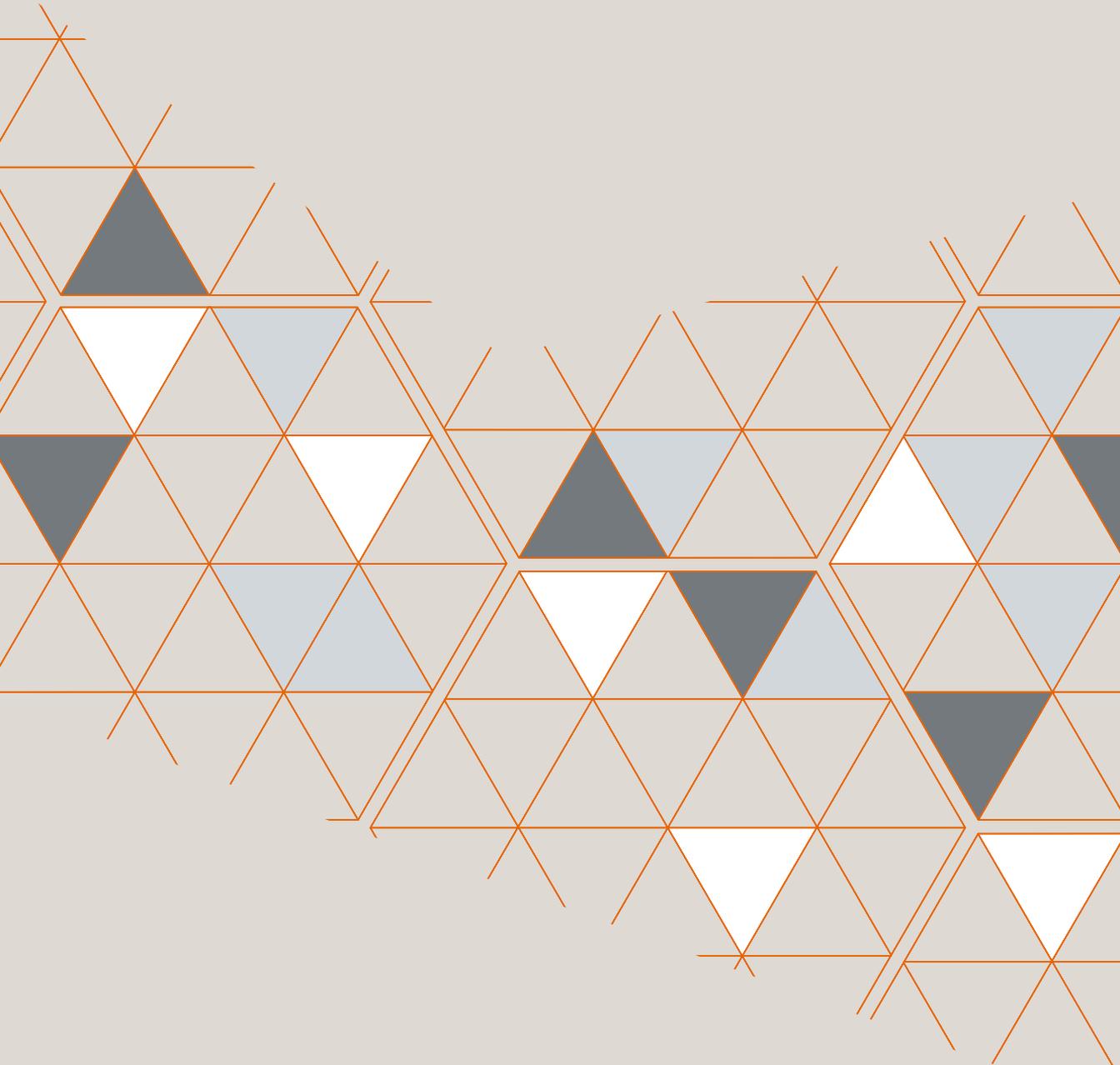


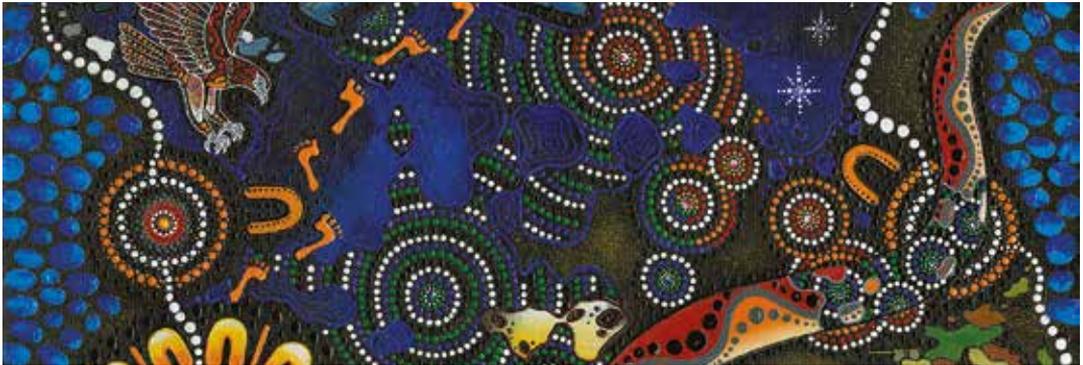


**Australian Government**  
**Defence**

2022-23

**Defence Annual Report**





## Acknowledgement of Country

Defence acknowledges the Traditional Custodians of Country throughout Australia. Defence recognises their continuing connection to traditional lands and waters and would like to pay respect to Elders both past and present. Defence would like to pay respect to the Aboriginal and Torres Strait Islander peoples who have contributed to the defence of Australia in times of peace and war. • Caina Putut, Ilya, Wartnghana. CREDIT: Chern'ee Sutton

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**Internet** — The Defence website at [defence.gov.au](https://defence.gov.au) provides a comprehensive resource of military security, capability and people matters. An electronic version of this report, and supplementary content to this report that includes additional detailed information, can be accessed at [defence.gov.au/annualreports](https://defence.gov.au/annualreports) and [transparency.gov.au](https://transparency.gov.au).

**Aids to access** — Feedback about this report is welcome and should be directed to the Defence Annual Report contact officer: Assistant Secretary Enterprise Evaluation. Contact email: [annual.report@defence.gov.au](mailto:annual.report@defence.gov.au). Entity website: [defence.gov.au](https://defence.gov.au).

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# Defence at a glance

## Our mission and purpose

Defence's mission and purpose is to defend Australia and its national interests in order to advance Australia's security and prosperity.

## Strategy

Australia's strategic circumstances are the most complex and challenging since the end of the Second World War.

Australia's region, the Indo-Pacific, is seeing growing competition across multiple levels — economic, military, strategic and diplomatic — alongside competing values and narratives.

To meet these challenges, the Government has set an agenda for ambitious, but necessary, reform to Defence's posture and structure to maintain peace, security and prosperity in our region. The *Defence Strategic Review* is the most significant review of the Defence enterprise in decades. The Government's response demonstrates its determination to have the most potent defence force that we can to keep Australians safe.

The Government is committed to protecting the security, interests and livelihoods of the Australian people, and will ensure that Australia's Defence Force has the capabilities and resources it needs to defend Australia, and its national interests.

## Portfolio structure

As at 30 June 2023, the Defence portfolio consisted of:

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

## Responsible ministers

As at 30 June 2023, the Defence portfolio had four ministers:

- the Hon Richard Marles MP, Deputy Prime Minister and Minister for Defence;
- the Hon Pat Conroy MP, Minister for Defence Industry and Minister for International Development and the Pacific;
- the Hon Matt Keogh MP, Minister for Veterans' Affairs and Minister for Defence Personnel; and
- the Hon Matt Thistlethwaite MP, Assistant Minister for Defence and Assistant Minister for Veterans' Affairs.

In addition to these ministers, the following minister has been sworn to administer the Department of Defence:

- the Hon Clare O'Neil MP is the Minister for Home Affairs and the Minister for Cyber Security.

## Funding and assets

For 2022–23, Defence reported a departmental net cash underspend of \$670.6 million, which reflects 1.3 per cent of the available appropriation total funding of \$50.4 billion. More information about Defence's financial performance can be found in Chapter 4: Financial summary. Defence currently manages \$136.3 billion of total assets, including \$84.3 billion of specialist military equipment.

## Our people

As at 30 June 2023, the ADF actual strength was 58,621 members, an APS actual full-time equivalent workforce of 17,286 and a Reserve force (Service Categories 3, 4 and 5) of more than 32,000. More information can be found in Chapter 6: Strategic workforce management.

## Our projects

As at 30 June 2023, Defence managed 609 major and 93 minor acquisition projects, with total acquisition costs of \$190 billion.

## Where we work

Defence holds extensive land and property holdings in the Commonwealth, with a net value of \$35 billion in buildings and infrastructure, including training areas, ranges and major bases. Defence has environmental stewardship of more than 2.8 million hectares of land in Australia and operates a number of facilities and operational bases around the world.

## About this report

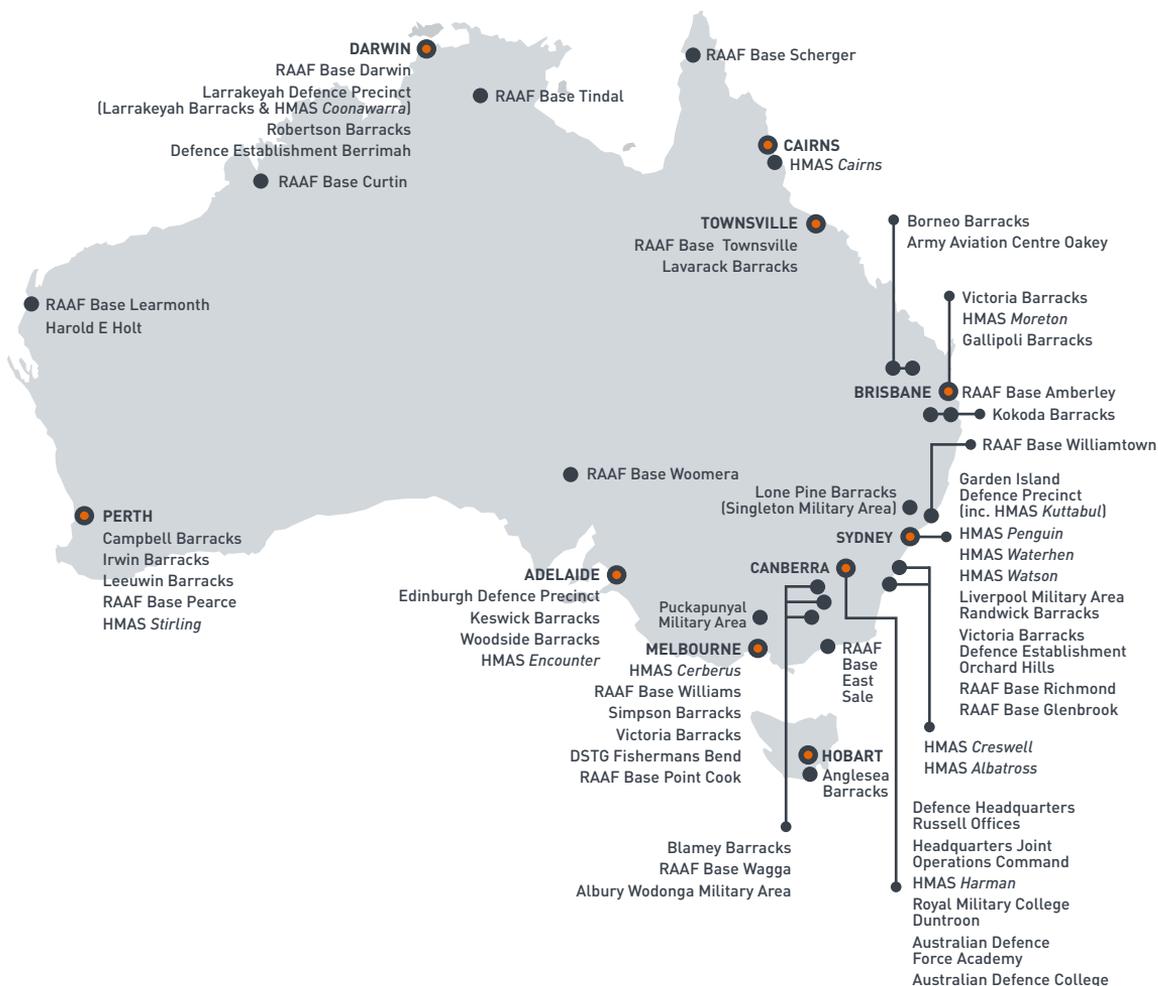
This is the Secretary of the Department of Defence's and the Chief of the Defence Force's performance report to the Deputy Prime Minister and Minister for Defence, the Parliament of Australia and the Australian public for the 2022–23 financial year. The report addresses the purpose and outcomes of the Department of Defence and the ADF — collectively known as Defence.

The report was prepared in accordance with parliamentary reporting and legislative requirements. The requirements table in Appendix F shows where to find required information in this report.

### Online content

An electronic version of this report and supplementary performance information may be accessed at [defence.gov.au/annualreports](https://defence.gov.au/annualreports). Appendix E of this report lists the supplementary online material that is available on the Defence website. The *Defence Annual Report 2022–23* is also published on [transparency.gov.au](https://transparency.gov.au).

### Defence base locations





## Australian Government

### Defence

The Hon Richard Marles MP  
Deputy Prime Minister and Minister for Defence  
Parliament House  
Canberra ACT 2600

Dear Deputy Prime Minister,

We present the *Department of Defence Annual Report 2022–23* for the year ended 30 June 2023. The report has been prepared for the purposes of section 46 of the *Public Governance, Performance and Accountability Act 2013*. Subsection 46(1) of the *Public Governance, Performance and Accountability Act 2013* 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. It includes Defence's audited financial statements, as required by subsection 43(4) of the *Public Governance, Performance and Accountability Act 2013*, and Defence's annual performance statements, as required by section 39 of the *Public Governance, Performance and Accountability Act 2013*.

Consistent with the requirements set out in Section 10 of the Public Governance, Performance and Accountability Rule 2014, 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,

Handwritten signature of Greg Moriarty in white ink.

**Greg Moriarty**  
Secretary  
Department of Defence  
18 September 2023

Handwritten signature of Angus J Campbell AO DSC General in white ink.

**Angus J Campbell AO DSC  
General**  
Chief of the Defence Force  
18 September 2023

cc the Hon Pat Conroy MP, the Hon Matt Keogh MP, the Hon Matt Thistlethwaite MP and the Hon Clare O'Neil MP.

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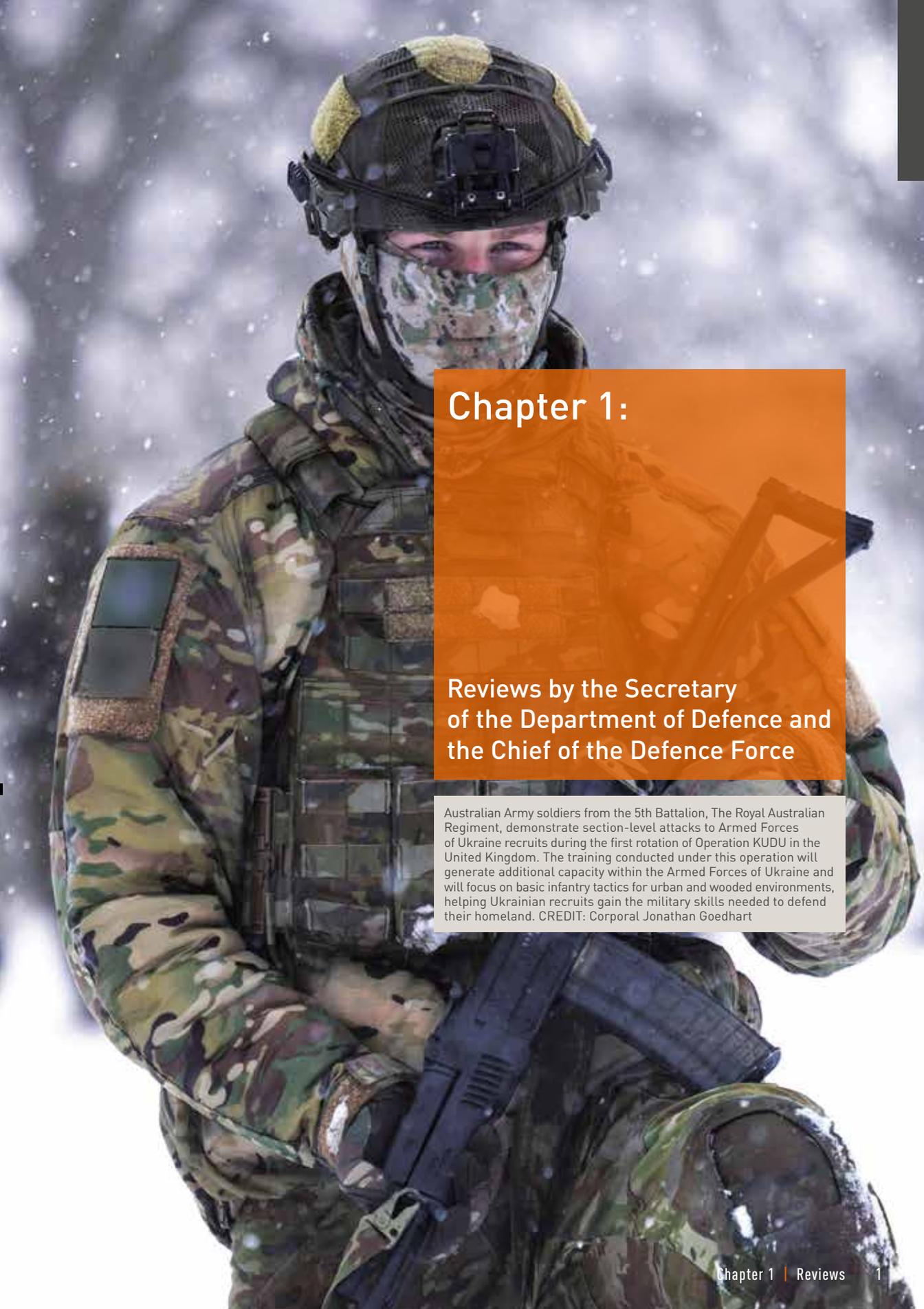
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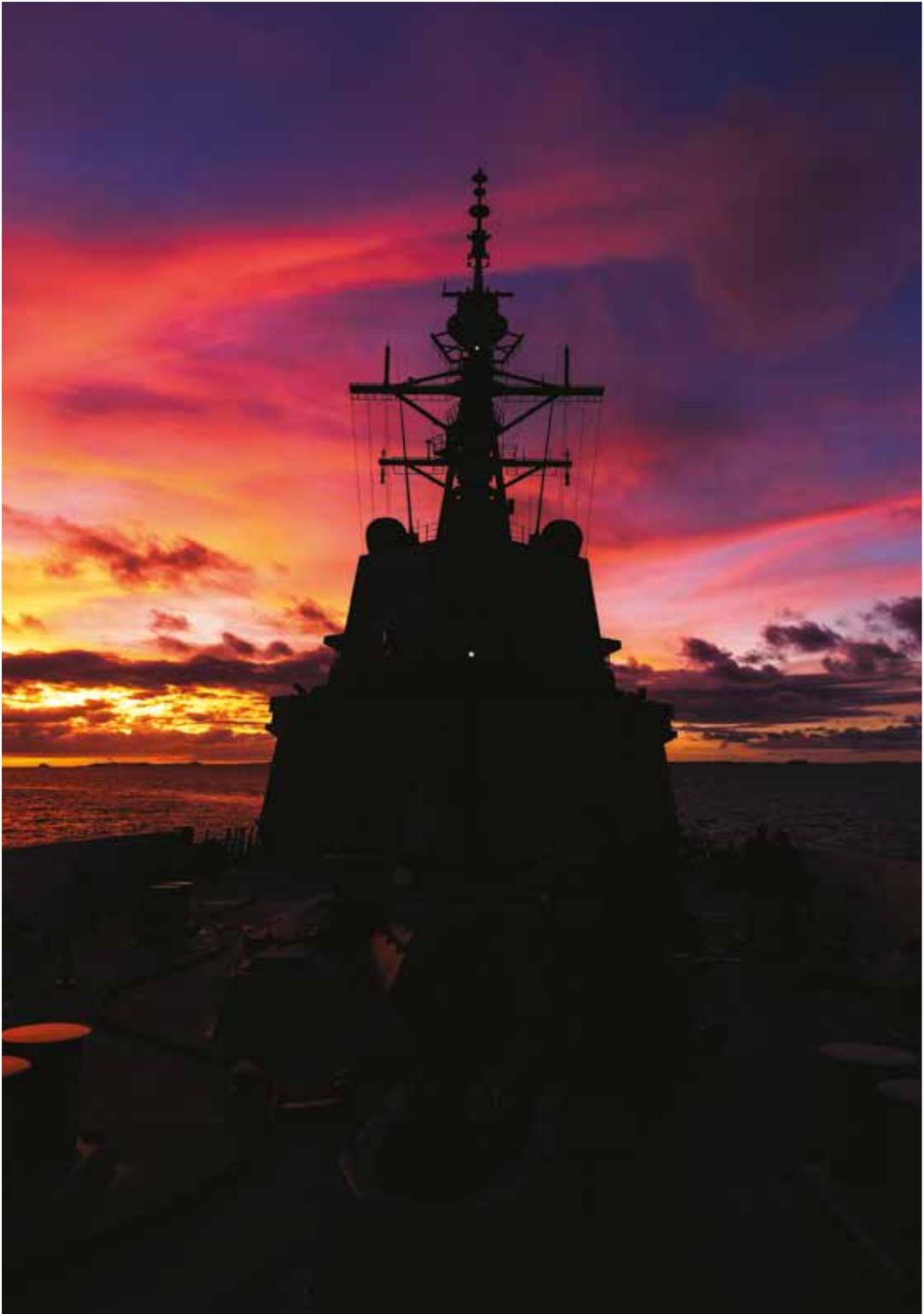
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## Chapter 1:

### Reviews by the Secretary of the Department of Defence and the Chief of the Defence Force

Australian Army soldiers from the 5th Battalion, The Royal Australian Regiment, demonstrate section-level attacks to Armed Forces of Ukraine recruits during the first rotation of Operation KUDU in the United Kingdom. The training conducted under this operation will generate additional capacity within the Armed Forces of Ukraine and will focus on basic infantry tactics for urban and wooded environments, helping Ukrainian recruits gain the military skills needed to defend their homeland. CREDIT: Corporal Jonathan Goedhart



HMAS *Hobart* sails past Cape York in Queensland as it prepares to berth in Cairns following a regional presence deployment in the Indo-Pacific region. CREDIT: Leading Seaman Imagery Specialist Daniel Goodman



## Secretary's review

---

Mr Greg Moriarty  
Secretary of the Department of Defence

In 2022–23, Defence continued to achieve its mission and purpose to defend Australia and its national interests in order to advance Australia's security and prosperity in the most challenging and complex set of strategic circumstances since the end of the Second World War.

