621</b>		
<b>Australian Defence Force Headquarters (ADFHQ)</b>			
United States Government	217,680	Training	Foreign Military Sale
<b>Total for ADFHQ</b>	<b>217,680</b>		
<b>Joint Capabilities Group (JCG)</b>			
United States Government	21,975,114	Communication equipment	Foreign Military Sale
United States Government	10,457,724	Communication equipment	Foreign Military Sale
United States Government	1,989,775	Training	Foreign Military Sale
United States Government	1,639,423	Communication equipment	Foreign Military Sale
United States Government	745,885	Technical and Engineering Services	Foreign Military Sale
<b>Total for JCG</b>	<b>36,807,921</b>		
<b>Total programs</b>	<b>2,108,557,057</b>		

**Note:** All figures are GST inclusive.

Defence uses the United States Department of Defense's Foreign Military Sales program, which facilitates sales of US arms, defence equipment, defence services and military training to foreign governments. The standard terms and conditions of Foreign Military Sales contracts do not contain Auditor-General access provisions.

# Omissions and errors

The *Defence Annual Report 2019–20* contained the following errors:

## Commonwealth Ombudsman and Defence Force Ombudsman reports (page 93)

The *Defence Annual Report 2019–20* reported that Defence did not receive any reports issued by the Ombudsman under sections 15, 16, 17 or 19 of the *Ombudsman Act 1976* in relation to Defence during the financial year. On 11 December 2019 the Commonwealth Ombudsman published a report into the administration of the Defence Force Retirement and Death Benefits scheme, specifically the issues of commutation. On 25 October 2019, in accordance with section 15 of the *Ombudsman Act 1976*, the Office of the Commonwealth Ombudsman provided a copy of the draft report to the Chief of the Defence Force and the Secretary of Defence for comment.

## Work Health and Safety—Comcare (page 138)

The *Defence Annual Report 2019–20* reported that in 2019–20, Comcare undertook 187 investigations across Defence. This number should have been 209 investigations. The difference between the number in the Defence Annual Report 2019–20 and the actual number of investigations that occurred is due to the data for the Defence Annual Report being run on 10 June 2020. An additional 22 Comcare Investigations occurred between 10 June and 30 June 2020.

## Appendix D: Supplementary online material (page 277)

The *Defence Annual Report 2019–20* omitted the inclusion of the *Sexual Misconduct Prevention and Response Office Annual Report FY 2019–20* from Table D.1 Additional online information.

Report	Website
<i>Sexual Misconduct Prevention and Response Office Annual Report FY 2019–20</i>	<a href="https://www1.defence.gov.au/sites/default/files/2021-02/SeMPRO-Annual-Report-FY2019–20.pdf">https://www1.defence.gov.au/sites/default/files/2021-02/SeMPRO-Annual-Report-FY2019–20.pdf</a>

## Appendix D: Supplementary online material

The following supplementary performance information is available on the Defence website.

**Table D.1: Additional online information**

Report	Website
Report of the Inspector-General ADF	<a href="http://www.defence.gov.au/mjs/reports.asp">www.defence.gov.au/mjs/reports.asp</a>
Women in ADF Report	<a href="https://www.defence.gov.au/annualreports/">https://www.defence.gov.au/annualreports/</a>
Acquisition, sustainment, facilities and infrastructure information	
Top 30 sustainment products by expenditure 2020–21	Web table D.1
Top 30 acquisition projects by expenditure 2020–21	Web table D.2
Top 30 acquisition projects by expenditure (variations), 2020–21	Web table D.3
Major acquisition projects closed in 2020–21	Web table D.4
New Major acquisition projects approved by Government 2020–21	Web table D.5
Performance of major capital facilities projects 2020–21	Web table D.6
Major Defence establishments and bases	Web table D.7
Status of capital facilities projects considered by the Parliamentary Standing Committee on Public Works	Web table D.8
Approved facilities and infrastructure projects by state and federal electorate (financial and non-financial input)	Web table D.9