In this challenging strategic environment, Defence continued to prioritise and enhance investments in our people, capability and Defence industry, climate change initiatives, and our relationships with our international partners.

### Defence Strategic Review

On 24 April 2023, the Prime Minister, the Hon Anthony Albanese MP, and the Deputy Prime Minister and Minister for Defence, the Hon Richard Marles MP, released the *National Defence: Defence Strategic Review*, the Government's response to the review, and the National Defence Statement 2023.

The *Defence Strategic Review* acknowledged that the strategic challenges outlined in Australia's *2020 Defence Strategic Update* continue to accelerate. Australia's region, the Indo-Pacific, is being reshaped and our strategic environment is becoming more challenging. There is increasing competition across multiple levels — economic, military, strategic and diplomatic — alongside competing values and narratives. Our region is experiencing a large-scale military and non-conventional military build-up without transparency or strategic reassurance, and rising tensions and reduced warning times are contributing to the risk of military escalation or miscalculation. The effects of climate change are amplifying these challenges.

The Government's response to the *Defence Strategic Review* will be the blueprint for Australia's defence policy, planning and resourcing over the coming decades.

Defence is committed to supporting and implementing the Government's response to the *Defence Strategic Review*, including the following six priority areas identified by the Government for immediate action:

- the acquisition of conventionally-armed, nuclear-powered submarines through our partnership with the United Kingdom and the United States, known as AUKUS;
- developing the ADF's ability to precisely strike targets at longer range and manufacture munitions in Australia;
- improving the ADF's ability to operate from Australia's northern bases;
- investing in the growth and retention of a highly skilled Defence workforce;
- lifting our capacity to rapidly translate disruptive new technologies into defence capability, in close partnership with Australian industry; and
- deepening our diplomatic and defence partnerships with key partners in the Indo-Pacific.

Since the release of the *Defence Strategic Review* on 24 April 2023, Defence and our partners across Government, have delivered initial implementation plans against every Government direction in support of the *Defence Strategic Review*.

## Investing in our people

The *Defence Strategic Review* highlighted significant workforce challenges for Defence. In response, the Government has committed to grow and retain a highly skilled Defence workforce as a priority for immediate action.

Our diverse workforce is Defence's most important capability and our first priority. Defence is committed to developing and maintaining a culture where our people are supported. The employee value proposition identifies and communicates the benefits, opportunities and conditions of working for Defence.

Defence needs to remain competitive in attracting and retaining people within its workforce, regardless of their background, gender, age, culture, religion, ability or sexual orientation. Defence is focused on building an inclusive workforce that is stronger, more integrated and more effective. Defence will deliver innovative people solutions to grow our workforce and support and enable our people. This includes modernising and reflecting contemporary practices across our workforce, including through pay and conditions, education and different ways of working.

## Investing in our capability and Defence industry

Defence is committed to meeting the Government's direction on the *Defence Strategic Review* with a focused sense of urgency. We will invest in capabilities relevant to the risks we face, accelerating important capability development and reprioritising those that are no longer fit for purpose.

Defence values our industry partnerships and recognises the importance of these relationships in being able to meet the objectives set out in the *Defence Strategic Review*, including building industry capability and capacity, harnessing innovation, and accessing the expertise we need to meet our strategic priorities. Defence is also committed to growing Australia's defence exports, which is an important component of industry success.

## Nuclear-powered submarines

The acquisition of conventionally-armed, nuclear-powered submarines through the AUKUS partnership is a key priority for Defence, as identified in the Government's response to the *Defence Strategic Review*.

On 14 March 2023, Prime Minister the Hon Anthony Albanese MP, United Kingdom Prime Minister Rishi Sunak and President of the United States Joe Biden announced the pathway for Australia's acquisition of conventionally-armed, nuclear-powered submarines to be delivered through the AUKUS security partnership. The pathway has three phases, including increased visits and rotations of United States and United Kingdom submarines; the acquisition of United States Virginia Class nuclear-powered submarines, pending United States Congress approval, ensuring no capability gap; and the construction and delivery of SSN-AUKUS nuclear-powered submarines.

On 6 May 2023, the Government announced that the Nuclear-Powered Submarine Task Force would cease on 30 June 2023 and transition to a new Defence entity, the Australian Submarine Agency, on 1 July 2023. The Australian Submarine Agency will be accountable for managing and overseeing Australia's nuclear-powered submarine program and will be responsible for the acquisition, delivery, construction, technical governance, sustainment and disposal of Australia's conventionally-armed nuclear-powered submarine fleet.

The Government also announced on 6 May 2023 that a new independent statutory regulator will be established. It will have the necessary functions and powers to regulate nuclear safety and radiological protection across the lifecycle of Australia's nuclear-powered submarine enterprise, including associated infrastructure and facilities.

## Guided weapons and explosive ordnance

A key priority identified in the Government's response to the *Defence Strategic Review* was to develop the ADF's ability to precisely strike targets at longer range and manufacture munitions in Australia.

On 5 May 2023, the Government appointed Air Marshal Leon Phillips OAM as the inaugural Chief of the Guided Weapons and Explosive Ordnance Enterprise. The Guided Weapons and Explosive Ordnance Enterprise will accelerate the establishment of a local long-range guided weapons and munitions manufacturing industry here in Australia.

## Advanced Strategic Capabilities Accelerator

A key recommendation from the *Defence Strategic Review* included lifting our capacity to rapidly translate disruptive new technologies into ADF capability, in close partnership with Australian industry.

On 28 April 2023, the Government announced it is investing \$3.4 billion over the next decade to establish a new Defence entity, the Advanced Strategic Capabilities Accelerator, which will be operational by 1 July 2023. The Advanced Strategic Capabilities Accelerator will develop and transition into service disruptive solutions to prioritise defence challenges. It will take a strategically directed, mission-based approach, delivering an asymmetric advantage to our warfighters at pace and scale. The Next Generation Technologies Fund and the Defence Innovation Hub will cease operating on 1 July 2023 and activities funded under these Defence innovation programs will be transitioned and managed under the Advanced Strategic Capabilities Accelerator.

## Strengthening Australia's northern bases

In line with the Government's priorities in response to the *Defence Strategic Review*, Defence will improve the ADF's ability to operate from Australia's northern bases.

On 27 April 2023, the Government announced the investment of \$3.8 billion over the next four years to upgrade and develop our northern network of bases, ports and barracks. These upgrades will optimise littoral operations, long-range strike capability, surveillance, air defence and air transport in our northern maritime, land and air spaces. Infrastructure will also be delivered to support United States Force Posture Initiatives across the Defence estate at Robertson Barracks, and RAAF Bases Darwin and Tindal.

## Indigenous procurement

In 2022–23, Defence remained committed to stimulating Indigenous entrepreneurship and business development, and providing Indigenous enterprises with more opportunities to participate in the economy under Defence's *Indigenous Procurement Policy*. Some examples of work undertaken by Indigenous businesses in the last 12 months included:

- the start of construction of a multi-user depot with storage, parking and associated infrastructure; and minor refurbishment of the Royal Australian Navy Cadets' Training Ship *Vampire* in Tweed Heads, New South Wales; and
- the completion of new living-in accommodation for trainees and a new health and wellbeing facility for Defence personnel and their families at the Puckapunyal Military Area, Victoria.

## Investing in renewable energy and net zero

The *Defence Strategic Review* recognised climate change as a national security issue and called on Defence to accelerate its transition to clean energy.

As the Government's largest landholder and energy user, Defence is committed to reducing greenhouse gas emissions and investing in renewable energy to minimise our impact on the environment, build climate resilience and a pathway to a carbon neutral future.

Defence is developing a net zero strategy to provide a clear path on how Defence will contribute to Australia's whole-of-economy emissions reduction to net zero greenhouse gas emissions.

The Defence Renewable Energy and Energy Security Program contributes to our mission to reduce emissions, make Defence more energy secure, alleviate stress on local energy grids, and save money that we can redirect towards Defence capability.

On 21 February 2023, the Government announced a \$64 million investment in the Defence Renewable Energy and Energy Security Program to deliver solar energy generation and battery storage systems at 10 Defence sites across Australia. These sites include:

- Robertson Barracks, Larrakeyah Barracks, Harts Range and RAAF Bases Darwin and Tindal in the Northern Territory;
- the Edinburgh Defence Precinct and the Woomera Range Complex in South Australia; and
- the Harold E. Holt Naval Communications Station and RAAF Bases Curtin and Learmonth in Western Australia.

Work will also commence on a solar system at the Defence Headquarters complex in the Australian Capital Territory.

## Working with our partners

Defence is committed to enhancing our engagement with our partners and regional neighbours to deepen our relationships, develop mutual understanding, enhance interoperability and practical cooperation, address shared challenges in our region, and advance mutual security interests.

### United States

Australia's alliance with the United States has continued to grow in scale, scope and significance. At the Australia-United States Ministerial Consultations (AUSMIN) on 6 December 2022 in Washington DC, Deputy Prime Minister and Minister for Defence the Hon Richard Marles MP, Minister for Foreign Affairs Senator the Hon Penny Wong, United States Secretary of Defense Lloyd J. Austin III and United States Secretary of State Antony Blinken committed to evolve defence and security cooperation by, among other things, adding Enhanced Land; Enhanced Maritime; and the Combined Logistics, Sustainment, and Maintenance Enterprise as new United States Force Posture Initiatives.

Building on the existing Marine Rotational Force-Darwin and Enhanced Air Cooperation Initiative, these new domains will enhance our collective capability, interoperability, and ability to train and exercise with partners in the Indo-Pacific.

## United Kingdom

Australia's modern and enduring partnership with the United Kingdom continues to adapt in the face of a rapidly changing world. On 2 February 2023, the ministers at the Australia-United Kingdom Ministerial Consultations (AUKMIN) reaffirmed their commitment to work together to shape a peaceful and secure world. They also agreed to undertake a comprehensive refresh of the 2013 bilateral Defence and Security Cooperation Treaty to build an even closer security relationship, set the overarching conditions for our evolving defence relationship, and enable increased engagement by the United Kingdom in Australia and across the region.

## Indo-Pacific

We will prioritise the deepening of our diplomatic and defence partnerships with our key partners in the Indo-Pacific, in line with Government direction in response to the *Defence Strategic Review*.

On 9 May 2023, the Government announced an investment of \$1.4 billion over four years to support the Pacific family first approach agreed by Pacific Islands Forum Leaders, and the peace and security commitments under the *2050 Strategy for the Blue Pacific Continent*.

In September 2022, the Australian Defence Vessel *Reliant* joined the Royal Australian Navy fleet, an offshore-capable vessel to respond to Australia's Pacific partners' needs and requests, including for humanitarian assistance and disaster relief.

As climate change continues to threaten Pacific communities, Australia will take a regional approach to humanitarian relief and strengthen support for disaster preparedness, working closely with our partners in the Pacific family to support their responses to crises.

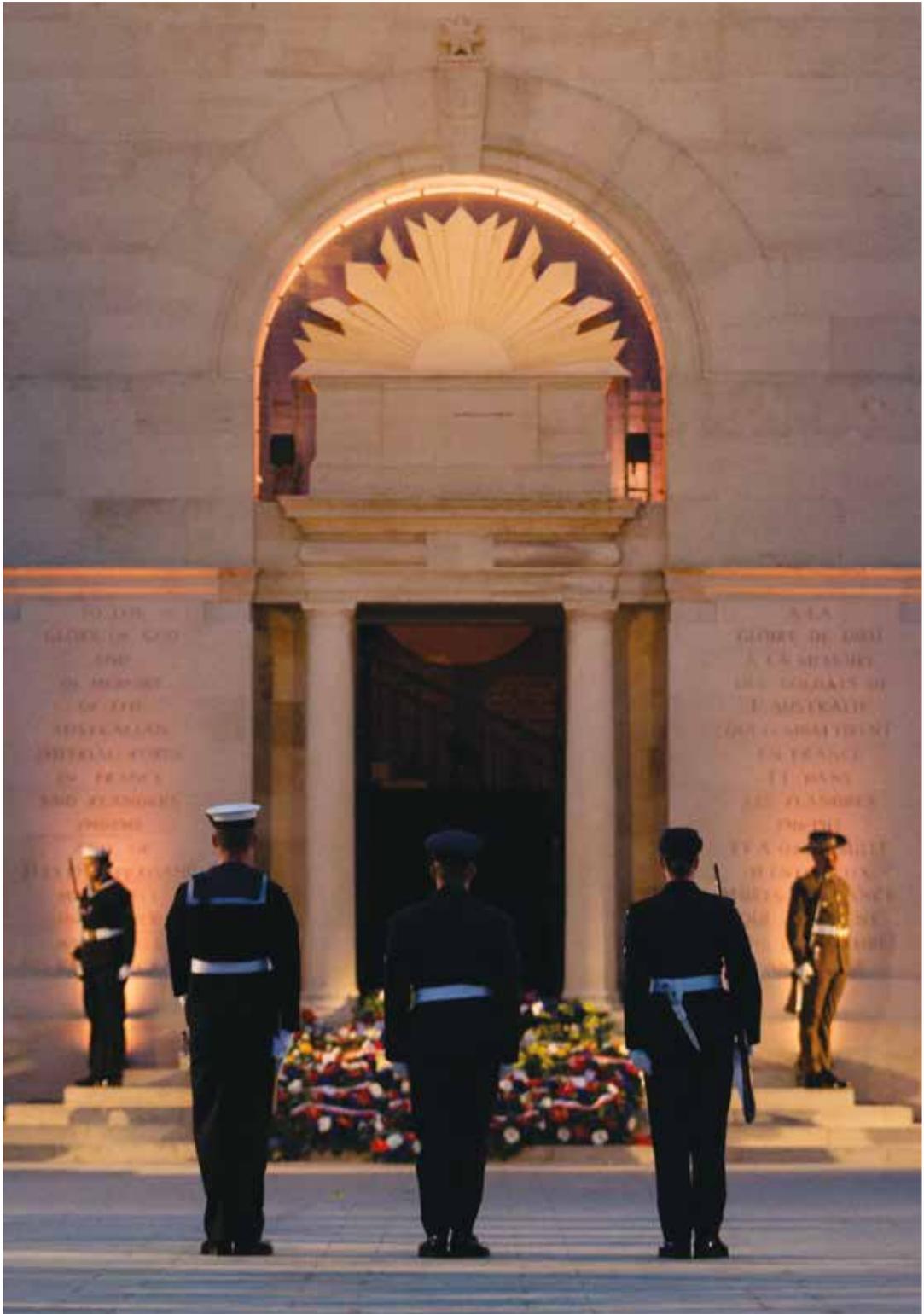
## Ukraine

During 2022–23, Australia provided 50 Bushmaster protected mobility vehicles to support the Ukrainian Armed Forces to protect their homeland, bringing the total number of gifted Bushmasters to 90, as at 30 June 2023.

## Greg Moriarty

**Secretary**

**Department of Defence**



Members of Australia's Federation Guard prepare to dismount the catafalque party during the Anzac Day dawn service in Villers-Bretonneux, France. CREDIT: Corporal John Solomon



## Chief of the Defence Force's review

---

General Angus J Campbell AO DSC  
Chief of the Defence Force

In 2022–23, the Australian Defence Force provided essential assistance to the Australian community, neighbours and friends through a range of humanitarian assistance and disaster relief operations, and deepened cooperation and interoperability with key regional and international partners to promote peace, security and prosperity. We also supported the international rules-based order through our commitment to train recruits from the Armed Forces of Ukraine in the United Kingdom, and through peacekeeping missions in Egypt, Israel, Lebanon, Syria and South Sudan.

The Government released its response to the *National Defence: Defence Strategic Review*, which determined that our strategic environment has deteriorated. *National Defence* directed that the Australian Defence Force urgently transition to a focused and integrated force capable of undertaking high-end warfighting across the spectrum of competition and conflict, and across all domains. Significant work is underway within the Australian Defence Force to deliver a force capable of executing a strategy of deterrence by denial.

Substantial work also continued on a range of people-focused reviews, inquiries and initiatives including the Royal Commission into Defence and Veteran Suicide (Royal Commission), the Afghanistan Inquiry reforms, and recruitment and retention efforts.

### Supporting our people

The key to achieving our mission ultimately lies in the character and wellbeing of our people, as well as the culture of our teams. I remain committed to supporting our people at all stages of their careers and to fostering and building a positive work environment, underpinned by our unified Defence Values and Behaviours, comprised of diverse, inclusive, respectful teams of Australian Defence Force and Australian Public Service professionals.

However, to create the necessary conditions for this culture to flourish, it is essential that we acknowledge and confront those occasions where we have failed to live up to the high standards expected of us by the Australian people.

### Royal Commission into Defence and Veteran Suicide

In 2022–23, Defence's Royal Commission into Defence and Veteran Suicide Taskforce (the Taskforce) continued to provide Defence documentation and evidence from Defence personnel (both written and verbal) to the Royal Commission. Our people have appeared as official Defence witnesses at almost every hearing, with the Taskforce providing legal, administrative, and wellbeing support to them to assist their appearance before the Royal Commission.

The Royal Commission's Interim Report was tabled on 11 August 2022 and contained 13 recommendations. Defence, with the Department of Veterans' Affairs, has responsibility for the implementation of five recommendations. These relate to the processes and policies for accessing personnel records. All five recommendations have now been implemented. The final report of the Royal Commission is due to be delivered in June 2024.

## Afghanistan Inquiry Report and Reform Plan

Defence remains fully committed to responding to all of the findings and recommendations of the Inspector-General of the Australian Defence Force Afghanistan Inquiry report through the Afghanistan Inquiry Reform Program. Work being delivered through the reform program goes beyond addressing the inquiry recommendations; it is also responding to the range of complex issues raised by the inquiry. As at 30 June 2023, Defence had implemented 110 of the 143 Afghanistan Inquiry recommendations.

### Recruitment and retention

With low unemployment rates across Australia and a competitive job market, the Australian Defence Force faced significant challenges to recruit and retain elements of our workforce during 2022–23.

In line with *National Defence*, Defence will prioritise the growth and retention of a highly skilled, more integrated workforce through a range of initiatives. Defence will focus on changing its recruitment framework, including aligning service recruitment requirements to military employment to improve the eligible pool of potential applicants, especially in key technical and specialist trades.

### Establishment of the Chief of Personnel

On 5 June 2023, Lieutenant General Natasha Fox AO CSC was appointed as the inaugural Chief of Personnel to lead the Military Personnel Organisation within Defence People Group.

The Chief of Personnel will lead the development of a single, integrated personnel management system for the Australian Defence Force. This important work will ensure our people system is well-positioned to meet the nation's security challenges now and into the future.

## Supporting our community

In 2022–23, Defence responded to a number of requests from civilian authorities to support natural disasters and COVID-19 pandemic response efforts within Australia.

### Operation COVID-19 ASSIST

Defence's contribution to the whole-of-government response to the COVID-19 pandemic, known as Operation COVID-19 ASSIST, concluded on 7 October 2022. Since Operation COVID-19 ASSIST began on 25 March 2020, more than 19,000 Royal Australian Navy, Australian Army and Royal Australian Air Force personnel, and more than 519 Defence public servants participated in over 26,000 deployments across Australia and our region.

Personnel undertook a wide variety of duties, including medical response, critical quarantine measures, compliance management, assisting aged care facilities and critical supply chain management, and administering quarantine hotels and facilities. They also supported border checkpoints and compliance, swab testing, and vaccination efforts across all Australian states and territories.

### Operation FLOOD ASSIST 22-2

Operation FLOOD ASSIST 22-2 was Defence's contribution to the whole-of-government response to flooding in Victoria from 17 October to 12 November 2022, New South Wales from 17 October to 1 December 2022, and South Australia from 14 December 2022 to 24 January 2023. Defence support to Operation FLOOD ASSIST 22-2 formally concluded on 6 February 2023. More than 1,200 Australian Defence Force personnel assisted civilian emergency authorities with a wide range of tasks such as sand bagging, welfare checks, evacuation support, transport, logistics resupply, clean-up, relief and recovery efforts.

## Operation FLOOD ASSIST 23-1

At the request of the National Emergency Management Agency, Defence commenced Operation FLOOD ASSIST 23-1 on 28 February 2023 following the isolation of communities in the Kimberley region, Western Australia, due to heavy rainfall caused by ex-Tropical Cyclone Ellie. At its peak, approximately 275 Australian Defence Force personnel were committed across aviation, general duties support, logistics and coordination elements. We provided assistance with evacuating residents, delivering essential goods and services, restoring essential community services, transporting other emergency services and state agency personnel and fodder, cleaning up and repatriating residents back into their communities.

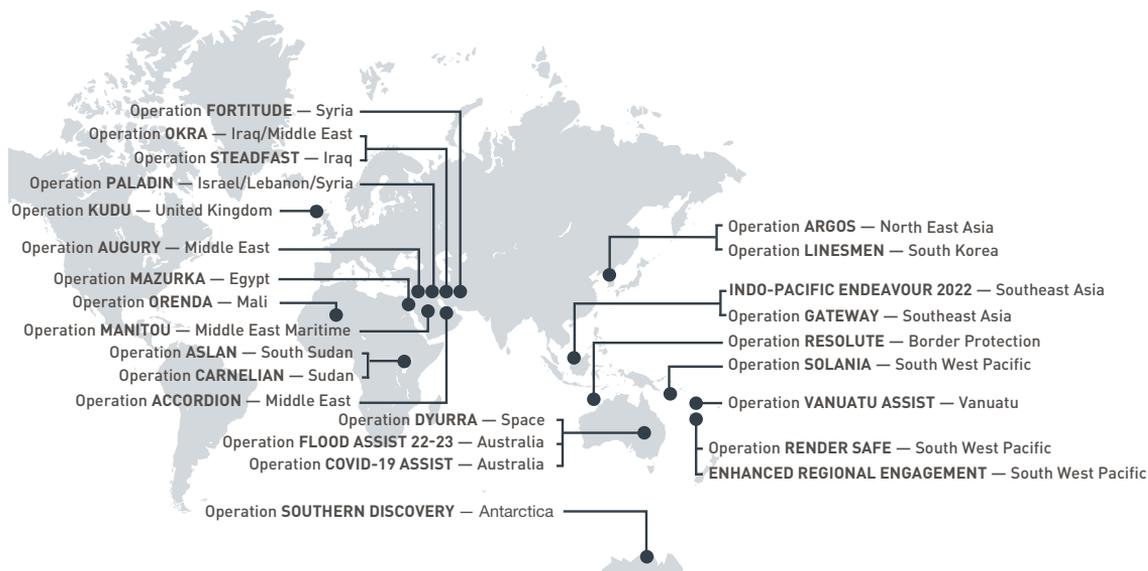
## Domestic training

After several years of domestic support operations, the Australian Defence Force has been able to refocus on our primary function of defence preparedness. We have been able to concentrate on individual and collective training, developing our personnel's skills and experiences, while partnering with others to promote a stable and secure Indo-Pacific region. Navy, Army and Air Force have taken part in a range of multinational exercises and combined training activities, improving our own interoperability and integrating with international allies and partners.

## Supporting our neighbours and friends

In 2022–23, Defence contributed to whole-of-government engagement efforts with our neighbours, key partners and friends, in close collaboration with other Australian agencies.

Figure 1.1: Australian Defence Force operations during 2022–23



## Operation VANUATU ASSIST 2023

At the request of the Government of Vanuatu, nearly 700 Australian Defence Force personnel, including those on board HMAS *Canberra*, deployed on Operation VANUATU ASSIST 2023 as part of the Australian Government's response to support Vanuatu following Tropical Cyclones Judy and Kevin. Australian Defence Force personnel delivered humanitarian aid and provided support, including hydrographic surveys, route clearance, emergency medical evacuations, transport of local government officials, and clean-up and reconnaissance and remediation of local infrastructure.

## Australia's military assistance to Ukraine

In 2022–23, Defence also demonstrated its ongoing commitment to supporting the international rules-based order through Operation KUDU, our commitment to train recruits from the Armed Forces of Ukraine under a multinational training program led by, and based in, the United Kingdom. Australian Defence Force personnel focused on training Ukrainian recruits in basic infantry tactics for urban and wooded environments to support them in developing the military skills they need to defend their homeland. The Australian Defence Force also conducted a number of flights to Europe in order to deliver much needed military assistance to empower Ukraine to end Russia's illegal and immoral war on its own terms.

### Operation CARNELIAN

On 2 May 2023, the Australian Defence Force supported the Department of Foreign Affairs and Trade-led whole-of-government response to evacuate 153 people — including 57 Australians and 96 foreign nationals from Canada, Ireland, New Zealand, Sweden, the United Kingdom and the United States — from Sudan. Under Operation CARNELIAN, we deployed two Royal Australian Air Force C-130J Hercules aircraft and approximately 70 personnel to assist the Department of Foreign Affairs and Trade with the evacuation and processing of the evacuees.

### Support to New Zealand — Tropical Cyclone Gabrielle

At the request of the New Zealand Government, the Australian Defence Force deployed to New Zealand as part of Australia's whole-of-government response to New Zealand following Tropical Cyclone Gabrielle in February 2023. We provided two Royal Australian Air Force C-27J Spartans, a mobile air load team and environmental health support staff.

### Support to Türkiye following earthquakes

In February 2023, at the request of the Government of Türkiye, a Royal Australian Air Force C-17 Globemaster III transported 72 urban search-and-rescue specialists from the AUS 2 Disaster Assistance Response Team to Türkiye to assist with recovery efforts following a series of devastating earthquakes.

### Support to Her Majesty Queen Elizabeth II's funeral

On 8 September 2022, Her Majesty Queen Elizabeth II passed away. The Australian Defence Force participated in a range of ceremonial duties in Australia and the United Kingdom to honour the life and death of Her Majesty. This included Australia's Federation Guard firing a 96-gun salute at Parliament House in Canberra and contributing 39 personnel to a Commonwealth contingent that led the Queen's funeral procession in London on 19 September 2022.

### Operation GOLDEN ORB

On 6 May 2023, Australian Defence Force personnel undertook ceremonial duties in London for the coronation of Their Majesties King Charles III and Queen Camilla under Operation GOLDEN ORB. Australia's Federation Guard contributed 38 personnel to the 600-strong Commonwealth contingent that led the coronation procession from Westminster Abbey to Buckingham Palace.

## Supporting international cooperation and Australian Defence Force capability

The Government's response to the *Defence Strategic Review* identified that deepening diplomatic and defence partnerships with key partners in the Indo-Pacific is a priority for Defence. The Australian Defence Force has continued to strengthen our regional and international partnerships, especially in the Pacific and Southeast Asia, to promote a peaceful and prosperous region where sovereignty is respected.

In 2022–23, we supported international cooperation through a range of activities, including regional presence deployments in the Indo-Pacific region, and participation in a range of bilateral and multilateral exercises and engagements.

## Regional presence deployments

During financial year 2022–23, the Royal Australian Navy conducted a number of regional presence deployments throughout the Indo-Pacific region to strengthen its cooperation with regional partners through the conduct of exercises and other engagement activities.

### Indo-Pacific Endeavour 2022

Australian Defence Force personnel participated in Indo-Pacific Endeavour 2022 — Australia's flagship regional engagement activity — alongside other Australian Government and defence industry representatives. Indo-Pacific Endeavour 2022 visited 14 countries in Southeast Asia and the northeast Indian Ocean between September to December 2022.

### Exercise Pitch Black 2022

The Royal Australian Air Force hosted 2,500 personnel from 17 nations and more than 100 aircraft in the Northern Territory and Queensland from 19 August to 8 September 2022 for Exercise Pitch Black 2022. The exercise is held every two years to enhance interoperability and develop strong relationships between military forces.

Exercise Pitch Black 2022 hosted the largest number of nations in the exercise's history, including Australia, Canada, France, Germany, Indonesia, India, Japan, Malaysia, Netherlands, New Zealand, Philippines, Republic of Korea, Singapore, Thailand, United Arab Emirates, the United Kingdom and the United States.

### Exercise Rim of the Pacific 2022

From 29 June to 4 August 2022, approximately 1,600 Australian Defence Force personnel joined with 26 international partners in the United States to participate in the biennial Exercise Rim of the Pacific, the world's largest international maritime exercise.

Our contribution was substantial and included HMA Ships *Canberra*, *Supply* and *Warramunga*; P-8A Poseidon aircraft; a submarine; mine warfare and clearance diving capabilities; and a joint landing force led by the 2nd Battalion, Royal Australian Regiment, accompanied by personnel and capabilities from across Australian Army units.

### Australian Defence Vessel *Reliant*

In September 2022, Australian Defence Vessel *Reliant* joined the Royal Australian Navy fleet to respond to the needs and requests of our Pacific partners, including for humanitarian assistance and disaster relief.

## Conclusion

I wish to conclude by sincerely thanking all the sailors, soldiers and aviators of the Australian Defence Force and their families and loved ones who have supported them. Their dedication, professionalism, adaptability, resilience and hard work in defence of Australia and its national interests has been exceptional. I could not be more proud of them.

## Angus J Campbell AO DSC

General

Chief of the Defence Force



1

## Our regional engagement

**Defence has a long-standing commitment to deepen and reinforce our enduring regional partnerships and friendships, which are essential for a peaceful, secure and prosperous region.**

The Government's response to the *Defence Strategic Review* reinforced Defence's commitment to our region as a priority, including through deepening our diplomatic and defence partnerships with our key partners in the Indo-Pacific.

In 2022–23, Defence participated in a range of regional engagement activities to deepen our partnerships in our region.

### Indo-Pacific Endeavour

Indo-Pacific Endeavour, one of Australia's key annual regional engagement activities, was held across Southeast Asia and the northeast Indian Ocean between September to December 2022.

Indo-Pacific Endeavour 2022 returned to full-scale after two years affected by COVID-19 and involved representatives from the ADF, foreign militaries, Australian Federal Police, Australian Border Force, the Department of Foreign Affairs and Trade, and Australian defence industry.

Indo-Pacific Endeavour 2022 involved about 1,800 personnel, five ships, 11 helicopters, and Royal Australian Air Force aircraft

across 14 countries including Bangladesh, Brunei, Cambodia, India, Indonesia, Laos, Malaysia, Maldives, the Philippines, Singapore, Sri Lanka, Thailand, Timor-Leste and Vietnam.

Regional engagement activities included military exercises, workshops, training, sporting events and cultural activities, and the deepening of cooperation on issues ranging from humanitarian assistance and disaster relief to gender, peace and security.

Chief of Joint Operations, Lieutenant General Greg Bilton AO CSC said, "Enhancing our relations with regional partners enables us to deepen our cooperation so we can work closely together when it counts."

### Regional presence deployments

The Royal Australian Navy conducted regional presence deployments in the Indo-Pacific region during financial year 2022–23.

During the deployments, ships and their embarked ADF personnel conducted exercises and other engagements with our regional partners.

Commander Australian Fleet Rear Admiral Chris Smith said, "Regional presence deployments strengthen our practical cooperation with regional partners and demonstrate Australia's commitment to a stable, peaceful, resilient and prosperous Indo-Pacific."

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**1:** Personnel from HMAS *Anzac* and Royal Malaysian Navy KD *Gempita* compete in a tug-of-war during Exercise Bersama Shield 2023 on Tioman Island, Malaysia. CREDIT: Leading Seaman Imagery Specialist Jarryd Capper

### Australian Defence Vessel *Reliant*

Australian Defence Vessel *Reliant* first deployed to Timor-Leste and the Pacific region in September 2022 and will spend up to 300 days a year in the Pacific, ready to respond to the needs and requests of Pacific partners, including for humanitarian assistance and disaster relief.

Since its initial deployment, Australian Defence Vessel *Reliant* has visited Fiji, Kiribati, Nauru, Papua New Guinea, the Republic of Marshall Islands, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu and Vanuatu, conducting capability demonstrations and delivering priority stores and equipment.

As part of Defence's commitment to regional coordination and increased interoperability, Australian Defence Vessel *Reliant* participated in Exercise Longreach in November 2022 and Exercise Croix Du Sud in New Caledonia in April and May 2023.

### Pacific Partnership

ADF personnel deployed to Vietnam and the Philippines in 2022 to provide specialist support to the 17th United States-led Pacific Partnership, the largest annual multilateral humanitarian assistance and disaster relief preparedness mission conducted in the Indo-Pacific region.

Deputy Chief of Joint Operations, Air Vice-Marshal Michael Kitcher AM DSM said, "This is an important opportunity to enhance our interoperability with other nations and demonstrate that we remain ready to respond, with our partners, if and when our regional neighbours need our help."

### Operation RENDER SAFE

The ADF provided support to Nauru, Solomon Islands and Tuvalu under Operation RENDER SAFE in 2022 to plan for, and safely dispose of, Second World War explosive remnants of war and promote community safety awareness about unexploded ordnance.

ADF personnel also supported the delivery of explosive remnants of war awareness training with the Nauru Police Force and worked with the Royal Solomon Islands Police Force to conduct training on identification, detonation and clearance of ordnance.

### Operation SOLANIA

Operation SOLANIA is the ADF's contribution to maritime surveillance within the Pacific region.

Annually, the ADF supports the Pacific Islands Forum Fisheries Agency with maritime surveillance to Operations RAI BALANG, TUI MOANA, ISLAND CHIEF and KURU KURU, which are designed to detect and deter illegal fishing activity in the Pacific.

### Exercise Rim of the Pacific

Approximately 1,600 ADF personnel joined with 26 international partners to participate in the biennial Exercise Rim of the Pacific (RIMPAC), the world's largest international maritime exercise held in the United States from 29 June to 4 August 2022.

The ADF was proud to host embedded members of His Majesty's Armed Forces Tonga and the Sri Lanka Armed Forces for the exercise. •



**2:** Australian Defence Vessel *Reliant* at Betio Port in Kiribati to unload disaster relief stores during its inaugural deployment through the Pacific region to enhance Australia's support to our Pacific family. CREDIT: Lieutenant Commander BJ Glover

## INTERNATIONAL FLEET REVIEW 2022

HMA Submarine *Farncomb* sails with Royal Australian Navy ships from around the Indo-Pacific region during the Japan Maritime Self-Defense Force's International Fleet Review 2022 off Yokosuka, Japan. HMA Submarine *Farncomb* and HMA Ships *Arunta*, *Hobart* and *Stalwart* joined approximately 40 ships and submarines that sailed in formation to commemorate the 70th anniversary of the Japan Maritime Self-Defense Force. The main review was the signature event of the International Fleet Review 2022 program, which also included maritime exercises, cultural and sporting activities, and a parade through the streets of Yokosuka. CREDIT: Chief Petty Officer Aaron Robinson





## Chapter 2:

## Departmental overview



## 75th anniversary of Australia's involvement in peacekeeping operations

On 14 September 2022, Australians commemorated the 75th anniversary of Australia's involvement in international peacekeeping operations.

Since 1947, more than 66,000 Australian military, police and civilian peacekeepers have served in more than 50 peacekeeping operations around the world. Australians were part of the first group of United Nations (UN) military observers deployed in the field, and were sent to the Netherlands East Indies (now Indonesia) on 14 September 1947.

Since that time, Australian peacekeepers have served in locations from the Middle East to Africa, Southeast Asia, and the Pacific.

The Chief of Joint Operations for the ADF, Lieutenant General Greg Bilton AO CSC said, "The ADF has a long and proud history of supporting peacekeeping missions across the globe."

There are 26 ADF personnel currently deployed on peacekeeping missions in Egypt, Israel, Lebanon, Syria and South Sudan.

ADF personnel deployed on peacekeeping missions are not in combat roles, but fulfil important military observer and headquarters positions such as military liaison officers, operations, aviation and logistics support roles.

"It is important to also honour the 17 Australians who deployed with the ADF or Australian Federal Police who tragically lost their lives in UN or non-UN peacekeeping operations," Lieutenant General Bilton said.

National Peacekeepers' Day is observed in Australia on 14 September each year — the anniversary of the day in 1947 when Australia deployed on its first peacekeeping mission to the Netherlands East Indies. •

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Australian Army officer Captain John Whiteley (right), deployed on Operation PALADIN as a United Nations military observer with the United Nations Truce Supervision Organisation, conducts a routine patrol with Finnish colleague Captain Pasi Nukarinen (left) in the Golan Heights on the Israeli-Syrian border. CREDIT: Petty Officer Imagery Specialist Lee-Anne Cooper

## Our mission and purpose

Defence's mission and purpose is to defend Australia and its national interests in order to advance Australia's security and prosperity.

In fulfilling this mission and purpose, Defence serves the Government of the day and is accountable to the Australian Parliament, which represents the Australian people, to efficiently and effectively carry out the Government's defence policy.

Defence defends Australia and its national interests through conducting operations and providing support for the Australian community and civilian authorities according to Government direction.

Defence protects and advances Australia's strategic interests by providing strategic policy, developing, delivering and sustaining military, intelligence and enabling capabilities; and promoting regional and global security and stability as directed by the Government.

Further information on Defence's mission and purpose is in the *Defence Corporate Plan*, available at [defence.gov.au/about/strategic-planning/defence-corporate-plan](https://defence.gov.au/about/strategic-planning/defence-corporate-plan). Defence's performance in achieving its purpose during the 2022–23 reporting period is described in Chapter 3: Annual performance statements.

## Strategic direction

### Defence Strategic Review

On 14 February 2023, the *Defence Strategic Review* was handed to the Government by its independent leads, former Minister for Defence, His Excellency Professor the Hon Stephen Smith and former Chief of the Defence Force, Air Chief Marshal Sir Angus Houston AK AFC (Ret'd).

On 24 April 2023, the Government released the *National Defence: Defence Strategic Review*, the Government's response to the review, and the National Defence Statement 2023.

The *Defence Strategic Review* sets the agenda for ambitious, but necessary, reform to Defence's posture and structure. The strategic direction and key findings from the *Defence Strategic Review* will strengthen Australia's national security and ensure Defence's readiness for future challenges. There is no more important and consequential task for the Government than protecting the security, interests and livelihoods of its people.

The *Defence Strategic Review* examined how Australia can best shape the ADF for the very different strategic environment now faced. The recommendations of the *Defence Strategic Review* aim to ensure we are building an integrated ADF that is fit for purpose to address the challenges of the day and into the future.

The Government's response to the *Defence Strategic Review* sets out a blueprint for Australia's strategic policy, defence planning and resourcing over the coming decades. The Government has directed that Defence must have the capacity to:

- defend Australia and our immediate region;
- deter through denial any adversary's attempt to project power against Australia through our northern approaches;
- protect Australia's economic connection to our region and the world;
- contribute with our partners to the collective security of the Indo-Pacific; and
- contribute with our partners to the maintenance of the global rules-based order.

To implement the *Defence Strategic Review* recommendations, the Government identified six priority areas for immediate action:

- investing in conventionally-armed, nuclear-powered submarines through the AUKUS partnership;
- developing the ADF's ability to precisely strike targets at longer range and manufacture munitions in Australia;
- improving the ADF's ability to operate from Australia's northern bases;
- lifting our capacity to rapidly translate disruptive new technologies into ADF capability, in close partnership with Australian industry;
- investing in the growth and retention of a highly skilled defence workforce; and
- deepening our diplomatic and defence partnerships with key partners in the Indo-Pacific.

Defence's strategic direction will continue to evolve through the development of the National Defence Strategy to be delivered in 2024. The National Defence Strategy will provide a comprehensive plan of Defence policy, planning, capabilities and resourcing, including reprioritisation of the Integrated Investment Program, in line with the recommendations of the *Defence Strategic Review*.

The Defence Strategic Review Implementation Task Force (the Task Force) was established to ensure the Government's direction on the *Defence Strategic Review* is delivered. The Task Force's Implementation Program Management Office will drive internal assurance and oversight of Defence's implementation of the Government's *Defence Strategic Review* objectives and intent.

The three-tiered governance and oversight arrangement directed by Government is in place:

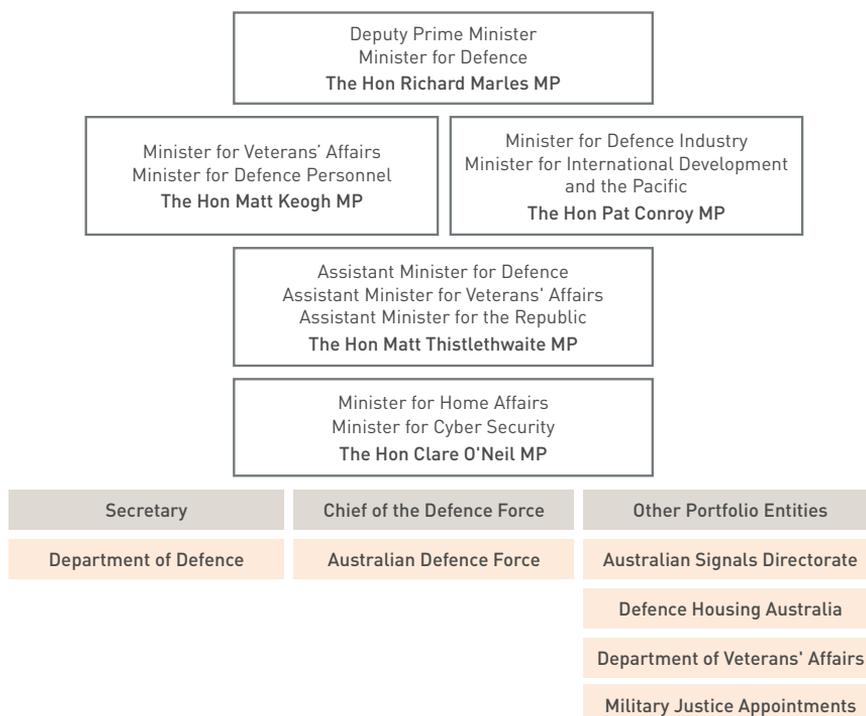
- **Tier 1** is the National Security Committee of Cabinet, to which we will report progress every six months.
- **Tier 2** is the External Advisory Panel, chaired by the independent leads of the *Defence Strategic Review*, His Excellency Professor the Hon Stephen Smith and Air Chief Marshal Sir Angus Houston AK AFC (Ret'd).
- **Tier 3** is the Defence Strategic Review Management Board, conducted through an augmented Defence Committee, which meets monthly.



Australian Army soldiers from the 1st Brigade and members of the Forças de Defesa de Timor Leste operate a Zodiac small watercraft during a training course in Darwin Harbour, Northern Territory. CREDIT: Captain Annie Richardson

## Defence portfolio structure

Figure 2.1: Defence portfolio structure as at 30 June 2023



As at 30 June 2023, the Defence portfolio had four ministers:

- the Hon Richard Marles MP, Deputy Prime Minister and Minister for Defence;
- the Hon Pat Conroy MP, Minister for Defence Industry and Minister for International Development and the Pacific;
- the Hon Matt Keogh MP, Minister for Veterans' Affairs and Minister for Defence Personnel; and
- the Hon Matt Thistlethwaite MP, Assistant Minister for Defence and Assistant Minister for Veterans' Affairs.

In addition to these ministers, the following minister has been sworn to administer the Department of Defence:

- the Hon Clare O'Neil MP, Minister for Home Affairs and Minister for Cyber Security.

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 ADF is constituted through the *Defence Act 1903*.

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 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 Defence 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.

## Outcomes and programs

Defence's annual Portfolio Budget Statements detail the outcomes and program structures for the Defence portfolio. Within this framework, the outcome is the intended result, impact or consequence of our actions. Defence works towards achieving these outcomes through undertaking activities and delivering results for each program.

Figure 2.2 shows Defence's mission and purpose. Underpinning this are two outcomes for 2022–23, together with the related programs. The Portfolio Budget Statements describe the performance criteria and targets to be used in assessing and monitoring the performance of Defence in achieving Government outcomes.