**Table D.2: Reference websites and supporting documentation**

Reference	Website
2020–24 Defence Corporate Plan (Updated January 2021)	<a href="http://www.defence.gov.au/publications/corporateplan/">www.defence.gov.au/publications/corporateplan/</a>
Transparency portal	<a href="http://www.transparency.gov.au">www.transparency.gov.au</a>
Defence Annual Reports	<a href="http://www.defence.gov.au/annualreports">www.defence.gov.au/annualreports</a>
GrantConnect	<a href="http://www.grants.gov.au">www.grants.gov.au</a>
AusTender	<a href="http://www.tenders.gov.au">www.tenders.gov.au</a>
Australian Hydrographic Office	<a href="http://www.hydro.gov.au">www.hydro.gov.au</a>
Australian National Audit Office	<a href="http://www.anao.gov.au">www.anao.gov.au</a>
Defence's Information Publication Scheme	<a href="http://www.defence.gov.au/IPS/Plan.asp">www.defence.gov.au/IPS/Plan.asp</a>
Indigenous procurement	<a href="https://niaa.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp">https://niaa.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp</a>
Sexual Misconduct Prevention And Response Office	<a href="https://www1.defence.gov.au/about/complaints-incident-reporting/sempro">https://www1.defence.gov.au/about/complaints-incident-reporting/sempro</a>

## Appendix E: List of requirements

PGPA Rule Reference	Part of Report	Description	Requirement
<b>17AD(g)</b>	<b>Letter of transmittal</b>		
17AI	Page iv	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory
<b>17AD(h)</b>	<b>Aids to access</b>		
17AJ(a)	Page v	Table of contents.	Mandatory
17AJ(b)	Pages 290–297	Alphabetical index.	Mandatory
17AJ(c)	Page 285	Glossary of abbreviations and acronyms.	Mandatory
17AJ(d)	Pages 279–284	List of requirements.	Mandatory
17AJ(e)	Page 298	Details of contact officer.	Mandatory
17AJ(f)	Page 298	Entiy's website address.	Mandatory
17AJ(g)	Page 298	Electronic address of report.	Mandatory
<b>17AD(a)</b>	<b>Review by accountable authority</b>		
17AD(a)	Page 2	A review by the accountable authority of the entity.	Mandatory
<b>17AD(b)</b>	<b>Overview of the entity</b>		
17AE(1)(a)(i)	Page 10	A description of the role and functions of the entity.	Mandatory
17AE(1)(a)(ii)	Page 13	A description of the organisational structure of the entity.	Mandatory
17AE(1)(a)(iii)	Page 12	A description of the outcomes and programmes administered by the entity.	Mandatory
17AE(1)(a)(iv)	Page 10	A description of the purposes of the entity as included in corporate plan.	Mandatory
17AE(1)(aa)(i)	Page 14	Name of the accountable authority or each member of the accountable authority.	Mandatory
17AE(1)(aa)(ii)	Page 14	Position of the accountable authority or each member of the accountable authority.	Mandatory
17AE(1)(aa)(iii)	Page 14	Period as the accountable authority or member of the accountable authority within the reporting period.	Mandatory
17AE(1)(b)	Page 10	An outline of the structure of the portfolio of the entity.	Portfolio departments – mandatory
17AE(2)	N/A	Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, Mandatory

PGPA Rule Reference	Part of Report	Description	Requirement
<b>17AD(c)</b>	<b>Report on the Performance of the entity</b>		
	<b>Annual performance Statements</b>		
17AD(c)(i); 16F	Pages 17–57	Annual performance statement in accordance with paragraph 39(1) (b) of the Act and section 16F of the Rule.	Mandatory
<b>17AD(c)(ii)</b>	<b>Report on Financial Performance</b>		
17AF(1)(a)	Pages 58–78	A discussion and analysis of the entity's financial performance.	Mandatory
17AF(1)(b)	Page 61	A table summarising the total resources and total payments of the entity.	Mandatory
17AF(2)	N/A	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, Mandatory.
<b>17AD(d)</b>	<b>Management and Accountability</b>		
	<b>Corporate Governance</b>		
17AG(2)(a)	Page iv	Information on compliance with section 10 (fraud systems).	Mandatory
17AG(2)(b)(i)	Page iv	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory
17AG(2)(b)(ii)	Page iv	A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory
17AG(2)(b)(iii)	Page iv	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory
17AG(2)(c)	Pages 82–97	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory
17AG(2)(d) – (e)	Page 91	A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance.	If applicable, Mandatory