**Figure 2.2: Defence's outcomes and programs, 2022–23**

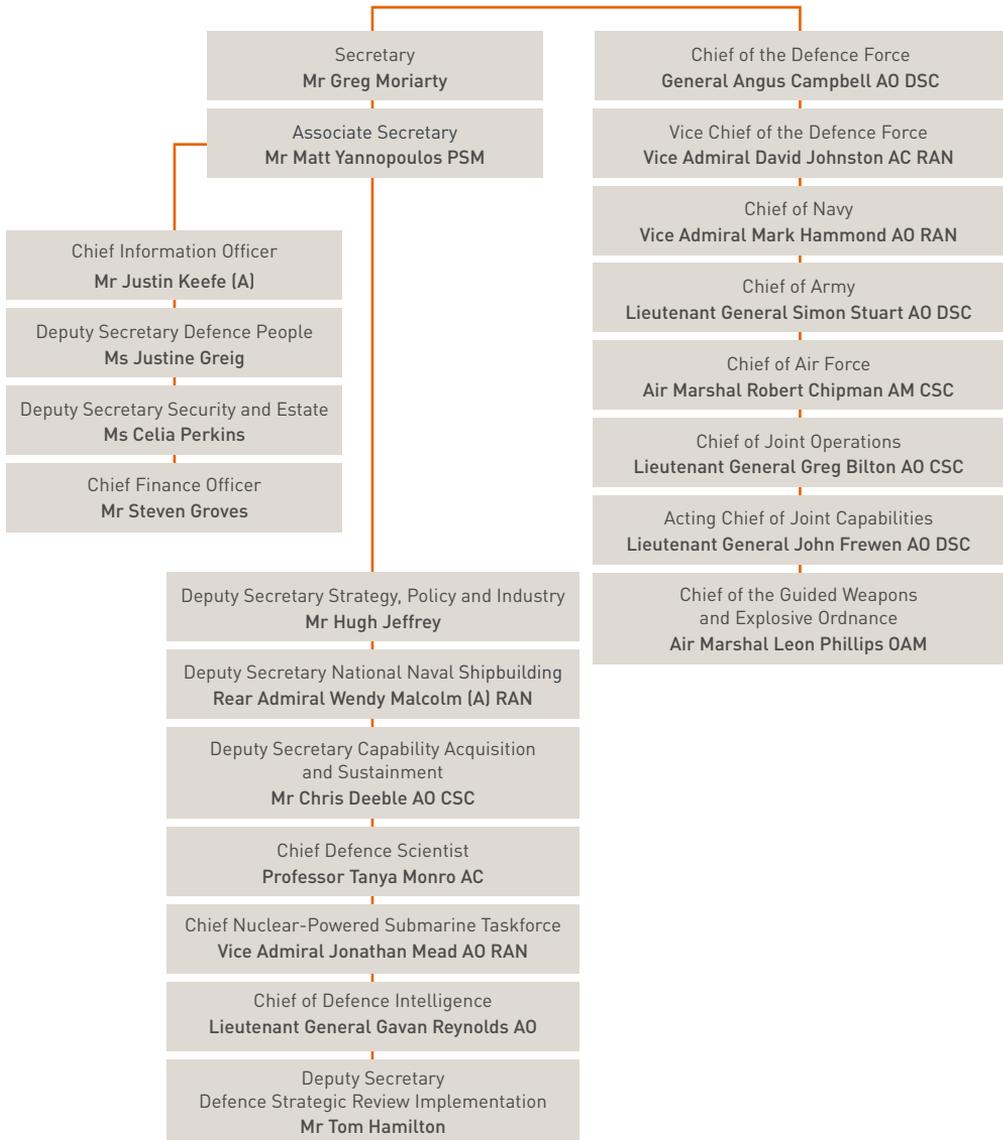
Mission and purpose	Outcome statement	Budget program <sup>1</sup>
To defend Australia and its national interests in order to advance Australia's security and prosperity.	<b>Outcome 1:</b> Defend Australia and its national interests through the conduct of operations and provision of support for the Australian community and civilian authorities in accordance with Government direction.	<b>1.1</b> Operations contributing to the safety of the immediate neighbourhood <b>1.2</b> Operations supporting wider interests <b>1.3</b> 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> <b>2.1</b> Strategy, Policy and Industry <b>2.2</b> Defence Executive Support <b>2.3</b> Defence Finance <b>2.4</b> Joint Capabilities <b>2.5</b> Navy Capabilities <b>2.6</b> Army Capabilities <b>2.7</b> Air Force Capabilities <b>2.8</b> ADF Headquarters <b>2.9</b> Capability Acquisition and Sustainment <b>2.10</b> Security and Estate <b>2.11</b> Chief Information Officer <b>2.12</b> Defence People <b>2.13</b> Defence Science and Technology <b>2.14</b> Defence Intelligence <b>2.15</b> Naval Shipbuilding and Sustainment <b>2.19</b> Defence Trusts and Joint Accounts <b>Administered</b> <b>2.20</b> Defence Force Superannuation Benefits <b>2.21</b> Defence Force Superannuation Nominal Interest <b>2.22</b> Housing Assistance <b>2.23</b> Other Administered

1. From 2023–24 Nuclear-Powered Submarines will be added as a Budget program.

## 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 responsibilities and accountabilities of the Secretary and the Chief of the Defence Force in ensuring that Defence meets 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 Deputy Prime Minister and Minister for Defence. Figure 2.3 shows the elements and relationships of Defence’s organisational structure as at 30 June 2023.

**Figure 2.3: Defence's organisational structure as at 30 June 2023<sup>1</sup>**



1. This organisational chart is correct as at 30 June 2023. For a more current organisational chart, view: [defence.gov.au/about/who-we-are/organisation-structure](https://defence.gov.au/about/who-we-are/organisation-structure).

## Changes in senior leadership

- On 1 July 2022, Kathryn Campbell AO CSC was appointed Senior Advisor AUKUS.
- On 3 July 2022, Lieutenant General Simon Stuart AO DSC was appointed Chief of Army.
- On 4 July 2022, Air Marshal Robert Chipman AM CSC was appointed Chief of Air Force.
- On 7 July 2022, General Angus Campbell AO DSC was reappointed as the Chief of the Defence Force.
- On 7 July 2022, Vice Admiral David Johnston AC RAN was reappointed Vice Chief of the Defence Force.
- On 7 July 2022, Vice Admiral Mark Hammond AO RAN was appointed Chief of Navy.
- On 19 August 2022, Peter Tesch, Deputy Secretary Strategy, Policy and Industry, retired from the Australian Public Service.
- On 29 August 2022, Chris Deeble AO CSC was appointed Deputy Secretary Capability Acquisition and Sustainment.
- On 31 January 2023, Stephen Pearson, Chief Information Officer, retired from the Australian Public Service.
- On 2 March 2023, Hugh Jeffrey was appointed Deputy Secretary Strategy, Policy and Industry, following a period of acting.
- On 9 March 2023, Tom Hamilton was appointed Deputy Secretary Defence Strategic Review Implementation.
- On 5 May 2023, Tony Dalton AM CSC, Deputy Secretary Naval Shipbuilding and Sustainment, retired from the Australian Public Service.
- On 8 May 2023, Air Marshal Leon Phillips OAM was appointed as the inaugural Chief of Guided Weapons and Explosive Ordnance.
- On 5 June 2023, Major General Natasha Fox AM CSC was promoted to Lieutenant General prior to commencement as Chief of Personnel on 1 July 2023.
- On 20 June 2023, Air Marshal Darren Goldie AM CSC was appointed National Cyber Security Coordinator on secondment to the Department of Home Affairs.

**Table 2.1: Details of the accountable authority during the reporting period, 2022–23**

Name	Position title / position held	Period as the accountable authority or member within the reporting period	
		Start date	End date
Greg Moriarty	Secretary	4 September 2017	–



## Connecting with our First Nations communities

Defence is committed to engaging with Aboriginal and Torres Strait Islander organisations, communities and peoples, including enhancing relationships with those who have long played, and continue to play, an important role in the defence of Australia.

Defence is committed to the *National Agreement on Closing the Gap*, including understanding and learning from our history. This includes providing meaningful opportunities for Aboriginal and Torres Strait Islander peoples in supporting Defence capability into the future.

The *Defence Reconciliation Action Plan 2019–22* has continued beyond its nominal end date. A Defence First Nations Strategy is being developed in partnership with First Nations peoples and alignment with the *National Agreement on Closing the Gap*.



Defence Elders and advisors are appointed across all Services — the Royal Australian Navy, the Australian Army and the Royal Australian Air Force — to play a key role in strengthening cultural knowledge and building links between Defence and Aboriginal and Torres Strait Islander communities.

In July 2022, the Navy Indigenous Development Program appointed its first Indigenous Elders, Aunty Fran Visini and Uncle Phillip Bowie, both former sailors who will provide cultural support and advice to the recruits and staff of the Navy Indigenous Development Program delivered in Cairns, Queensland.

Aunty Fran said, “We make sure their needs are culturally met and break down barriers where needed, especially in the area of language, as for some recruits English is their second or third language.”

In 2022–23, new yarning circles were opened at Duntroon in the Australian Capital Territory; HMAS *Cairns*, Lavarack Barracks and RAAF Base Amberley in Queensland; and HMAS *Cerberus* in Victoria to provide sacred spaces for Aboriginal and Torres Strait Islander peoples, and people of all cultures, to meet, reflect, and tell their stories.

Air Force Indigenous Liaison Officer, Flight Lieutenant Kristal House said, “For us as a Defence Force, the yarning circle highlights and helps ensure we respect the way Indigenous Australians use the very land we help defend.”

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**1:** Jennifer Marrkula, Margaret Marrkula, Australian Army Sergeant Lisa Stone, and Albina Marrkula celebrate the 25th anniversary of the Army Aboriginal Community Assistance Program in Gapuwiyak, Northern Territory. CREDIT: Sergeant Nunu Campos. **2:** Performers from the Wulgurukaba Traditional Custodian Group participate in a smoking ceremony to celebrate the opening of the yarning circle at RAAF Base Townsville in Queensland. CREDIT: Leading Aircraftman Ryan Howell



3

In October 2022, the Australian Army celebrated the 25th anniversary of the Army Aboriginal Community Assistance Program, which involves the Army, the National Indigenous Australians Agency and host communities working closely together to improve living standards in remote Aboriginal and Torres Strait Islander communities.

During the Australian Army Aboriginal Community Assistance Program 2022, Army personnel lived and worked alongside the Gapuwiyak community in the Northern Territory for five months from June 2022. They assisted with upgrades to infrastructure, community health programs, vocational training and community-based engagement activities.

Gapuwiyak traditional owner Margaret Marrkula said, “I want Gapuwiyak to be a better place to live for locals and visitors. We need to work together, build together, share, communicate and learn from each other — from both worlds.”

The Australian Army came together with Aboriginal and Torres Strait Islander communities to commemorate a number of significant anniversaries, including the 80th anniversary of the formation of the Northern Territory Special Reconnaissance Unit in September 2022, and the 80th anniversary of the Torres Strait Light Infantry Battalion in March 2023.

The Northern Territory Special Reconnaissance Unit, which came together in a Makarrata — an

ancient Yolngu ceremony which united warring Indigenous groups — and Australia’s only all-Indigenous military unit, the 880-strong Torres Strait Light Infantry Battalion, were both formed to protect Australia’s north during the Second World War.

The Chief of Army, Lieutenant General Simon Stuart AO DSC said all but 10 men of military age across the Torres Strait volunteered to serve in the Torres Strait Light Infantry Battalion, and that they willingly and dutifully served our nation, despite the inequalities of the day, including pay and recognition of their service.

“Indeed, it was not until the mid-1980s — four decades later — that the veterans of the Torres Strait Light Infantry Battalion received their service medals and full pay to which they were entitled. We acknowledge the significant impact that service had on the traditional way of life and we are committed to learning from this past,” Lieutenant General Stuart said.

In February 2023, the Royal Australian Navy celebrated the 10th anniversary of its Indigenous performance group, Bungaree. Bungaree performers are volunteers and are drawn together to demonstrate the diverse and inclusive culture of the Royal Australian Navy, with the aim of showcasing Australia’s unique Aboriginal and Torres Strait Islander cultures at significant Defence or Aboriginal and Torres Strait Islander community events. •

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**3:** Australian Army soldiers from Sarpeye (Charlie) Company, 51st Battalion, The Far North Queensland Regiment, perform a traditional Torres Strait Island dance during the Torres Strait Light Infantry Battalion 80th anniversary ceremony held on Thursday Island in Queensland. CREDIT: Leading Seaman Imagery Specialist Leo Baumgartner



## Chapter 3:

# Annual performance statements

The Royal Australian Air Force Roulettes acrobatic display team fly PC-21s in formation during a demonstration at the Australian International Airshow 2023 at Avalon Airport, Victoria. CREDIT: Leading Aircraftman Ryan Howell

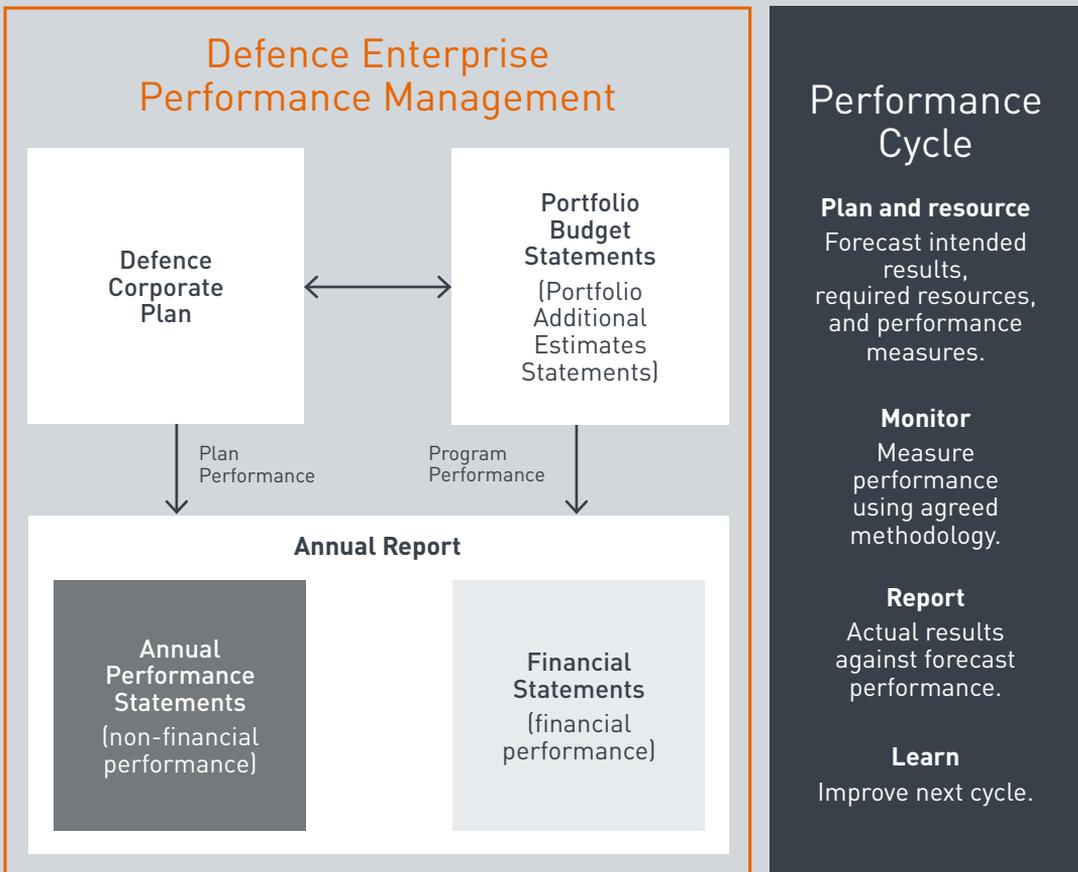
## Introduction

Defence's enterprise performance management is designed to ensure alignment between Government direction, strategy, resources and capability to achieve the mission and purpose of Defence.

The 2022–23 Annual Performance Statements provide an assessment of Defence's performance against the performance criteria set out in the *2022–26 Defence Corporate Plan* and listed in the *Portfolio Budget Statements 2022–23* and the *Portfolio Additional Estimates Statements 2022–23*.

Figure 3.1 demonstrates the relationship of the annual performance statements with the other elements of Defence's performance management approach.

**Figure 3.1: Defence's enterprise performance management approach**



## Statement of preparation

As the accountable authority of the Department of Defence, I present the 2022–23 Annual Performance Statements of Defence, as required under paragraph 39(1)(a) and (b) of the *Public Governance, Performance and Accountability Act 2013*. In my opinion, these 2022–23 Annual Performance Statements are based on properly maintained records, accurately reflect the performance of the entity, and comply with subsection 39(2) of the *Public Governance, Performance and Accountability Act 2013*.



**Greg Moriarty**  
Secretary  
Department of Defence  
18 September 2023

## 2022–23 Performance overview

The 2022–23 Annual Performance Statements outline Defence’s achievement in support of the organisation’s mission and purpose.

Our mission and purpose is to defend Australia and its national interests in order to advance Australia’s security and prosperity.

In 2022–23, Defence had two outcome statements that describe what the Government required Defence to achieve using the resources allocated through the Commonwealth budget process. Defence’s outcomes are:

### 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.**

Of the Performance Measures under Outcome 1, one was Achieved and one was Not Assessed (as there were no Government requirements to deploy Defence personnel) in 2022–23.

During 2022–23, 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, demonstrated the ability of the joint force to operate in interagency and multinational environments, and ensured successful delivery of national security and Defence Assistance to the Civil Community.

To ensure achievement against directed outcomes and in line with strategic goals, Defence conducts joint collective training exercises to maintain ADF readiness and capability. In July 2022, a counter-terrorism training activity in Townsville improved Defence’s capacity to assist state civil authorities during potential terrorist attack scenarios. During the same period, a three-week exercise conducted with the United States further fortified ADF preparedness and interoperability with allied forces, bolstering Australia’s ability to respond effectively to regional security crises.

Defence's operations in Australia's immediate region involved assisting the Government and people of Vanuatu in the wake of Tropical Cyclones Judy and Kevin in March 2023. Through Operation VANUATU ASSIST 2023, Defence delivered humanitarian assistance and disaster relief, highlighting Defence's enduring commitment to building relationships with our neighbours and ensuring stability in the Indo-Pacific region.

Outside of operations in the Pacific, Defence continues to further Australia's national interests by providing support to Ukraine. Through Operation KUDU, Defence contributed to the training of Ukrainian Forces with the United Kingdom and other like-minded nations committed to working with allies and partners in support of an international rules-based order. In January 2023, the first contingent of approximately 70 ADF personnel joined partner nations in the training program for Ukrainian recruits.

In times of national emergency, Defence readies and provides capabilities to aid the Australian population. Operation FLOOD ASSIST 22-2 involved 1,200 ADF personnel across Victoria, New South Wales and South Australia assisting affected communities with sandbagging, building levee walls, delivering essential medical supplies to emergency services, State Emergency Service incident management, rescues, and evacuations. In addition to the provision of personnel, Defence also deployed Bushmaster mobility vehicles, trucks, plant equipment and helicopters to assist with evacuations, lifting and resupply.

In 2022–23, Defence was not required to deploy any ADF or APS personnel to government departments, agencies or whole-of-government task forces to support national disaster and emergency response.

The APS Surge Reserve mobilises large numbers of APS staff to respond to significant national emergencies. It comprises APS employees who express their willingness to temporarily move to another agency at short notice to assist Australians impacted by major disasters or emergencies. As of 30 June 2023, there were 74 Defence APS staff registered in the APS Jobs Surge Reserve, indicating their preparedness to be part of the APS Surge Reserve when needed.

## 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 as directed by Government.**

Of the Performance Measures under Outcome 2, four were Achieved, two were Substantially Achieved, one was Partially Achieved and one was establishing a baseline year for data collection in 2022–23.

During 2022–23, Defence pursued a focused program of international engagement, including through bilateral and multilateral activities with allies and partners. These engagements positioned Defence to deliver its strategic objectives to support the international rules-based order and maintain regional security and stability.

Progress in the AUKUS partnership opened up new avenues for trilateral collaboration and highlighted Defence's enduring commitment to, and investment in, the stability, security and resilience of the Indo-Pacific. This was further advanced at AUSMIN 2022, where Australia and the United States agreed to put new infrastructure and logistics enablers in place to give effect to Enhanced Force Posture Cooperation. The Enhanced Force Posture Cooperation comprises the Marine Rotational Force–Darwin and the rotational presence of US capabilities in Australia across the air, land and maritime domains, as well as logistics. The inclusion of air, land, maritime and logistics capabilities will provide new opportunities to cooperate with the growing number of partners participating in exercises in Australia.

Defence continues to maintain strong relationships with partners in the Indo-Pacific region and enhance cooperative engagement and interoperability to meet shared challenges. Defence contributed to Australia's Pacific security priorities with the delivery of enhanced infrastructure, maritime security capability and sustainment, including under the Pacific Maritime Security Program. Defence remains committed to providing leading nation responses to humanitarian and disaster relief in the Pacific, including continued support from Australian Defence Vessel *Reliant* and to the Solomon Islands International Assistance Force.

Defence has also invested in relationships with like-minded regional partners, notably Japan, India, Singapore and the Republic of Korea. Defence is strengthening defence and security cooperation with India under the Comprehensive Strategic Partnership and with Japan following the signature of a landmark Joint Declaration on Security Cooperation.

In 2022–23, Australian and Indian forces participated alongside each other in more exercises than ever before. India hosted 15 Australian officers for the inaugural iteration of the General Rawat India-Australia Young Officers Exchange Program in March 2023.

At the 2023 Shangri-La Dialogue, the bilateral Research, Development, Test and Evaluation arrangement was signed with Japan, an enduring framework to streamline and elevate cooperation. The trilateral partnership with Japan and the United States continues to deepen with two Trilateral Defense Ministers Meetings held in 2022–23.

In 2022–23, the Defence Intelligence Enterprise delivered impactful intelligence outputs, including analysis to inform Defence and whole-of-government decision-making in response to global events and in support of Australia's national interests. The intelligence capability projects enhanced Defence's warfighting capability.

Throughout 2022–23, Defence has remained committed to ensuring that its Integrated Investment Program delivered the right capabilities at the right time. Although variances in Government-approved schedule, cost and scope of the projects were present, this had a low impact on Defence's ability to deliver capability across all domains. Variances in projects are closely monitored by capability managers to ensure that projects are managed appropriately.

In 2022–23, Defence continued to contribute to Australia's prosperity. These contributions included support for sovereign defence industries and Australian defence industry exporters, and investment in Defence-related national science and technology enterprises and Indigenous businesses.

## Performance transformation

Defence commenced a major transformation of performance measurement and reporting in 2022. New whole-of-Defence key activities, performance measures and targets were introduced in the *2022–26 Defence Corporate Plan*. Defence has already made great progress in implementation since the release of the *Defence Strategic Review* and the National Defence Statement 2023. This is just the start of a long reform journey that will affect every part of Defence.

Defence's new approach to performance measurement will create a clearer line of sight between the Defence mission and purpose, outcomes, strategic objectives and the key activities the organisation undertakes to deliver on Government requirements. It is improving the clarity, transparency and focus of Defence performance reporting.



Defence force personnel, including Australian Defence Force members deployed on Operation MAZURKA as part of the Multinational Force and Observers, during the Anzac Day dawn service on the Sinai Peninsula in Egypt. CREDIT: Corporal Melina Young

## Reading the 2022–23 Annual Performance Statements

With the introduction of 10 new performance measures in the *2022–26 Defence Corporate Plan*, and consistent with best-practice in performance reporting, Defence developed Performance Measure Profiles (the Profiles) to outline the key information for each measure. The Profiles have assisted Defence in developing a robust approach to data collection, assessment, and reporting for the 2022–23 Annual Performance Statements.