PGPA Rule Reference	Part of Report	Description	Requirement
<b>Audit Committee</b>			
17AG(2A)(a)	Page 82	A direct electronic address of the charter determining the functions of the entity's audit committee.	Mandatory
17AG(2A)(b)	Pages 85–86	The name of each member of the entity's audit committee.	Mandatory
17AG(2A)(c)	Pages 85–86	The qualifications, knowledge, skills or experience of each member of the entity's audit committee.	Mandatory
17AG(2A)(d)	Pages 85–86	Information about the attendance of each member of the entity's audit committee at committee meetings.	Mandatory
17AG(2A)(e)	Pages 85–86	The remuneration of each member of the entity's audit committee.	Mandatory
<b>External Scrutiny</b>			
17AG(3)	Page 87	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny	Mandatory
17AG(3)(a)	Page 97	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, Mandatory
17AG(3)(b)	Pages 93–97	Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, Mandatory
17AG(3)(c)	Page 97	Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory
<b>Management of Human Resources</b>			
17AG(4)(a)	Pages 100–145	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory
17AG(4)(aa)	Pages 110–121; 252–267	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: (a) statistics on full-time employees; (b) statistics on part-time employees; (c) statistics on gender; (d) statistics on staff location.	Mandatory
17AG(4)(b)	Pages 110–121; 252–267	Statistics on the entity's APS employees on an ongoing and non-ongoing basis, including the following: Statistics on staffing classification level; Statistics on full-time employees; Statistics on part-time employees; Statistics on gender; Statistics on staff location; Statistics on employees who identify as Indigenous.	Mandatory

PGPA Rule Reference	Part of Report	Description	Requirement
17AG(4)(c)	Pages 126–128; 268–273	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory
17AG(4)(c)(i)	Page 129	Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AG(4)(c).	Mandatory
17AG(4)(c)(ii)	Page 127	The salary ranges available for APS employees by classification level.	Mandatory
17AG(4)(c)(iii)	Page 130	A description of non-salary benefits provided to employees.	Mandatory
17AG(4)(d)(i)	Page 131	Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory
17AG(4)(d)(ii)	Page 131	Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory
17AG(4)(d)(iii)	Page 131	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory
17AG(4)(d)(iv)	Page 131	Information on aggregate amount of performance payments.	If applicable, Mandatory
<b>Assets Management</b>			
17AG(5)	Pages 148–154	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, Mandatory
<b>Purchasing</b>			
17AG(6)	Page 149	An assessment of entity performance against the Commonwealth Procurement Rules.	Mandatory
<b>Reportable consultancy contracts</b>			
17AG(7)(a)	Page 274	A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory
17AG(7)(b)	Page 274	A statement that <i>"During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million]"</i> .	Mandatory
17AG(7)(c)	Page 274	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory
17AG(7)(d)	Page 274	A statement that <i>"Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website."</i>	Mandatory
<b>Reportable non-consultancy contracts</b>			
17AG(7A)(a)	Pages 274–275	A summary statement detailing the number of new reportable non-consultancy contracts entered into during the period; the total actual expenditure on such contracts (inclusive of GST); the number of ongoing reportable non-consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST).	Mandatory



PGPA Rule Reference	Part of Report	Description	Requirement
17AG(7A)(b)	Pages 274–275	A statement that <i>“Annual reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the value of reportable non-consultancy contracts is available on the AusTender website.”</i>	Mandatory
17AD(daa)	Pages 274–275	<b>Additional information about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts</b>	Mandatory
17AGA	Pages 274–275	Additional information, in accordance with section 17AGA, about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts	Mandatory
<b>Australian National Audit Office Access Clauses</b>			
17AG(8)	Pages 275–276	If an entity entered into a contract with a value of more than \$100 000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor’s premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract	If applicable, Mandatory
<b>Exempt contracts</b>			
17AG(9)	Page 89	If an entity entered into a contract or there is a standing offer with value greater than \$10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory
<b>Small business</b>			
17AG(10)(a)	Page 149	A statement that <i>“[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance’s website.”</i>	Mandatory
17AG(10)(b)	Page 149	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory
17AG(10)(c)	Page 149	If the entity is considered by the Department administered by the Finance Minister as material in nature—a statement that <i>“[Name of entity] recognizes the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury’s website.”</i>	If applicable, Mandatory
<b>Financial Statements</b>			
17AD(e)	Pages 166–251	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory

PGPA Rule Reference	Part of Report	Description	Requirement
<b>Executive Remuneration</b>			
17AD(da)	Pages 130–131; 268–273	Information about executive remuneration in accordance with Subdivision C of Division 3A of Part 2-3 of the Rule.	Mandatory
<b>17AD(f) Other Mandatory Information</b>			
17AH(1)(a)(i)	Pages 75–76	If the entity conducted advertising campaigns, a statement that <i>"During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken].</i>  <i>Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website."</i>	If applicable, Mandatory
17AH(1)(a)(ii)	N/A	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory
17AH(1)(b)	Page 75	A statement that <i>"[Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity's website]."</i>	If applicable, Mandatory
17AH(1)(c)	Page 109	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory
17AH(1)(d)	Page 90	Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory
17AH(1)(e)	Page 277	Correction of material errors in previous annual report.	If applicable, mandatory
17AH(2)	Pages 77, 91, 123	Information required by other legislation.	Mandatory

## Abbreviations and acronyms

ADF	Australian Defence Force
AHO	Australian Hydrographic Office
ANAO	Australian National Audit Office
APS	Australian Public Service
ASEAN	Association of Southeast Asian Nations
CASG	Capability Acquisition and Sustainment Group
CDF	Chief of the Defence Force
CIOG	Chief Information Officer Group
DACC	Defence Assistance to the Civil Community
DIO	Defence Intelligence Organisation
DRSP Act	<i>Defence Reserve Service (Protection) Act 2001</i>
DSTG	Defence Science and Technology Group
EL	Executive Level
ERP	Enterprise Resource Planning Program
FOI	Freedom of Information
FTE	Full-time equivalent
HIIP	HydroScheme Industry Partnership Program
HMAS	Her Majesty's Australian Ship
ICT	Information and communication technology
IGADF	Inspector General of the Australian Defence Force
JMPU	Joint Military Police Unit
LGBTI	Lesbian, gay, bisexual, transgender and intersex
MP	Member of Parliament
NATO	North Atlantic Treaty Organization
OAIC	Office of the Australian Information Commissioner
PBS	Portfolio Budget Statements
PEAP	Partner Employment Assistance Program
PFAS	Per-poly fluoroalkyl substances
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PGPA Rule	<i>Public Governance, Performance and Accountability Rule 2014</i>
PNG	Papua New Guinea
PPP	Public-private partnership
ROE	Rate of effort
SeMPRO	Sexual Misconduct Prevention and Response Office
SES	Senior Executive Service
STEM	Science, technology, engineering and mathematics

## Definitions

**Capability Life Cycle** – A capability system's whole-of-life, from initial identification of a need to its disposal.

**Capability Manager** – Responsible for raising, training and sustaining capabilities as directed by the Secretary and Chief of the Defence Force.

**Capability Program Architecture** – A framework that aligns accountabilities and resourcing, and provides links between decisions and strategic guidance.

**Defence Assistance to the Civil Community** – The provision of Defence resources, within Australia and its territories, in response to a request for assistance for the performance of tasks that are primarily the responsibility of the civil community or other Government organisations.

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

**Defence Cooperation Program** – A range of activities administered by International Policy Division that have the broad aim of enhancing the defence related capabilities of regional and non-regional partner nations.

**Enterprise Resource Planning (ERP) Program** – An approach to business information management that will integrate core business processes such as finance, logistics, engineering, maintenance, procurement and estate.

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The Department of Defence website [www.defence.gov.au](http://www.defence.gov.au) provides a comprehensive resource on matters of military security, capability and people issues.

An electronic version of this report, and supplementary content to this report that includes additional detailed information, can be accessed at [www.defence.gov.au/annualreports](http://www.defence.gov.au/annualreports) and [www.transparency.gov.au](http://www.transparency.gov.au).

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