In particular, the Profiles define the methodology and assessment criteria used to assess achievement against each measure according to a four-tier rating system:

- Achieved,
- Substantially Achieved,
- Partially Achieved, and
- Not Achieved.

Due to the varied nature of the measures, the respective assessment criteria are defined individually. Performance assessments have been made according to the agreed methodologies and definitions outlined in the Profiles. The results of these assessments are described in the Analysis sections of the performance results.

In some cases, the wording of measures was amended between the *2022–26 Defence Corporate Plan* and the October *Portfolio Budget Statements 2022–23*. The changes better reflect the intent and outcome of the measure and do not impact reporting. These changes are footnoted in the following results.

<b>KEY ACTIVITY 1</b>	<b>Conduct operations and deployments to defend Australia and its national interests.</b>	
<b>Performance Measure 1.1</b>	Defence successfully maintains ready forces, plans and conducts operations, activities and actions as directed by Government to achieve Defence's strategic objectives.	
<b>Target</b>	1.1a: Defence responds to Australian Government requirements and conducts operations as directed. This will change year on year.	
<b>Source</b>	2022–26 Defence Corporate Plan	
	Portfolio Budget Statements 2022–23	Programs: 1.1, 1.2, 1.3
<b>Results</b>	Achieved	
<b>Analysis</b>	<p>Defence achieved its intended performance against this measure in 2022–23 by responding to Australian Government requirements and conducting operations as directed. Defence's performance against the measure is validated through case studies, which analyse and verify Defence's performance through joint collective training exercises and the conduct of operations globally, regionally and domestically.</p> <p>Defence conducts domestic responses under two separate authorities:</p> <ol style="list-style-type: none"> <li>1 Defence Assistance to the Civil Community is provided for Government-approved requests from states and territories to assist in disaster response. This is directed through the National Emergency Management Agency in accordance with the Australian Government Disaster Response Plan; and</li> <li>2 Defence can be called out to conduct operations to protect Commonwealth interests, states and self-governing territories as per the <i>Defence Act 1903</i> Part IIIAAA.</li> </ol> <p>Defence conducts operations internationally in response to direction from the National Security framework of the Government. Through this mechanism the Government requests the Chief of the Defence Force to provide military response options to a developing situation. Once a plan is approved by the Government, the Chief of the Defence Force directs the Chief of Joint Operations to conduct the operation in accordance with the plan.</p> <p><b>Maintaining ready forces</b></p> <p>Defence supports the Joint Force Authority<sup>1</sup> through the conduct of joint collective training. These training activities ensure that ADF personnel are prepared and that ADF capabilities are fit for purpose. Defence maintains ready forces through joint collective training activities, which encourage learning and adaptation to continually improve the ADF's ability to conduct operations in support of the Government's strategic direction.</p>	

1. The Joint Force Authority is Defence's authority for strategic-level development and generation of joint forces including platforms and systems, essential enablers and integrating elements.

## Analysis (continued)

**Case study — domestic training exercise.** In 2022, ADF full-time and Reserve personnel (including special operations personnel) joined with the Queensland Police Service to conduct Exercise Austral Shield. This joint counter-terrorism training activity in Townsville involved six days of responding to scenarios to prepare the ADF for supporting state civil authorities in the event of a terrorist incident.

**Case study — bilateral training exercise.** In July and August 2022, Defence conducted Exercise Koolendong across the top end of Australia — covering Western Australia, the Northern Territory and Queensland. The three-week exercise included US participation from the Marine Rotational Force-Darwin. Bilateral training exercises contribute to the preparedness of the ADF and develop interoperability with allied forces to enhance Australia's ability to respond to regional security crises.

### Conduct of operations

The role of Defence is to coordinate ADF capabilities to achieve directed strategic objectives in accordance with Australia's national interests globally and regionally. Defence is responsible for the integration of the joint force to achieve operational objectives, thus meeting Government direction and deepening Australia's alliances and partnerships.

**Case study — global operation.** During the reporting period, Defence contributed to achieving Australia's national interests globally through the conduct of Operation KUDU (support to Ukraine). Contributing to the training of Ukraine Forces with the United Kingdom and other like-minded nations exemplifies the Australian Government's commitment to working with allies and partners in support of an international rules-based order. Since January 2023, the ADF has deployed three rotations of personnel to join partner nations in the UK-led and based training program for Ukrainian recruits.

**Case study — regional operation.** Regionally, Defence supported safety and security in the Pacific through Operation VANUATU ASSIST 2023. This operation delivered humanitarian assistance and disaster relief to the Government of Vanuatu in the wake of Tropical Cyclones Judy and Kevin in March 2023. The provision of military assistance for disaster recovery highlights the Australian Government's enduring commitment to building relationships with our neighbours and ensuring stability in the Indo-Pacific region.

### Defence Assistance to the Civil Community

Defence plans, prepares and provides capabilities to assist the Australian population in times of national emergency. Defence coordinates the provision of assistance with the National Emergency Management Agency to respond to requests from all levels of Government.

**Case study — domestic operation.** In Operation FLOOD ASSIST 22-2, Defence support involved the provision of more than 1,200 ADF personnel across Victoria, New South Wales and South Australia. Throughout the operation, ADF personnel assisted affected communities with sandbagging, building levee walls, delivering essential medical supplies, incident management, rescues and evacuations. The capabilities deployed in support of the operation included Bushmaster mobility vehicles, trucks, plant equipment, and helicopters to assist with evacuations, lifting and resupply.

<b>Performance Measure 1.2</b>	Defence deploys Australian Defence Force and Australian Public Service personnel to Australian Government departments and agencies and whole-of-government task forces to support national disaster and emergency response, as directed by Government.	
<b>Target</b>	1.2a: Defence responds to Australian Government requirements and deploys personnel to Australian Government departments and agencies and whole-of-government task forces as directed. This will change year on year.	
<b>Source</b>	<i>2022–26 Defence Corporate Plan</i>	
	<i>Portfolio Budget Statements 2022–23</i>	Programs: 1.1, 1.2, 1.3
<b>Results</b>	Not Assessed — There were no Government requirements to deploy Defence personnel during 2022–23.	
<b>Analysis</b>	<p>In 2022–23, Defence was not directed by Government to deploy ADF and APS personnel to Australian Government departments and agencies and whole-of-government task forces to support national disaster and emergency response. Therefore, Defence cannot assess performance against this measure and a result cannot be provided.</p> <p>Defence has not directly assigned personnel to other Government agencies during the reporting period. However, Defence has established permanent and temporary liaison officers to support inter-agency planning and the conduct of domestic disaster relief operations. In 2022–23, Defence maintained a permanent liaison officer with the Department of Foreign Affairs and Trade. Defence also established temporary liaison officers in support of domestic disaster relief operations and in support of state and territory emergency management agencies. Specifically, five liaison officers supported Operation FLOOD ASSIST 22-2 in two regional locations, and three liaison officers supported Operation FLOOD ASSIST 23-1. These liaison officers operated as part of Joint Task Force 629, under the command of the Chief of Joint Operations. More broadly, Defence personnel have been tasked as part of Joint Task Force 629 to support disaster relief operations in support of states and territories.</p>	

<b>KEY ACTIVITY 2</b>	<b>Be a strategy-led organisation.</b>	
<b>Performance Measure 2.1</b>	Defence develops actionable internal policy guidance to implement the strategic objectives of Shape, Deter and Respond.	
<b>Target</b>	2.1a: Percentage of subsidiary documents referencing the Defence Planning Guidance.	
<b>Source</b>	<i>2022–26 Defence Corporate Plan</i>	
	<i>Portfolio Budget Statements 2022–23</i>	Program: 2.1
<b>Results</b>	Achieved	
<b>Analysis</b>	Defence achieved its intended performance against this measure in 2022–23 by exceeding 90 per cent of subsidiary documents referencing the Defence Planning Guidance <sup>2</sup> . Defence has successfully developed internal policy guidance to implement the strategic objectives of Shape, Deter and Respond.	
	<p><b>Subsidiary documents referencing the Defence Planning Guidance</b></p> <p>The classified Defence Planning Guidance, released annually, is the primary strategic guidance document within Defence. It helps the organisation translate Government direction into action.</p>	
	100 per cent of subsidiary documents <sup>3</sup> reference the Defence Planning Guidance. This indicates that Defence’s capstone strategic guidance is informing subsidiary guidance, generating a strategy-led organisation.	

2. A percentage target was not set in the *2022–26 Defence Corporate Plan*. However, during the course of the year, the Profiles were developed to provide greater rigour to performance assessments. In this Profile, the achievement criteria for this target was determined to be 90 per cent.
3. The subsidiary documents include the ADF Operating Concept, Defence Corporate Plan, Sovereign Industrial Capability Priorities, Defence International Engagement Policy, Chief of Defence Force Preparedness Directive, and Theatre Campaign Plan.

<b>KEY ACTIVITY 3</b>	<b>Enable intelligence-informed strategic policy and international operations.</b>	
<b>Performance Measure 3.1</b>	Defence intelligence assessments and products inform the planning and conduct of international operations and the development of strategic policy.	
<b>Target</b>	<p><b>3.1a:</b> Percentage of international operations — both in planning and conduct that are informed by Defence intelligence assessments and products.</p> <p><b>3.1b:</b> Percentage of strategic policy products that are informed by Defence intelligence assessments and products.</p>	
<b>Source</b>	<i>2022–26 Defence Corporate Plan</i>	
	<i>Portfolio Budget Statements 2022–23</i>	Programs: 2.1
<b>Results</b>	Achieved	
<b>Analysis</b>	<p>Defence achieved its intended performance against this measure in 2022–23 by exceeding an average of 80 per cent across the two targets<sup>4</sup>. Defence intelligence assessments and products have consistently been provided to support and inform the planning and conduct of international operations and the development of strategic policy.</p> <p><b>International operations informed by intelligence</b> 100 per cent of international operations — both in planning and conduct — were informed by intelligence assessments and products.</p> <p><b>Strategic policy products informed by intelligence</b> 100 per cent of strategic policy products in scope (the Defence Planning Guidance and Defence International Engagement Policy) were informed by Defence intelligence assessments and products.</p> <p>Therefore, the services delivered by the Defence Intelligence Enterprise are effective, targeted, and prioritised to support the most critical intelligence needs of Defence and the Australian Government.</p>	

4. A percentage target was not set in the *2022–26 Defence Corporate Plan*. However, during the course of the year, the Profiles were developed to provide greater rigour to performance assessments. In this Profile, the achievement criteria for the targets were determined to be 80 per cent.

<b>KEY ACTIVITY 4</b>	<b>Invest in Defence People.</b>	
<b>Performance Measure 4.1</b>	Defence is an employer of choice, attracting and retaining talented and skilled people from across Australia to the Australian Defence Force and Australian Public Service.	
<b>Target</b>	<b>4.1a:</b> Defence makes progress against recruitment and retention milestones to meet 2039–40 workforce growth requirements.	
<b>Source</b>	<i>2022–26 Defence Corporate Plan</i>	
	<i>Portfolio Budget Statements 2022–23</i>	Program: 2.1
<b>Results</b>	Partially Achieved	
<b>Analysis</b>	<p>Defence partially achieved its intended performance against this measure in 2022–23. This was due to Defence not meeting the workforce guidance milestones outlined in the <i>Portfolio Budget Statements 2022–23</i>, but the qualitative assessment of Defence as an employer of choice was comparative to that of 2021–22.</p> <p><b>Progress against recruitment and retention milestones</b></p> <p>Defence’s people are key to its continued success. The ability to attract and retain the right number of talented and skilled people is an important metric that affects Defence’s ability to achieve its mission and purpose.</p> <p>As at 30 June 2023, the Average Funded Strength<sup>5</sup> of the ADF was 5.5 per cent below the guidance outlined in the <i>Portfolio Budget Statements 2022–23</i> (58,642 against guidance of 62,063). The Average Staffing Level<sup>6</sup> of the Defence APS was 2.9 per cent below the guidance in the <i>Portfolio Budget Statements 2022–23</i> (16,497 against guidance of 16,991). Therefore, Defence has not met the milestones for either the ADF or the APS workforces.</p> <p>From a recruitment perspective, the Defence APS was able to meet its recruitment requirements. The Defence APS’s strong recruiting performance counteracted the above average separation rate. This resulted in workforce growth, and the APS moving closer to its required growth path. Whereas, the ADF achieved approximately 70 per cent of its recruitment target.</p>	

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5. The average funded strength is an average of the number of paid military personnel over each pay period from the commencement of the financial year. It includes all permanent members as well as Reserve members serving on continuous full-time service.
  6. The Average Staffing Level is the average of the full-time equivalent employees across the financial year.

## Analysis (continued)

### Defence's performance as an employer of choice

In assessing Defence as an employer of choice, Defence considered data derived from the YourSay Workplace Experience Survey (YourSay) and Workplace Behaviours Survey (Workplace Behaviours)<sup>7</sup>. These enterprise surveys are administered to the integrated Defence workforce (ADF personnel and APS employees) in parallel. YourSay is a continuous employee engagement survey that measures the workplace experience of the Defence workforce. In order to address the wide range of topics that relate to workplace experience, the survey consists of a number of modules that are run at least once per calendar year. Key topics used for enterprise monitoring (organisational climate indicators) are included in every survey administration.

Workplace Behaviours is a workplace experience survey that aims to understand workplace behaviours, particularly unacceptable behaviours, and the ways that they are responded to in the workplace.

In particular, data from the 2022–23 YourSay surveys identified that job engagement is relatively positive when considering job satisfaction, accomplishments and contribution, and belonging to Defence. While there were marginal declines in workforce satisfaction from the survey data, overall these were not significant and are comparative to the 2021–22 results.

Defence continues to develop and refine its employee offer to become an employer of choice. Defence has several initiatives, either in place or in development, to improve engagement, satisfaction and the workplace experience for its people, including:

- *The Defence Culture Blueprint*: Will be progressed in 2023–24 and is designed to drive the evolution of the Defence culture over the next 10 years.
- *The ADF Employment Offer Modernisation Program*: Designed to modernise and simplify the ADF employment offer.
- *The Defence People System*: Designed to make the integrated Defence workforce a stronger, more effective and integrated team. The Defence People System will include a single centralised and integrated ADF personnel management system.

These initiatives, amongst others, will support recruitment, retention and workforce growth over the next decade.

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7. Quarterly administration of the YourSay and Workplace Behaviours was trialled in 2021. This reduced to three administrations in 2022 due to competing demands. From 2023 onwards the survey will run twice each year, in March and September. As such, data used in this assessment for current performance and comparative performance are averaged from the following surveys:

- 2021–22: September 2021, December 2021 and March 2022
- 2022–23: July 2022, October 2022 and March 2023.

<b>Performance Measure 4.2</b>	Defence supports Australian Defence Force members and their families by providing access to the right support, at the right time, enabling service personnel to be Fit to Fight, Fit to Work and Fit for Life.	
<b>Target</b>	4.2a: Defence continues to strengthen support for whole-of-life health, wellbeing and safety outcomes for current and former Australian Defence Force members and families through the delivery of support services that address the Defence and Department of Veterans' Affairs Wellbeing Framework.	
<b>Source</b>	2022–26 Defence Corporate Plan	
	Portfolio Budget Statements 2022–23	Program: 2.2
<b>Results</b>	Baseline Year for Data collection	
<b>Analysis</b>	<p>Defence continues to prioritise a whole-of-life approach to support health, wellbeing and safety outcomes for current and former ADF members and families. The Defence and Department of Veterans' Affairs Aligned Wellbeing Factors continue to influence key decisions, emphasising longitudinal health, wellbeing and safety outcomes. This wellbeing approach is underpinning key Defence initiatives, including the development of the Defence and Department of Veterans' Affairs Mental Health and Wellbeing Strategy.</p> <p>As this performance measure was introduced for the first time in 2022–23 and has not been measured previously, data is unavailable to measure improvements in several of the wellbeing factors of the Defence and Department of Veterans' Affairs Wellbeing Framework. Therefore, 2022–23 is a baselining year so that year-on-year performance can be measured in future reporting periods.</p> <p>Defence has baselined its performance against this measure with regard to the following seven wellbeing factors: health; safety; social support and connection; respect and recognition; employment; education and skills; and income and finance.</p> <p>To undertake reporting on the seven wellbeing factors, data from the YourSay Workplace Experience Survey (YourSay)<sup>8</sup> and the ADF Families Survey<sup>9</sup> was generated based on survey items mapped to the wellbeing factors. For some wellbeing factors, other internal Defence reporting on particular activities has also been used to contribute to baselining this measure.</p>	

8. Quarterly administration of the YourSay was trialled in 2021. This reduced to three administrations in 2022 due to competing demands. From 2023 onwards the survey will run twice each year, in March and September. As such, data used to baseline for 2022–23 in this assessment are from surveys run in July 2022, October 2022 and March 2023.
9. Data used to baseline for 2022–23 is from the survey run in July 2022.

### Analysis (continued)

YourSay is a continuous employee engagement survey that measures the workplace experience of the Defence workforce. In order to address the wide range of topics that relate to workplace experience, the survey consists of a number of modules that are run at least once per calendar year. Key topics used for enterprise monitoring (organisational climate indicators) are included in every survey administration.

Satisfaction is an indicator of whether ADF members and their families feel that they are getting access to the right support at the right time. Considering satisfaction, alongside the availability and uptake of services provided by Defence, identifies opportunities to further support the ADF workforce and their families.

The majority of survey items to report against this measure are drawn from Defence's wellbeing module, which was developed with external academics to support enterprise measurement of total wellbeing. This includes measures of personal wellbeing and life satisfaction from externally validated measurement tools. The wellbeing module was first included in the YourSay Workplace Survey in October 2022.

The ADF Families Survey is a biennial survey that collects information about the experiences and wellbeing of Defence families. The survey can be completed by the partner of permanent ADF members or Reserve ADF members on continuous full-time service, or by ADF members who are part of a dual serving couple, single parents, or carers of other dependents.

<b>KEY ACTIVITY 5</b>	<b>Promote regional and global security and stability.</b>			
<b>Performance Measure 5.1</b>	Defence fosters and maintains relationships with international partners that enable effective promotion of regional and global security and stability.			
<b>Target</b>	<p><b>5.1a:</b> International engagement activities align with Defence strategic objectives and priorities to deliver on Australia’s national interests.</p> <p><b>5.1b:</b> Defence relationships are strengthened through partnership agreements, including programs of international engagements, activities, exercises, capability development and acquisition and a network of representational staff.</p>			
<b>Source</b>	<p><i>2022–26 Defence Corporate Plan</i></p> <table border="1"> <tr> <td><i>Portfolio Budget Statements 2022–23</i></td> <td>Program: 2.1</td> </tr> </table>		<i>Portfolio Budget Statements 2022–23</i>	Program: 2.1
<i>Portfolio Budget Statements 2022–23</i>	Program: 2.1			
<b>Results</b>	Achieved			
<b>Analysis</b>	<p>Defence achieved its intended performance against this measure in 2022–23, indicated by the Defence International Engagement Committee meetings and quality of international engagement. Defence has continued to pursue a focused program of international engagement, both policy and operational, throughout 2022–23. This is positioning Defence to foster and maintain relationships with international partners that enable effective promotion of regional and global security and stability.</p> <p><b>Aligning international engagement activities</b></p> <p>The Defence International Engagement Committee oversees prioritisation and resourcing of Defence international engagement. This Committee has met consistently during the reporting period to ensure alignment of international engagement activities with Defence strategic objectives. Discussions and decisions are supported by a reporting tool, which is being developed to enhance oversight and synchronisation.</p> <p>These meetings identify options to strengthen the coordination of international engagement and optimise the use of Defence resources by taking a global, long-term view consistent with a ‘One Defence’<sup>10</sup> approach. The Committee identifies, discusses and recommends resolutions to resourcing pressures and constraints at a regional level, including opportunities to align broader Defence objectives with international engagement priorities.</p>			

10. The ‘One Defence’ concept refers to the unified and adaptive enterprise 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.

## Analysis (continued)

### Defence relationships

Defence relationships with international partners are strengthening. Defence pursued a focused program of international engagement throughout the reporting period, including bilateral and multilateral activities with allies and partners throughout the region and globally.

Defence continues to implement the AUKUS trilateral security partnership. The AUKUS partnership opens up new avenues for trilateral collaboration and complements Defence's enduring commitment to, and investment in, the stability, security and resilience of the Indo-Pacific.

Defence maintained strong relationships with partners in the Indo-Pacific region and continues to enhance cooperative engagement and interoperability to meet shared challenges.

Defence also continues to support Ukraine in defending its sovereignty and territorial integrity, and in doing so, continues to uphold the international rules-based order.

<b>Performance Measure 5.2</b>	Defence regional cooperation contributes to improving collective responses to common security challenges.	
<b>Target</b>	<p><b>5.2a:</b> The international education and training program contributes to strong people-to-people links with regional security partners.</p> <p><b>5.2b:</b> Secondments of international personnel with the ADF establishes professional relationships with partner militaries.</p> <p><b>5.2c:</b> Defence bilateral, trilateral, and multilateral partnerships are strengthened through the establishment and implementation of partnership agreements.</p>	
<b>Source</b>	2022–26 Defence Corporate Plan	
	Portfolio Budget Statements 2022–23	Program: 2.1
<b>Results</b>	Achieved	
<b>Analysis</b>	<p>Defence achieved<sup>11</sup> its intended performance against this measure in 2022–23, demonstrated by sustained and strengthened partnership agreements. Defence regional cooperation played a vital role in enhancing collective responses to common security challenges. Of the regional cooperative activities that Defence conducts, three key areas are the target of this performance measure:</p> <ul style="list-style-type: none"> <li>• the international education and training program;</li> <li>• international secondments between the ADF and partner militaries; and</li> <li>• Defence’s partnership agreements.</li> </ul> <p>These activities support regional collaboration in pursuit of common goals.</p> <p><b>International education and training program</b></p> <p>Defence continues to expand people-to-people links with partner nations and their militaries through education and training. International education and training programs include the Australian War College courses; the Joint Training Program; the ADF Peace Operations Training Center; Scholarship Programs; Single Service Training; and the Defence International Training Centre for English language and teacher training.</p> <p>During the reporting period, 1,086 foreign personnel studied in Australia. However, year-on-year trends were not assessed as 2022–23 was a baselining year. Therefore, no performance assessment has been made against this target.</p> <p><b>International secondments</b></p> <p>Defence has also fostered professional relationships by embedding international personnel in the ADF. During the reporting period, 405 foreign exchange officers were with the ADF. However, year-on-year trends were not assessed as 2022–23 was a baselining year. Therefore, no performance assessment has been made against this target.</p>	

11. The assessment of this measure is determined by the average of the three targets. However, performance assessments against targets 5.2a and 5.2b were not able to be made as Defence is establishing a baseline. In alignment with the methodology, the assessment has been undertaken based on the result of target 5.2c, with target 5.2a and target 5.2b excluded from the overall assessment.

<b>Analysis (continued)</b>	<p><b>Defence partnership agreements</b></p> <p>Defence international engagement is underpinned by a significant number of binding and non-binding defence cooperation agreements with international partners. Defence continues to pursue the negotiation of legal arrangements to enable necessary levels of cooperation and interoperability with international partners to meet Australia’s strategic objectives. This target was successfully achieved.</p>
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<b>KEY ACTIVITY 6</b>	<b>Deliver future capability.</b>
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<b>Performance Measure 6.1</b>	Defence delivers the right capability at the right time within a balanced Integrated Investment Program to ensure it is equipped to respond to future security challenges.
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<b>Target</b>	<p><b>6.1a:</b> Percentage of approved Integrated Investment Program capability programs and projects across all domains on track to deliver the capability approved by Government.</p> <p><b>6.1b:</b> Percentage of approved Integrated Investment Program capability programs and projects by domain that are within Government-approved schedule.</p> <p><b>6.1c:</b> Percentage of approved Integrated Investment Program capability programs and projects by domain that remain within Government-approved costs.</p>
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<b>Source</b>	2022–26 Defence Corporate Plan	
	Portfolio Budget Statements 2022–23	Programs: 2.2

<b>Results</b>	Substantially Achieved
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<b>Analysis</b>	<p>Defence substantially achieved its intended performance against this measure in 2022–23. To assess this measure, Defence identified the projects within the Integrated Investment Program that had variances in their Government-approved capability, schedule or cost during the 2022–23 reporting period. The rates of variance are detailed below. By analysing these variances, Defence conducted a risk assessment of not delivering the right capability at the right time for each domain: land, maritime, air, space, cyber and enabling. Defence made its performance assessment on the basis of risk to reflect the relative importance of projects, with projects contributing to critical capabilities being given greater weight in risk assessments.</p> <p>Given the complexity of the Integrated Investment Program, it was inevitable that there were some variances in the Government-approved capability, schedule or cost.</p> <p>Overall, Defence has assessed a low risk of not delivering the right capability at the right time for each domain, with all variances being managed and with ongoing reporting of progress to Government.</p>
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## Analysis (continued)

### Domain narratives

**Land domain** — All land domain projects contributed to critical Defence capabilities with 82 per cent of projects on track to deliver capability approved by Government. Whilst project costs remained within the Government-approved budget, the cost of achieving capability to schedule is rising, which is reflected in the 21 per cent variance in delivery schedule. Nevertheless, overall the land domain was assessed to be at a low risk of not delivering the right capability at the right time.

**Maritime domain** — Maritime domain projects did not have any significant capability variances. 92 per cent of projects are on track to deliver capability approved by Government. Some projects reported issues which will impact the delivery schedule. However, these are largely low risk issues and 69 per cent of projects remain on schedule. Overall, the maritime domain was assessed to be at a low risk of not delivering the right capability at the right time with project costs remaining within the Government-approved budget.

**Air domain** — Air domain projects did not have any significant capability variances. 87 per cent of projects are on track to deliver capability approved by Government with 71 per cent of projects on schedule for capability delivery. Schedule variances are attributed to availability of technical resources, acceptance testing of software, and technical documentation and certification, which is being effectively managed and tracked. Overall, the air domain was assessed to be at a low risk of not delivering the right capability at the right time with project costs remaining within the Government-approved budget.

**Space domain** — The total number of projects in the space domain is low which skewed the percentage variance data. Detailed assessment of this domain confirmed that key infrastructure for the projects within this domain was completed and is in the final stages of acceptance testing, hence, the low risk of not delivering the right capability at the right time.

**Cyber domain** — The cyber domain is on track to deliver Government-agreed capability investments. Growing workforce pressures and technical complexities resulted in schedule variances. However, 87 per cent of projects remain on schedule. Overall, the cyber domain was assessed to be at a low risk of not delivering the right capability at the right time, with project costs remaining within the Government-approved budget.

**Enabling domain** — Whilst some projects require review of scope, 80 per cent of projects within the enabling domain are on track to deliver Government-agreed capability investments. Across the enabling domain, 92 per cent of projects remain on schedule for capability delivery as agreed with Government and 95 per cent of projects remain within the Government-approved budget. Therefore, the enabling domain was assessed to be at a low risk of not delivering the right capability at the right time. The following sections summarise the performance of the Integrated Investment Program capability projects and programs in 2022–23.

## Analysis (continued)

### Capability

Percentage of approved Integrated Investment Program capability programs and projects across all domains on track to deliver the capability approved by Government.

Domain	Percentage on track to deliver capability approved by Government (%)
Land	82
Maritime	92
Air	87
Space	100
Cyber	100
Enabling	80

### Schedule

Percentage of approved Integrated Investment Program capability programs and projects by domain that are within Government-approved schedule.

Domain	Percentage within Government-approved schedule (%)
Land	79
Maritime	69
Air	71
Space	40
Cyber	87
Enabling	92

### Cost

Percentage of approved Integrated Investment Program capability programs and projects by domain that remain within Government-approved costs.

Domain	Percentage within Government-approved cost (%)
Land	100
Maritime	100
Air	100
Space	80
Cyber	100
Enabling	95

<b>KEY ACTIVITY 7</b>	<b>Advance Australia's prosperity.</b>	
<b>Performance Measure 7.1</b>	Defence contributes to Australia's prosperity through the inclusion of Australian businesses and enterprises in supply chains for capability and services.	
<b>Target</b>	<p><b>7.1a:</b> Defence direct economic contribution to the Australian economy.</p> <p><b>7.1b:</b> Defence contributes to strengthening sovereign defence industry.</p> <p><b>7.1c:</b> Australian defence industry exports.</p> <p><b>7.1d:</b> Defence invests in the national science and technology enterprise to support Defence priorities.</p> <p><b>7.1e:</b> Percentage of Defence's procurement through Indigenous businesses is maintained or increased in-line with Australian Government Indigenous procurement targets. 2022-26 — Australian Government annual targets for volume and value.</p>	
<b>Source</b>	2022-26 Defence Corporate Plan	
	Portfolio Budget Statements 2022-23	Programs: 2.1
<b>Results</b>	Substantially Achieved	
<b>Analysis</b>	<p>Defence substantially achieved its intended performance against this measure in 2022-23, demonstrated by achieving four targets and substantially achieving one target in the measure. Defence contributed to Australian prosperity through the inclusion of Australian businesses and enterprises in supply chains for capability and services.</p> <p>Defence's current approach to performance measurement and evaluation for defence industry initiatives requires further uplift to reach maturity to better support decision-makers on the Australian Government's policies, programs and investments. Defence will strengthen reporting and evaluation across defence industry initiatives in a coordinated way to provide a more robust evidence base.</p> <p><b>Direct economic contribution</b></p> <p>Defence made a significant contribution to the Australian economy in 2022-23. Defence spending to entities with an Australian Business Number grew by 9.1 per cent compared to the previous financial year. Due to the year-on-year increase, Defence achieved this target in 2022-23.</p>	

## Analysis (continued)

### Sovereign defence industry

Defence strengthened sovereign defence industry by providing tailored support to businesses aligned to Defence's sovereign and capability requirements through industry briefings and forums. An average of 72 per cent of registered participants attended these events and survey respondents indicated an average satisfaction rating of four out of five<sup>12</sup>. Therefore, Defence achieved this target in 2022–23.

### Defence industry exports

Defence has also contributed to Australian prosperity by supporting defence industry exports. Through the Global Supply Chain Program — which is one part of Defence's export policy — Defence is funding seven multinational defence contractors to establish a Global Supply Chain team within their company. The aim of the Program is to increase the number of Australian small to medium-sized enterprises embedded in global supply chains. Reporting from the Program indicates that a large number of Australian defence industry firms secured contracts and exported products in 2022–23, and as a result, Defence achieved this target.

### National science and technology

In addition, Defence invested in the national science and technology enterprise to support Defence priorities. Defence invested 2.6 per cent of its total expenditure in innovation, science and technology. Defence assessed this target as substantially achieved.<sup>13</sup>

### Procurement through Indigenous businesses

Finally, Defence's procurement through Indigenous businesses surpassed the Australian Government's Indigenous procurement targets. Defence awarded 3,046 contracts (target: 737 contracts) with a total value of \$442.8 million (target: \$207.4 million)<sup>14</sup> to Indigenous enterprises. Therefore, Defence achieved this target in 2022–23, further demonstrating Defence's contribution to Australian prosperity.

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12. The percentage attendance is based on the average attendance across the 11 events held during 2022–23. The satisfaction rating is based on the average satisfaction rating from respondents across 10 events as one event did not receive any survey responses. The survey response rates for this financial year is 6.46 per cent for forums and 18 per cent for the Defence Industry Briefings.
  13. This target is assessed as substantially achieved as the financial investment in innovation, science and technology as a proportion of Defence's total budget expenditure is between 2.5 per cent and 3 per cent as per the achievement criteria outlined in the Profile.
  14. The Indigenous Procurement Policy (IPP) Dashboard was used to make the assessment of the performance against this target. The IPP Dashboard provides an overview of the number and value of Defence's Indigenous contracts/purchases against Defence's Indigenous procurement targets. The data for Indigenous procurement includes Defence's procurements and purchases with Indigenous businesses during the reporting period. Because Commonwealth entities have 42 days to report relevant contracts to AusTender, there may be some delay (of up to 42 days) between the end of the reporting period and inclusion of all relevant contracts in the data set.



# Australian International Airshow 2023

Defence showcased its current capabilities and future concepts to government, military allies and partners, defence industry and the Australian public at the Australian International Airshow 2023 at Avalon Airport, Victoria, between 28 February and 5 March 2023.

The Australian International Airshow 2023, run by the AMDA Foundation with Defence, other government agencies and non-government elements in support, consisted of a three-day Aerospace and Defence Exposition followed by a three-day public airshow.

Being the largest airshow in the southern hemisphere, the event is a premier showcase for military aviation and the aerospace industry.

The normally biennial event returned in 2023 after a four-year hiatus due to the COVID-19 related cancellation of the 2021 airshow.

The Chief of Air Force, Air Marshal Robert Chipman AM CSC, conducted a significant strategic engagement program, including hosting 22 international Chiefs of Air Force, three international space commanders and 56 international military delegations — a 40 per cent increase on previous airshows.

The Royal Australian Air Force conducted flying displays, including F/A-18F Super Hornets, F-35A Lightning II, E-7A Wedgetail, P-8 Poseidon, C-130J Hercules and PC-21s from the Roulettes acrobatic display team.

In an historic moment, the Roulettes joined forces with the Republic of Korea Air Force aerobatic team, the Black Eagles, for a friendship flight formation.

Roulette One pilot Squadron Leader Mark Keritz said, "For the Roulettes, it was a great way to show a mutual trust and respect between the display teams operating so close to each other with very different aircraft."



**1:** A Royal Australian Air Force F/A-18 Super Hornet during an air display at the Australian International Airshow 2023 at Avalon Airport, Victoria. CREDIT: Leading Aircraftwoman Kate Czerny. **2:** An Australian Army CH-47 Chinook helicopter static display and an air display by the Republic of Korea Air Force aerobatic team, the Black Eagles, at the Australian International Airshow 2023 at Avalon Airport, Victoria. CREDIT: Corporal David Cotton

The Royal Australian Air Force's Heritage Squadron also conducted flying displays with a range of historic aircraft, including CA-16 Wirraway, CAC CA-18 Mk.23 Mustang, English Electric Canberra and Supermarine Spitfire MK XVI.

Attendees could also get up close to a number of Royal Australian Air Force static displays, including an F/A-18F Super Hornet, F-35A Lightning II, P-8A Poseidon, C-130J Hercules, EA-18G Growler, PC-21, and No. 1 Combat Communications Squadron's Protected Mobile Vehicle — Light, Wanderer drone. The Australian Air Force Cadets also had a static display of their aircraft, the Diamond DA40 NG.

The Royal Australian Air Force also had other capabilities at the event, including air traffic controllers, who worked in collaboration with Airservices Australia; a deployable field kitchen; military police; explosive ordnance disposal technicians; the Air Force Band; and puppies and military working dogs. The Australian International Airshow was also an opportunity to showcase the people and culture of the Royal Australian Air Force.

Royal Australian Air Force Indigenous Liaison Officer, Flight Lieutenant Micheal Naawi, is a Torres Strait Islander who delivered cultural awareness presentations to military members from the Japan Air Self-Defense Force and the United States Pacific Air Force.

"As a proud First Nation member in Defence I have an opportunity to showcase my culture within the organisation and now it's great to highlight and showcase it to an international audience," Flight Lieutenant Naawi said.

The Royal Australian Navy and Australian Army provided a static display of an EC-135 T2+ Twin-Engine Military Training Helicopter from the Joint Helicopter School, giving the public a chance to sit in the pilot's seat and engage with aircrew.

The Royal Australian Navy showcased their capabilities, including both flying and static displays of MH-60R helicopters, an S-100 Camcopter unmanned aerial system, and 360-degree virtual reality with the Royal Australian Navy Fleet Air Arm flight simulators.

The Australian Army had static displays of an ARH Tiger helicopter, CH-47 Chinook helicopter, MRH90 Taipan helicopter, and a G-Wagon vehicle.

The Army also conducted demonstrations of its Bushmaster Protected Mobility Vehicle and Ghost Robotics Scouting Unit 'robot dog', which drove a lot of public and media engagement.

Other Defence capabilities at the Australian International Airshow 2023 included displays by Defence Space Command and the Defence Science and Technology Group. •



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**3:** Australian Defence Force personnel with the Japan Air Self-Defense Force Taiko Drum Team after their performance at the Australian International Airshow 2023 at Avalon Airport, Victoria. CREDIT: Leading Aircraftwoman Kate Czerny

## EXERCISE READY SPARTAN PROVE

Royal Australian Air Force No. 35 Squadron loadmaster, Corporal Jakeb Thorogood, loads soldiers from the Australian Army's 3rd Brigade on a Royal Australian Air Force C-27J Spartan at Cormorant Airfield, west of Townsville, Queensland, during Exercise Ready Spartan Prove. The exercise included tactical day and night flying, and tested the squadron's tactical readiness to plan, deploy and fly missions at short notice. Flying into Cormorant Airfield, a relatively short and narrow grass airstrip, was a first for the Spartan. CREDIT: Flight Lieutenant Greg Hinks





## Chapter 4:

## Financial summary

## Summary

Since 1 July 2020, Defence adopted the 'net cash funding' presentation for financial budgeting and reporting. This is consistent with the funding arrangements adopted by other Australian Government agencies.

The net cash appropriation arrangements were implemented by the Australian Government 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 assets is fully funded by capital appropriations which are reported as equity injections in the Statement of Changes in Equity. The 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 operating and capital expenditure performance against operating and capital appropriations.

Other indicators of financial performance include the cash result, the net cost of services and operating result. The net cost of services and operating result is the full accrual accounting result reported in the Financial Statements in Appendix A.

### Net cash result

Defence reported a net cash result of \$670.6 million (1.4 per cent of total funding) surplus for 2022–23, comprising of a net capital surplus of \$1,027.9 million and a net operating deficit of \$357.3 million.

### Net capital result

The net capital surplus of \$1,027.9 million (7.0 per cent of capital funding) was primarily driven by delays in acquisition expenditure resulting from continuing disruptions to international supply chains as a result of the Russia and Ukraine war and the residual impacts of the COVID-19 Pandemic. In addition, there was some slowdown in acquisition activity as the Department reassessed priorities through the *Defence Strategic Review*.

### Net operating result

Net operating deficit of \$357.3 million (1.1 per cent of operating funding). In considering the factors contributing to the net capital surplus, Defence invested further in sustainment, repairs and overhaul activities across a number of assets during 2022–23 to maintain ongoing operating capability. Partially offsetting these additional operating costs were lower than budgeted employee benefits costs largely driven by lower than budgeted headcount across the Defence workforce by approximately 5.0 per cent, and increases in the 10-year government bond rates from 3.70 per cent (30 June 2022) to 4.03 per cent (30 June 2023), favourably impacting the result.

**Table 4.1: Defence net cash financial result<sup>1</sup>, 2022–23**

	2022–23 Original budget estimate <sup>2</sup> \$'000	2022–23 Revised budget estimate <sup>3</sup> \$'000	2022–23 Actual result <sup>4</sup> \$'000	Variation to original budget \$'000	Variation (%)
<b>Operating</b>					
<b>Operating funding</b>					
Departmental appropriations	31,337,876	32,753,202	33,040,300	1,702,424	5
Net supplementation <sup>5</sup>	–	–	(200,692)	(200,692)	(100)
Goods and services	315,334	479,293	697,310	381,976	121
Net gains from sale of assets	13,398	47,206	16,730	3,332	25
Other revenue	262,715	265,399	384,118	121,403	46
<b>Total operating funding</b>	<b>31,929,323</b>	<b>33,545,100</b>	<b>33,937,766</b>	<b>2,008,443</b>	<b>6</b>
<b>Operating expenses</b>					
Employees	13,025,413	12,986,359	12,780,879	(244,534)	(2)
Suppliers	18,609,045	20,211,238	21,046,778	2,437,733	13
Grants	42,116	41,004	72,059	29,943	71
Net foreign exchange losses	–	–	18,412	18,412	100
Principal repayments of lease liabilities	249,816	311,760	308,795	58,979	24
Other expenses	104,530	105,776	259,426	154,896	148
<b>Total operating expenses</b>	<b>32,030,920</b>	<b>33,656,137</b>	<b>34,486,349</b>	<b>2,455,429</b>	<b>8</b>
<b>Net operating surplus / (Deficit) [A]</b>	<b>(101,597)</b>	<b>(111,037)</b>	<b>(548,583)</b>	<b>(446,986)</b>	<b>440</b>
<b>Net operating surplus / (Deficit) for special accounts [B]</b>	<b>353,300</b>	<b>353,300</b>	<b>191,258</b>	<b>(162,042)</b>	<b>(46)</b>
<b>Total net operating surplus / (Deficit) [A]+[B]</b>	<b>251,703</b>	<b>242,263</b>	<b>(357,325)</b>	<b>(609,028)</b>	<b>(242)</b>
<b>Capital</b>					
<b>Capital funding</b>					
Contributed equity (Bill 2)	12,605,040	11,832,391	11,832,391	(772,649)	(6)
Departmental capital budget (Bill 1)	3,054,372	2,833,844	2,833,844	(220,528)	(7)
<b>Total capital funding</b>	<b>15,659,412</b>	<b>14,666,235</b>	<b>14,666,235</b>	<b>(993,177)</b>	<b>(6)</b>
<b>Capital expenditure</b>					
Additions of non-financial assets	13,051,182	11,979,348	11,045,456	(2,005,726)	(15)
Additions of inventory	2,264,382	2,333,587	2,369,940	105,558	5
<b>Total capital expenditure</b>	<b>15,315,564</b>	<b>14,312,935</b>	<b>13,415,396</b>	<b>(1,900,168)</b>	<b>(12)</b>
<b>Net capital surplus / (Deficit) [C]</b>	<b>343,848</b>	<b>353,300</b>	<b>1,250,839</b>	<b>906,991</b>	<b>264</b>
<b>Net capital surplus / (Deficit) for special accounts [D]</b>	<b>(353,300)</b>	<b>(353,300)</b>	<b>(222,890)</b>	<b>130,410</b>	<b>37</b>
<b>Total Net Capital Surplus / (Deficit) [C] + [D]</b>	<b>(9,452)</b>	<b>–</b>	<b>1,027,949</b>	<b>1,037,401</b>	<b>(&gt; 500)</b>
<b>Defence Net Cash Result — Surplus / (Deficit) [A] + [B] + [C]+[D]</b>	<b>242,251</b>	<b>242,263</b>	<b>670,624</b>	<b>428,373</b>	<b>177</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 Integrated Investment Program. On account of inclusion of asset and inventory additions as the outlay against capital funding, the net cash result excludes depreciation, inventory consumption and impairment expenses. 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 October *Portfolio Budget Statements 2022–23*.
- As published in the *Portfolio Budget Statements 2023–24*.
- Actual results are drawn from the 2022–23 Defence financial statements.
- This amount is predominantly in relation to net of no-win, no-loss supplementation / handback for 2021–22, recognised in the prior year and received in current year and no-win, no loss for 2022–23, impacting the net cash outcome for Defence.

**Table 4.2: Defence resource statement, 2022–23**

	Actual available appropriation 2022–23 (\$'000)	Payments made 2022–23 (\$'000)	Balance remaining 2022–23 (\$'000)
<b>Departmental annual appropriations</b>			
Prior year departmental appropriation available <sup>1</sup>	75,895	75,895	–
Annual appropriation — ordinary annual services <sup>1</sup>	33,040,300	32,422,248	618,052
Receipts retained under <i>PGPA Act</i> — section 74 <sup>2</sup>	1,092,292	1,092,292	–
<b>Total departmental outputs</b>	<b>34,208,487</b>	<b>33,590,435</b>	<b>618,052</b>
<b>Total departmental annual appropriations</b>	<b>34,208,487</b>	<b>33,590,435</b>	<b>618,052</b>
<b>Departmental other services — non-operating appropriations</b>			
Prior year — other services — non-operating available	–	–	–
Annual appropriations — other services — non-operating	14,666,235	14,441,239	224,996
<b>Total departmental non-operating</b>	<b>14,666,235</b>	<b>14,441,239</b>	<b>224,996</b>
<b>Total departmental other services</b>	<b>14,666,235</b>	<b>14,441,239</b>	<b>224,996</b>
<b>Total departmental resourcing</b>	<b>48,874,722</b>	<b>48,031,674</b>	<b>843,048</b>
<b>Special appropriations</b>			
<i>Defence Force Retirement Benefits Act, 1948</i> <i>Part 1 s. 15D and VIC, s. 82ZJ</i>	–	34,138	–
<i>Defence Force Retirement and Death Benefits Act, 1973</i> <i>Part XII, s. 125</i>	–	1,729,781	–
<i>Military Superannuation and Benefits Act,</i> <i>1991 Part V, s. 17</i>	–	1,912,470	–
<i>Defence Force (Home Loan Assistance) Act, 1990</i> <i>Part IV, s. 38</i>	–	72	–
<i>Australian Defence Force Cover Act 2015</i>	–	–	–
<i>Defence Home Ownership Assistance Scheme Act 2008</i> <i>Part VI, s. 84</i>	–	165,091	–
<b>Total special appropriations</b>	<b>–</b>	<b>3,841,552</b>	<b>–</b>
<b>Special accounts</b>			
Opening balance	359,091	–	–
Non-appropriation receipts to special accounts	97,762	–	–
Payments made	–	276,797	–
<b>Total special accounts</b>	<b>456,853</b>	<b>276,797</b>	<b>180,056</b>
<b>Total resourcing and payments</b>	<b>49,331,575</b>	<b>52,150,023</b>	<b>1,023,104</b>

**Notes:**

1. Appropriation amounts disclosed exclude amounts withheld under section 51 of the *Public Governance, Performance and Accountability Act 2013*, amounts transferred to Defence Special Accounts or appropriation acts which have been repealed.
2. Receipts retained under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

## 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 \$41.3 billion. This result is higher than the budgeted net cost of services by \$2.6 billion. This was primarily driven by the following factors:

- Higher than budgeted supplier expenses of \$2,704.3 million (13.8 per cent), due to an increase in repair and overhaul expenses, training, research and development, and inventory consumption. The impact of the special account migration of \$50.1 million from administered activities to departmental has been included in the financial results as at 30 June 2023. The migration of special account activities came into effect on 1 July 2022.
- Higher than budgeted depreciation and amortisation expenses of \$332.9 million (5.3 per cent). This is largely driven by increases in depreciation and amortisation expense relating to Buildings and specialist military equipment as a result of upward asset revaluations.
- Lower than budgeted employee benefits of \$244.5 million (1.9 per cent) than the original budget due to lower than budgeted headcount across the APS and ADF by approximately 5 per cent and updates to actuarial assumptions relating to employee provisions.

## Asset management and net assets

Defence manages \$136.3 billion of total assets. This comprises approximately:

- \$84.3 billion of specialist military equipment;
- \$36.6 billion of land, buildings, infrastructure plant and equipment, and intangibles;
- \$8.7 billion of inventory;
- \$0.4 billion of heritage and cultural assets; and
- \$6.3 billion of other items, including cash, receivables, prepayments and assets held for sale.

Defence has implemented activities that enable accurate and timely reporting of asset balances. This involves managing the financial information of assets held across various logistical systems and ensuring that underlying assumptions in reporting the financial values of these assets are applied consistently. In addition, a significant focus is placed on the valuation of some highly specialised assets — that is, reviewing the asset base for fair values, impairment and completeness of asset balances. This allows Defence to be compliant with the requirements for financial statement reporting defined in the Australian Accounting Standards.

Defence's net asset position of \$122.6 billion increased by \$7.9 billion compared to \$114.7 billion in 2021–22. The increase related to growth as a result of asset additions in 2022–23 for specialist military equipment of \$8.5 billion, buildings of \$1.4 billion and infrastructure \$1.0 billion, offset by depreciation and other adjustments.

## Administered result

In 2022–23, Defence’s administered result reported a net cost of services of \$8.7 billion, which is a slight decrease of \$0.6 billion from 2021–22. Defence recognised \$41.9 million in competitive neutrality revenue on behalf of the Australian Government from Defence Housing Australia. No dividends were received from Defence Housing Australia for 2022–23 due to a Government decision to allow the funds to be reinvested into delivering housing requirements to effectively support Defence capability.

## Operations

**Table 4.3: Net additional cost of current operations from 1999–2000 to 2024–25**

	1999–2000 to 2020–21 Actual result (\$m)	2022–23 Actual result (\$m)	2023–24 Forward estimate <sup>1</sup> (\$m)	2024–25 Forward estimate <sup>1</sup> (\$m)	Total (\$m)
Operation ACCORDION	1,368.7	102.4	118.0	–	1,589.1
Operation HIGHROAD	690.4	0.8	0.4	–	691.6
Operation RESOLUTE	586.4	118.9	77.5	–	782.8
Operation OKRA	1,669.2	12.2	0.7	–	1,682.1
Operation VANUATU ASSIST <sup>2</sup>	–	7.0	–	–	7.0
Operation LILIA	–	13.3	–	–	13.3
Operation KUDU <sup>2</sup>	–	2.7	–	–	2.7
<b>Total net additional costs</b>	<b>4,314.8</b>	<b>257.3</b>	<b>196.6</b>	<b>–</b>	<b>4,768.7</b>
<b>Sources of funding for operations</b>					
Government supplementation	4,314.8	247.6	196.6	–	4,759.0
Department of Defence (absorbed)	40.7	9.7	–	–	9.7
<b>Total cost</b>	<b>4,314.8</b>	<b>257.3</b>	<b>196.6</b>	<b>–</b>	<b>4,768.7</b>

### Notes:

This table reflects ongoing and new operations funded under no-win, no-loss arrangements.

- As published in the *Portfolio Budget Statements 2023–24*, Table 3.
- Operations to be treated as minor operations with cost being absorbed by Defence due to their net additional cost being less than \$10 million.

**Table 4.4: Net additional cost of operations, 2022–23**

	2022–23 Budget estimate <sup>1</sup> (\$m)	2022–23 Estimated actual <sup>2</sup> (\$m)	2022–23 Actual result (\$m)	Variation (\$m)
Operation ACCORDION	104.2	109.4	102.4	(7.0)
Operation HIGHROAD	0.5	0.5	0.8	0.3
Operation RESOLUTE	84.7	84.7	118.9	34.2
Operation OKRA	11.5	11.5	12.2	0.7
Operation VANUATU ASSIST <sup>3</sup>	–	11.4	7.0	(11.4)
Operation LILIA	–	13.8	13.3	(0.5)
Operation KUDU <sup>3</sup>	–	12.2	2.7	(12.2)
<b>Total net additional costs</b>	<b>200.9</b>	<b>243.5</b>	<b>257.3</b>	<b>4.1</b>

### Notes:

This table reflects ongoing and new operations funded under no-win, no-loss arrangements.

- As published in the October *Portfolio Budget Statements 2022–23*, Table 3.
- As published in the *Portfolio Budget Statements 2023–24*, Table 3.
- Operations to be treated as minor operations due to their net additional cost being less than \$10 million.

## Advertising and market research

During 2022–23, Defence conducted advertising for recruitment and other campaigns. Further information on those advertising campaigns is available at [defence.gov.au](https://www.defence.gov.au) and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available at [finance.gov.au](https://www.finance.gov.au).

Table 4.5 shows total advertising and market research expenditure by Defence during 2022–23. Table 4.6 shows Defence spending on advertising and market research by Service and Group.

**Table 4.5: Total advertising and market research expenditure, by type, 2021–22 and 2022–23**

Type	2021–22 expenditure (\$)	2022–23 expenditure (\$)
Advertising	19,375,346	19,487,085
Market research	1,576,506	1,190,925
Polling	–	–
Direct mail	–	–
Media advertising	56,292,848	62,530,333
<b>Total</b>	<b>77,244,700</b>	<b>83,208,343</b>

**Note:**

All figures are GST inclusive. Totals may not add due to rounding.

**Table 4.6: Total advertising and market research expenditure, by Service and Group, 2021–22 and 2022–23**

Service or Group	2021–22 expenditure (\$)	2022–23 expenditure (\$)
ADF Headquarters	3,917	6,182
Air Force	42,809	70,403
Army	605,626	80,985
Associate Secretary	28,886	43,651
Capability Acquisition and Sustainment	171,873	143,942
Chief Finance Officer	8,137	14,189
Chief Information Officer	14,513	47,760
Defence Intelligence	30,701	28,568
Defence People	66,510,502	81,468,421
Defence Science and Technology	249,697	297,930
Joint Capabilities	367,136	239,254
Naval Shipbuilding and Sustainment	–	100,105
Navy	178,294	535,818
Security and Estate	83,574	124,195
Strategy Policy and Industry	8,949,036	6,941
<b>Total</b>	<b>77,244,700</b>	<b>83,208,343</b>

**Note:**

All figures are GST inclusive. Totals may not add due to rounding.

Table 4.7 provides details of individual payments of more than \$15,200 (GST inclusive) to persons or organisations for advertising campaigns and market research.

**Table 4.7: Individual payments of more than \$15,200 to advertising and market research agencies, by Service and Group, 2022–23**

Service / Group and agency name	2022–23 expenditure (\$)	Purpose
<b>Army</b>		
<b>Advertising</b>		
VMLY&R Pty Ltd	25,182	Army Ambassador Program
<b>Defence People</b>		
<b>Advertising</b>		
Refraction Media	74,250	Campaign Media
VMLY&R	17,033,074	Creative and Digital Services
<b>Market research</b>		
Chat House Research	18,040	Campaign Research
Fifty-Five Five	15,636	Brand Research
Hall & Partners	870,781	Brand Research
Whereto Research Based Consulting	27,221	Brand Research
Whereto Research Based Consulting	141,018	Campaign Research
<b>Media advertising</b>		
Synergy Group Australia	279,036	Development of recruitment marketing strategy
Universal McCann	45,615,536	Campaign Media
Universal McCann	382,983	Media Associated Advertising Services
Universal McCann	15,169,846	Non-Campaign Media
Universal McCann	46,260	WOAG media advertising costs to promote the Defence Graduate and Entry Level Programs
<b>Defence Science and Technology</b>		
<b>Advertising</b>		
Universal McCann	122,015	Recruitment Services
<b>Joint Capabilities</b>		
<b>Advertising</b>		
ManpowerGroup	44,000	'Targeted Recruiting Events' in support of ADF Doctor Recruitment
<b>Media advertising</b>		
Universal McCann	15,396	ADF Cyber Gap Program social media campaign
<b>Navy</b>		
<b>Advertising</b>		
AMDA Foundation Limited	116,640	Secure floor space for advertising at Indo-Pacific 2023 Maritime Expo
Cox Inall Change	265,541	Navy Emerging Technician Award
<b>Media advertising</b>		
Contently	19,580	Development of media material for website

**Note:**

All figures are GST inclusive.

## Legal expenses

Expenditure on internal and external legal services in 2022–23 is shown in Tables 4.8, 4.9 and 4.10. 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 4.8: Estimated expenditure on internal and external legal services, 2021–22 and 2022–23**

Type of legal expenditure	2021–22 (\$m)	2022–23 (\$m)
Internal	54.39	62.43
External	78.67	93.14
<b>Total</b>	<b>133.06</b>	<b>155.57</b>

**Table 4.9: Estimated cost breakdown of internal legal expenses, 2021–22 and 2022–23**

Type of legal expenditure	2021–22 (\$m)	2022–23 (\$m)
Salaries for military lawyers	27.23	28.67
Salaries for civilian staff	16.85	19.18
ADF Reserve legal officers	4.65	6.67
Operating costs of the division	5.25	7.60
Military justice disbursements	0.32	0.31
<b>Total</b>	<b>54.39</b>	<b>62.43</b>

**Table 4.10: Estimated cost breakdown of external legal expenses, 2021–22 and 2022–23**

Items	2021–22 (\$m)	2022–23 (\$m)
Professional fees — Defence legal panel	74.64	89.46
Disbursements	3.37	3.06
Legal assistance at Commonwealth expense	0.66	0.62
<b>Total</b>	<b>78.67</b>	<b>93.14</b>



1



2

# Australia's pathway to nuclear-powered submarines

On 14 March 2023, Prime Minister the Hon Anthony Albanese MP, United Kingdom Prime Minister Rishi Sunak and President of the United States Joe Biden announced the Pathway for Australia's acquisition of conventionally-armed, nuclear-powered submarines to be delivered through the AUKUS security partnership.

The Pathway has three phases:

- increased visits of United States and United Kingdom submarines commencing in 2023, and rotations of United Kingdom and United States submarines under the Submarine Rotational Force — West initiative, from 2027;
- the acquisition of United States Virginia Class nuclear-powered submarines, pending United States Congress approval, from the early 2030s, ensuring no capability gap; and
- the construction and delivery of SSN-AUKUS, a trilaterally developed nuclear-powered submarine based on the United Kingdom's next generation design that incorporates technology from all three countries. Construction of Australia's SSN-AUKUS submarines will commence in South Australia this decade, with the first to be delivered in the early 2040s.

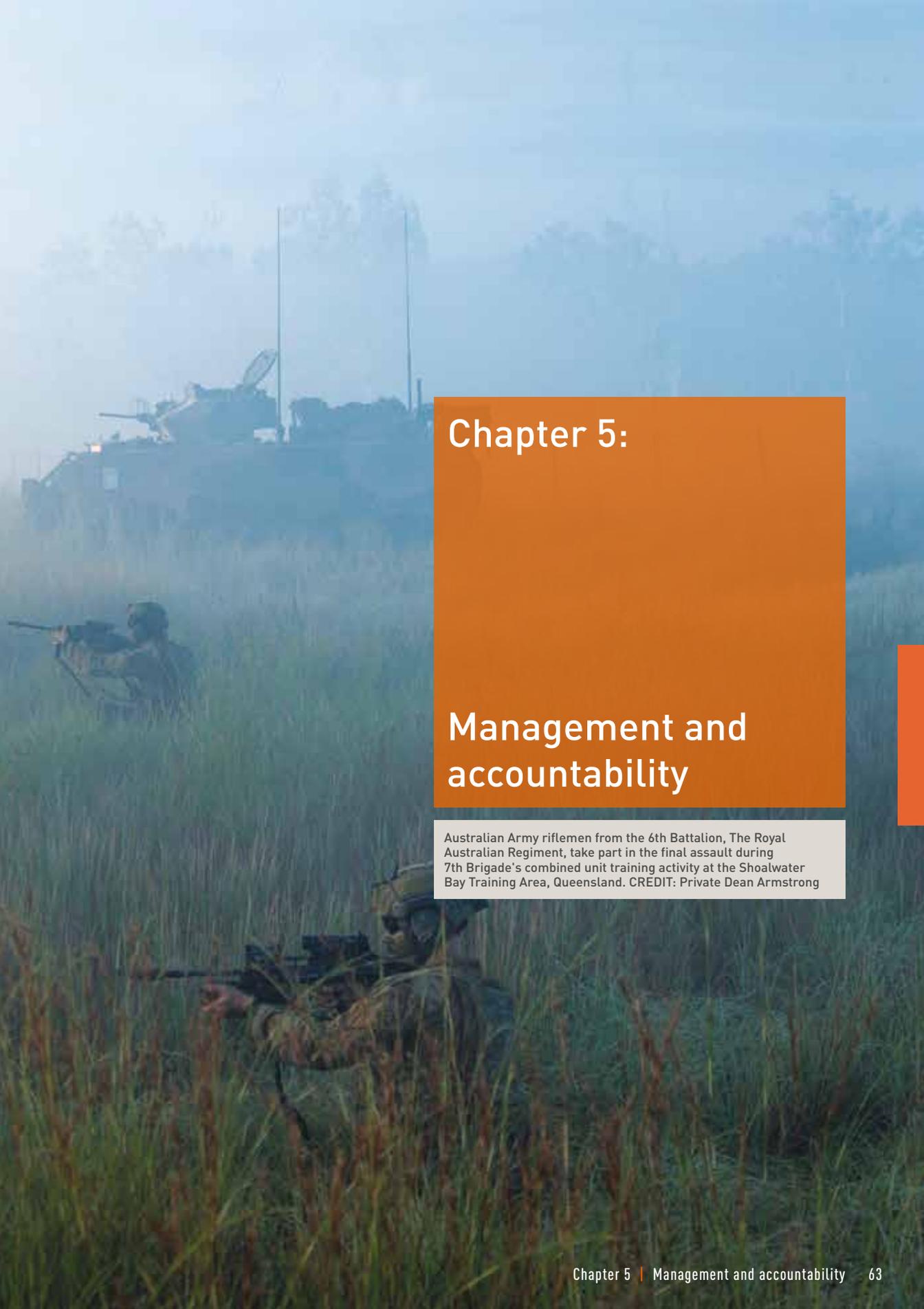
The Pathway ensures a methodical, safe and secure transition from Australian conventional submarines, leveraging our AUKUS partners more than 70 years' experience and expertise in the safe and effective operation of naval nuclear propulsion.

Australia's SSN-AUKUS submarines will be Australian sovereign assets, commanded by the Royal Australian Navy.

The Nuclear-Powered Submarine Task Force ceased on 30 June 2023 and will transition to the Australian Submarine Agency as of 1 July 2023. The Australian Submarine Agency will be responsible and accountable for the management, oversight and delivery of the nuclear-powered submarine program within the Defence portfolio. The Australian Submarine Agency will continue to work closely with Defence. •

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**1:** Prime Minister the Hon Anthony Albanese MP, United Kingdom Prime Minister Rishi Sunak and President of the United States Joe Biden announce the Pathway for Australia's acquisition of conventionally-armed, nuclear-powered submarines through the AUKUS partnership in San Diego, United States. **2:** Australia and the United Kingdom will deliver SSN-AUKUS, a new conventionally-armed nuclear-powered submarine, based on a United Kingdom design, incorporating cutting edge Australian, United Kingdom and United States technologies. ARTIST IMPRESSION ONLY.



## Chapter 5:

# Management and accountability

Australian Army riflemen from the 6th Battalion, The Royal Australian Regiment, take part in the final assault during 7th Brigade's combined unit training activity at the Shoalwater Bay Training Area, Queensland. CREDIT: Private Dean Armstrong

# Defence transformation

The *2020 Defence Strategic Update* identified that Australia’s security environment had deteriorated. As the strategic environment changed, Defence took steps to ensure that we could adapt to a changing strategic environment.

In 2020, Defence launched a strategy for long-term, enterprise-wide transformation: *Lead the Way: Defence Transformation Strategy*.

This enterprise-wide approach empowered our people to be the agile, adaptive and ethical workforce that we require to face the future. The strategy placed an emphasis on building a culture of continuous improvement, instituting an enduring transformation system, and implementing priority areas of reform. It aimed to ensure Defence continued to adapt as an enterprise to deliver on the Government’s objectives and meet its commitments to Australians.

STRATEGIC OBJECTIVE	INITIATIVE
<p><b>1. A continuous improvement culture</b></p> <p>The enterprise-wide approach will empower our people to be the agile, adaptive, and ethical workforce that we require to face the future, achieved through strong values and behaviours, accountabilities, and informed decision-making.</p>	<p><b>1.1</b> Embed the Defence Values and Behaviours</p> <hr/> <p><b>1.2</b> Evolve the Defence Accountability Framework</p> <hr/> <p><b>1.3</b> Become a more data-informed Defence enterprise</p>
<p><b>2. An enduring transformation system</b></p> <p>The continuous process will align enterprise resources to priorities, reform activities, opportunities, and risks in accordance with our evolving strategy.</p>	<p><b>2.1</b> Implement a new Business Transformation Cycle</p> <hr/> <p><b>2.2</b> Create a new business operation function</p> <hr/> <p><b>2.3</b> Transform our business practices, systems and service delivery</p>
<p><b>3. Priority reform areas of focus</b></p> <p>The key lines of effort have been identified by our leadership, and through the direction given in the <i>2020 Defence Strategic Update</i>, as being immediately critical to Defence’s transformation, and to our capacity to adapt as our strategic circumstances change.</p>	<p><b>3.1</b> Drive improved capability delivery</p> <hr/> <p><b>3.2</b> Strengthen Defence’s approach to Australian industry capability, including innovation, export and harnessing opportunities from Australian science and technology</p> <hr/> <p><b>3.3</b> Adopt a strategic approach to Defence enterprise resilience and supply chain assurance</p> <hr/> <p><b>3.4</b> Improve Defence’s strategic workforce planning, learning and management</p> <hr/> <p><b>3.5</b> Institute an improved enterprise performance measurement and reporting framework</p> <hr/> <p><b>3.6</b> Improve our engagement and communications</p>

The strategy was established over a two-year period and was conducted across three phases:

## Phase one

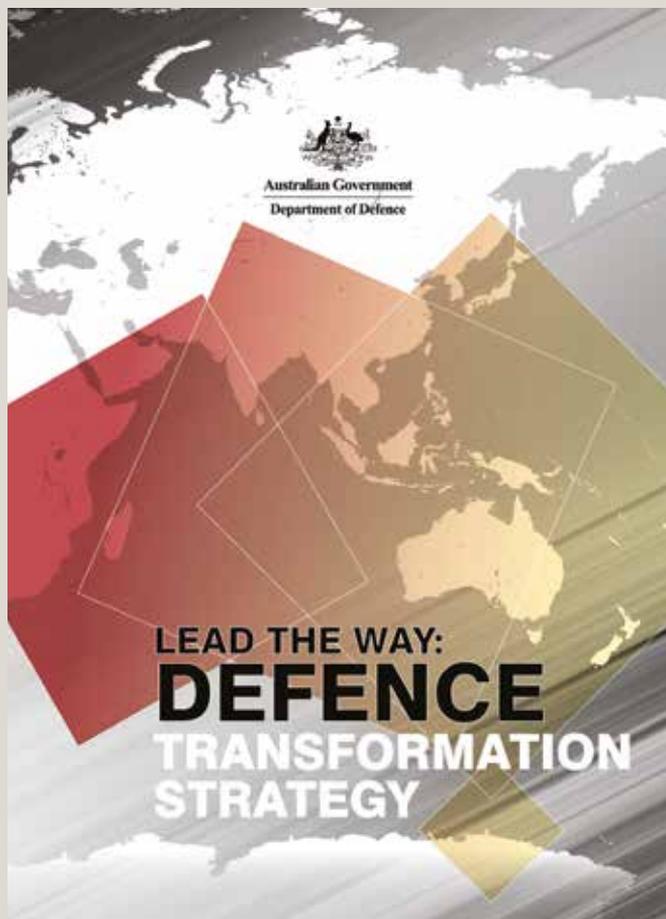
January to June 2021

## Phase two

July to December 2021

## Phase three

January to December 2022



The strategy achieved a number of successes that helped to establish a solid foundation upon which Defence will continue to build. There is more to achieve, and the Government's response to the *Defence Strategic Review* will focus priorities moving forward, including identifying where transformation efforts should be applied.

Defence will continue to drive the delivery of transformation activities and priorities both now and into the future through ongoing planning. Defence will also ensure transformation efforts are appropriately focused to directly support our immediate activities and priorities as well as setting out the pathway to a desired future state for the enterprise.

## Enterprise committees and their roles

Defence's enterprise committees facilitate enterprise decision-making and set the organisation's strategic direction. As a complex, multifaceted organisation, the management committees bring together Defence's most senior leaders to make the critical decisions that ensure Defence delivery on the mission and purpose, and Government priorities. Committees ensure that strategy, capability and resources are aligned across the enterprise. Defence's enterprise committees (see Table 5.1) support the Secretary of the Department of Defence, the Chief of the Defence Force, and other senior leaders to fulfil their corporate and governance responsibilities.

**Table 5.1: Defence's enterprise committees' structure, their purpose and incumbent chairs as at 30 June 2023**

Tier 1	
<b>Defence Committee</b>	<b>Defence Audit and Risk Committee</b>
<p><b>Chair:</b> Secretary <b>Incumbent:</b> Mr Greg Moriarty</p> <p><b>Purpose:</b> The Defence Committee is the most senior enterprise committee within Defence. The Defence Committee is responsible for setting top-level organisational goals and driving delivery of Defence's commitments to the Government and the community.</p>	<p><b>Chair:</b> External <b>Incumbent:</b> Ms Jennifer Clark</p> <p><b>Purpose:</b> The Defence Audit and Risk Committee is responsible for providing independent advice and assurance to the Secretary and the Chief of the Defence Force on the appropriateness of Defence's accountability and control framework.</p>
<p><b>Defence Strategic Review Management Board</b> <i>Conducted monthly through an augmented Defence Committee.</i></p> <p><b>Purpose:</b> The Defence Strategic Review Management Board provides oversight and direction of the planning and implementation of the Government's directions to Defence on the <i>Defence Strategic Review</i>.</p>	
Tier 2	
<b>Enterprise Business Committee</b>	<b>Chiefs of Services Committee</b>
<p><b>Chair:</b> Associate Secretary <b>Incumbent:</b> Mr Matt Yannopoulos</p> <p><b>Purpose:</b> The Enterprise Business Committee is responsible for exercising strategic control over the corporate and military enabling functions of the single Defence organisation, ensuring the effective operation of Defence business.</p>	<p><b>Chair:</b> Chief of the Defence Force <b>Incumbent:</b> General Angus Campbell</p> <p><b>Purpose:</b> The Chiefs of Service Committee is the predominant committee that advises the Chief of the Defence Force in support of his accountabilities in full command of the ADF.</p>
<b>Strategic Policy Committee</b>	<b>Investment Committee</b>
<p><b>Chair:</b> Secretary <b>Incumbent:</b> Mr Greg Moriarty</p> <p><b>Purpose:</b> The Strategic Policy Committee is responsible for informing and guiding decision-making processes within Defence on key strategic policy issues and trends, as well as facilitating consideration — on an early warning basis — of emerging issues with strategic implications.</p>	<p><b>Chair:</b> Vice Chief of the Defence Force <b>Incumbent:</b> Vice Admiral David Johnston RAN</p> <p><b>Purpose:</b> The Investment Committee is responsible for exercising strategic control over the investment portfolio bringing the future force and supporting enablers into being in accordance with Government requirements and the Defence Planning Guidance.</p>

## Defence Audit and Risk Committee

The Defence Audit and Risk Committee provides independent advice to the Secretary of the Department of Defence and the Chief of the Defence Force on the appropriateness of Defence's financial reporting, performance reporting, system of risk oversight and management, and system of internal control. The Defence Audit and Risk Committee functions are set out in its charter, available from the Defence website at [defence.gov.au/about/governance/enterprise-committees](https://defence.gov.au/about/governance/enterprise-committees).

In 2022–23, the Defence Audit and Risk Committee had three external members, including the chair and deputy chair. The Vice Chief of the Defence Force and the Associate Secretary are senior advisers of the Defence Audit and Risk Committee. During 2022–23, the Defence Audit and Risk Committee met formally 11 times. The Defence Audit and Risk Committee also has a Financial Reporting Sub-committee, which conducts an ongoing review of the process for preparing Defence's annual financial statements. This sub-committee met eight times during the reporting period.

Table 5.2 provides information in accordance with audit committee disclosure requirements for Commonwealth entities sections 17AG (2A) and 17BE (aa) of the Public Governance, Performance and Accountability Rule 2014.

**Table 5.2: Audit Committee disclosure requirements**

Member name and role on the committee	Qualifications, knowledge, skills or experience	Committee meetings (attended / total)	Total annual remuneration (inclusive of GST)
<p>Ms Jennifer Clark</p> <p><b>Chair</b></p> <p>Chair of the Financial Reporting Sub-committee</p>	<p>Ms Clark has an extensive background in business, finance and governance through a career as an investment banker, where Ms Clark's role included providing advice to the Government on Defence major projects, and as a non-executive director since 1991. Ms Clark has been the chair or deputy chair or a member of more than 20 audit and risk committees and boards in the Government and private sectors over the past 30 years. Ms Clark 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>	11 / 11	\$126,020.31
<p>Ms Elizabeth Montano</p> <p><b>Deputy Chair</b></p> <p>Member of the Financial Reporting Sub-committee</p>	<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. Ms Montano has more than 25 years of experience as chair, deputy chair and member of boards and audit and risk committees across a wide range of Government and not-for-profit entities in regulation, law enforcement, scientific research, service delivery and social justice programs. Ms Montano 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. Ms Montano is a former chief executive officer of AUSTRAC and former financial services consultant and senior lawyer with King &amp; Wood Mallesons.</p>	11 / 11	\$71,466.66
<p>Mr Mark Ridley</p> <p><b>Member</b></p> <p>1 July to 31 December 2022</p> <p>Member of the Financial Reporting Sub-committee</p>	<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. Mr Ridley has served as an independent member and chair of audit and risk committees for several large and medium-sized Government agencies since 2011, and also assists some entities in the oversight of ICT projects. Mr Ridley 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>	8 / 11	\$38,166.66
<p>Mr Michael Mrdak</p> <p><b>Member</b></p> <p>1 January 2023 to current</p> <p>Member of the Financial Reporting Sub-committee</p>	<p>Mr Mrdak holds a Bachelor of Arts (Hons), University of New England, Armidale, a Graduate Diploma in Education and a Graduate Diploma in Applied Economics, University of Canberra. Mr Mrdak has more than 30 years' experience in the APS between 1988 and 2020. Mr Mrdak has held a number of executive roles across a number of Commonwealth agencies and has served as the chair for a number of non-Government boards. Mr Mrdak has a broad range of experience in infrastructure, transport and logistics sector, communications and policy reform.</p>	2 / 11	\$16,750

## 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. Responsible and accountable officers monitor and report performance and any risks to achievement to senior committees, including the Defence Committee and to the Deputy Prime Minister and Minister for Defence.

Defence's performance reporting for 2022–23 aligns with the performance information in the *Portfolio Budget Statements 2022–23* and the *2022–26 Defence Corporate Plan*.

## Risk

Risk management is an essential element of Defence's good governance and internal control environment. Defence's system of risk oversight and management supports the achievement of our strategic outcomes and ensures that we adhere to risk management obligations in accordance with the *Public Governance, Performance and Accountability Act 2013*.

In 2022–23, Defence continued to enhance risk management capability to align with the revised *Commonwealth Risk Management Policy 2023* and to support the outcomes of the *Defence Strategic Review*. In conjunction with this, Defence continued to strengthen the line of sight between capacity, performance and strategic objectives.

Key initiatives included:

- updates to the *Defence Risk Management Policy* and the *Defence Risk Management Framework*; and
- updates to the *Defence Risk Appetite Statement*.

## Capability delivery

Capability is critical in enabling Defence to defend Australia and protect its national interests. Within Defence, the Investment Committee, chaired by the Vice Chief of the Defence Force, is responsible for decisions regarding the investment portfolio. The Investment Committee considers capital investments in assets, equipment, tools, products and support systems that enhance Defence capability. The committee does this in accordance with the Government requirements and the Chief of the Defence Force's Preparedness Directive. The committee also oversees the application and integrity of the One Defence Capability System across all of our investments, from initiation through to disposal.

Defence continued to enhance the process within the One Defence Capability System during 2022–23, improving guidance and processes in line with contemporary practices and lessons learned. The One Defence Capability System enabled Defence to deliver the capability aspirations outlined in the *2020 Defence Strategic Update*, the *2020 Force Structure Plan* and the accompanying Integrated Investment Program.

In April 2023, the release of the *Defence Strategic Review* recommended a number of immediate and longer-term changes to reprioritise Defence investments and improve capability management processes to better suit our strategic circumstances. This was well underway by the end of 2022–23, including work towards a new simplified programmatic approach for the *Capability Program Architecture Framework*, streamlining capability acquisition processes based on urgency and complexity, and balancing Australian industry considerations with timely capability acquisition. Defence will continue to roll out these changes in 2023–24.

Capability learning and development continues to be a key focus for Defence. Upskilling and professionalising the Defence capability workforce is an ongoing process, positioning Defence to adapt and respond to the challenges of the future. Several learning and development initiatives have been undertaken, including the Capability Symposium, a flagship event in February 2023 and the Senior Leadership Group Introduction to Capability in June 2023. The Capability Symposium is an important ongoing opportunity to bring Defence personnel, APS agencies and Defence contractors together to gain and share insights into capability priorities, developing a foundational understanding of the planning, management and delivery of capability. The Senior Leadership Group Introduction to Capability is a priority learning offering under the Capability Learning and Development Program, which offers learning tailored to various capability users and levels.

## Defence innovation, science and technology

The Defence innovation, science and technology ecosystem provides the ADF with advanced capabilities for strategic advantage. The Defence Science and Technology Group plays a crucial role in providing scientific and technological advice to the ADF and collaborating with industry, academia and international partners to develop innovative solutions. Service innovation teams also work with end users to identify and develop innovative solutions for respective operational and capabilities needs.

Some examples are:

- the rapid design and development work performed by the Ghost Shark Hydrodynamics team, significantly improved performance and provided valuable data to inform both the system and structural design;
- Defence, through the Science, Technology and Research (STAR) Shot program, established the Centre for Advanced Defence Research and Enterprise — Operating in Chemical, Biological, Radiological and Nuclear Environments in 2023, a consortium of four foundation university partners and a growing number of academic and industry capability partners (currently more than 40);
- as part of the Technical Cooperation Program at the Rim of the Pacific Exercise (RIMPAC) 2022, Australia demonstrated two Australian precision quantum clock subsystems and a quantum accelerometer subsystem; and
- Defence science had a leading role in the artificial intelligence capabilities being deployed on coalition autonomous systems for an intelligence, surveillance and reconnaissance mission as part of AUKUS Advanced Capabilities Pillar II.

Defence supports and nurtures the university and research ecosystem. In particular, the Australian Defence Science and Universities Network connects Defence with researchers from universities, industry and the broader research community. Defence also supports industry through other Government-supported activities including cooperative research centres.

Defence innovation programs link with a range of whole-of-government innovation initiatives to help support industry. The Government directly invests in programs that support Australian industry innovation, including providing access to skills, finance and markets. Key Government initiatives include the \$15 billion National Reconstruction Fund and the \$392.4 million Industry Growth Program, that assists industry scale up and establish enduring product lines.

## Major Projects Report

The Major Projects Report provides transparency on the progress of a selection of Defence's largest and most complex acquisition projects managed by the Capability, Acquisition and Sustainment Group and Naval Shipbuilding 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 conducted by the Australian National Audit Office (ANAO) on information prepared by Defence. The Major Projects Report is prepared in accordance with guidelines endorsed by the Parliamentary Joint Committee of Public Accounts and Audit. The latest guidelines endorsed in September 2022 provided information on the process and projects to be reported on as at 30 June 2023.

The Major Projects Report is scheduled for publication within five months of the end of the financial year. The tabling date is dependent on the resolution of issues that may arise at any given time. The *2021–22 Major Projects Report* is the latest report (Auditor-General report No.12 of 2022–23) and was published on 9 February 2023. All published reports are available on the ANAO website at [anao.gov.au](http://anao.gov.au).

## Freedom of Information

During 2022–23, Defence finalised 1,619 requests for information. These were a combination of Freedom of Information (FOI) requests, enquiries that were handled administratively by agreement with the applicant, and courtesy consultations with other Government agencies.

Defence received 827 requests for information under the *Freedom of Information Act 1982* and finalised 807, including requests carried over from 2021–22. Of these, 268 were for personal information and 47 were for amendment or annotation of records of personal information, managed under section 48 of the *Freedom of Information Act 1982*.

Defence managed 745 requests for information which did not proceed to a formal FOI decision. Of these requests, 52 were for access to personnel records processed in accordance with section 15A of the *Freedom of Information Act 1982*, which provides for access to be given in such cases through established administrative channels. Defence also received 92 courtesy consultations from other Government agencies in 2022–23.

Defence managed 186 review requests on finalised FOI decisions. These reviews were managed internally or by providing detailed submissions to the Office of the Australian Information Commissioner. Of these review requests, 82 were internal reviews of FOI decisions. Defence finalised 88 internal and external reviews, including cases carried over from the previous financial year.

This included managing 104 external review cases submitted to the Office of the Australian Information Commissioner; 19 of these reviews were completed and 85 are awaiting a decision from the Information Commissioner. Defence also managed seven cases before the Administrative Appeals Tribunal, of which four were completed, including cases carried over from previous financial years.

No external complaints relating to a Defence FOI case were received by the Office of the Australian Information Commissioner during 2022–23.

## Contracts exempt from publication on AusTender

In 2022–23, Defence exempted 224 contracts with a total value of \$1.03 billion (GST inclusive) from publication on AusTender, on the basis that they would disclose exempt matters under the *Freedom of Information Act 1982*. These exemptions were generally applied under the national security provisions of the *Freedom of Information Act 1982*.

## Information Publication Scheme

Entities subject to the *Freedom of Information Act 1982* 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 at [defence.gov.au/about/information-disclosures/information-publication-scheme](https://defence.gov.au/about/information-disclosures/information-publication-scheme).

## 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 2022–23, Defence received a total of 140 matters reported under the Defence Public Interest Disclosure Scheme. Of these, Defence accepted 96 matters as public interest disclosures and allocated them for investigation.

## Fraud and integrity

In accordance with the *Commonwealth Fraud Control Framework*, 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:

- mandatory and customised training, publications and tailored integrity advice and support that promotes integrity and helps develop a strong ethical culture;
- a fraud and corruption risk assessment program focusing on Defence-wide vulnerabilities;
- an intelligence-led and targeted fraud and corruption detection program;
- processes to investigate fraud, corruption, misconduct and unethical conduct, with the application of appropriate criminal, civil, administrative or disciplinary action;
- mechanisms for recovering proceeds of fraudulent and corrupt conduct;
- mutual and clear expectations for ethical conduct and integrity in Defence industry partnerships; and
- methods for strengthening partnerships with Government agencies to support a systematic and integrated approach to fraud and corruption vulnerabilities.

In 2022–23, there were 170 fraud investigations registered within Defence, with 141 investigations completed during the year (some of those completed were registered in previous years). Of the completed investigations 48 resulted in criminal, disciplinary or administrative action. Of these, 15 related to disciplinary action under the *Defence Force Discipline Act 1982*.



# Australian Defence Force Academy Open Day

The Australian Defence Force Academy (ADFA) welcomed thousands of prospective trainee officers, their family and friends, and members of the local Canberra community to their open day on 20 August 2022.

Australia’s tri-service military training institution opens its doors each year in August for prospective students and the public to tour the campus. It is an opportunity for the public to talk with Navy midshipmen and Army and Air Force officer cadets about life and study at the academy and view exciting demonstrations and displays by trainees and the Navy, Army and Air Force.

ADFA Commandant, Air Commodore Jules Adams said, “Open Day is a great opportunity for potential applicants and their families to have all their questions answered about ADFA and chat to current serving members about where a career in the military can take them.”

Visitors were wowed with demonstrations by the ADFA Precision Drill Team, the ADFA Marching Band, a simulated ground-based infantry section attack, abseiling, martial arts, and a field equipment and weapons display. The Royal Australian Navy displays included a Rigid Hull Inflatable Boat and clearance divers.

The Australian Army showcased its Parachute Display Team, an A38 Eurocopter Tiger helicopter and an armoured military vehicle display, including a Boxer combat reconnaissance vehicle.

The Royal Australian Navy and the Australian Army also displayed an EC-135 T2+ Twin-Engine Military Training Helicopter from the Joint Helicopter School.

The Royal Australian Air Force exhibited PC-21 aircraft from the Roulettes acrobatic display team, a C-17A Globemaster III flypast and the Air Force Balloon.

The Academy’s open day also reached beyond Canberra with the live-streaming of activities and a virtual tour.

“We did run a virtual event last year and we’re going to continue with that because we found it really successful and we know how important it is for those in the regions that perhaps can’t make it here today,” Air Commodore Adams said. •



**1:** Members of the public visit the display stands and simulators at the ADFA Open Day 2022. CREDIT: Petty Officer Imagery Specialist Bradley Darvill. **2:** The ADFA Precision Drill Team performs at the ADFA Open Day 2022. CREDIT: Officer Cadet Steven Meng

## Compliance with finance law

Section 19 of the *Public Governance, Performance and Accountability Act 2013* requires that agencies notify their responsible minister of any significant issue that has affected the entity. Agencies must also notify the Minister for Finance if any of those issues included non-compliance with finance law. In 2022–23, the Deputy Prime Minister and the Minister for Finance were advised of 12 instances of significant non-compliance with the finance law. In 2021–22, there were 14 instances of significant non-compliance with the finance law.

**Table 5.3: Instances of significant non-compliance with finance law, 2022–23**

Description of non-compliance	Remedial action
<p><b>Credit card or cheque (two cases)</b></p> <p>Defence experienced loss due to credit card non-compliance, primarily related to credit card misuse.</p>	<p>Defence undertook remedial actions ranging from administrative sanctions or disciplinary action to criminal prosecutions.</p> <p>To reduce the risk of future credit card misuse, Defence continues to focus on a range of controls, including monthly reports to cardholder 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.</p>
<p><b>Entitlement (10 cases)</b></p> <p>Defence experienced losses relating to entitlements due to personnel failing to disclose information when required to do so, or inappropriately claiming benefits.</p>	<p>Defence undertook remedial action ranging from administrative sanctions or disciplinary action to criminal prosecutions in response to entitlement fraud.</p> <p>To reduce the recurrence of entitlement fraud, Defence conducts an annual activity aimed at detecting non-compliance and providing additional assurance around Defence entitlements.</p>

## Defence engagement with parliamentary committees

In 2022–23, Defence provided evidence at 12 public hearings, three Senate Estimates hearings and six private briefings.

Defence provided 17 submissions and four Government responses to parliamentary committee inquiries.

Defence took 606 questions on notice. Of these, 329 were from Estimates hearings, 84 were from parliamentary committee hearings and briefings, 193 were submitted in writing from senators and members, and one was 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 at [aph.gov.au](http://aph.gov.au).



Staff cadets at the Royal Military College, Duntroon, celebrate after their graduation parade in Canberra, Australian Capital Territory. CREDIT: Nicole Mankowski

**Table 5.4: Defence's involvement with parliamentary committees, 2022–23**

<b>Senate Standing Committee on Foreign Affairs, Defence and Trade</b>
<b>Defence Legislation Amendment (Naval Nuclear Propulsion) Bill 2023 [Provisions]</b> Defence provided one submission. A Government response is currently being developed.
<b>Adaptive sports programs for ADF veterans</b> Defence provided one submission and participated in one public hearing. The Department of Veterans' Affairs is currently developing a response in consultation with Defence.
<b>Joint Standing Committee on Foreign Affairs, Defence and Trade</b>
<b>Inquiry into the Auditor-General's Report No.4 21/22 — Defence Industry Program</b> Defence provided one submission. A Government response is currently being developed.
<b>Inquiry into the Defence Annual Report 2021–22</b> Defence provided one submission and participated in three public hearings.
<b>Inquiry into international armed conflict decision-making</b> Defence provided one submission and participated in one public hearing. A Government response is currently being developed.
<b>Parliamentary Joint Committee on Intelligence and Security</b>
<b>Review of Administration and Expenditure No. 20 (2020–21) — Australian Intelligence Agencies</b> Defence provided three submissions.
<b>Review of Administration and Expenditure No. 21 (2021–22) — Australian Intelligence Agencies</b> Defence provided three submissions.
<b>Joint Committee on Public Accounts and Audit</b>
<b>Inquiry into Defence Major Projects Reports 2020–21 and 2021–22 and Procurement of Hunter Class Frigates</b> Defence provided one submission and participated in one public hearing.
<b>Commonwealth procurement: Inquiry into Auditor-General Reports 6, 15, 30, 42 (2021–22) and 5 (2022–23)</b> Defence provided one submission and participated in one public hearing.
<b>Inquiry into Commonwealth Financial Statements 2021–22</b> Defence provided one submission and participated in one public hearing.
<b>Senate Standing Committees on Rural and Regional Affairs and Transport</b>
<b>Inquiry into the Project known as Iron Boomerang</b> Defence participated in one public hearing.
<b>House Standing Committee on Industry, Science and Resources</b>
<b>Inquiry into Developing Advanced Manufacturing in Australia</b> Defence provided one submission.
<b>Senate Select Committee on Australia's Disaster Resilience</b>
<b>Inquiry into Australia's disaster resilience</b> Defence provided one submission and participated in one public hearing.
<b>Joint Standing Committee on Treaties</b>
<b>Agreement between Australia and Japan Concerning the Facilitation of Reciprocal Access and Cooperation between the ADF and the Self-Defense Forces of Japan</b> Defence provided one submission and participated in one public hearing.
<b>Agreement between the Government of Australia and the Government of the Democratic Republic of Timor-Leste on Cooperation in the Field of Defence and the Status of Visiting Forces</b> Defence participated in one public hearing.

## Parliamentary Standing Committee on Public Works

In 2022–23, Defence referred five major projects, sought exemption for two major projects, and notified 13 medium works projects to the Parliamentary Standing Committee on Public Works. All projects were approved by the committee.

**Table 5.5: Defence projects that achieved parliamentary approval or exemption through the Parliamentary Standing Committee on Public Works, 2022–23**

Project	Location	Value (\$m)
Cocos (Keeling) Islands Airfield Upgrade	Indian Ocean Territories	567.6
P0010 National Airfields Works	HMAS <i>Albatross</i> (NSW) RAAF Base Amberley (QLD) RAAF Base Pearce (WA) RAAF Base Richmond (NSW)	427.9
AIR7000 Phase 1B Remotely Piloted Aircraft System Facilities	RAAF Base Edinburgh (SA) RAAF Base Tindal (NT)	427.1
Robertson Barracks Base Improvements	Robertson Barracks (NT)	389.1
P0009 Defence Airfield Maintenance Works	RAAF Base Darwin and Mount Bunday Airfield (NT)	351.7
HMAS <i>Harman</i> Redevelopment	HMAS <i>Harman</i> (ACT)	116.4
Cultana Training Area Redevelopment Phase 2	Cultana Training Area (SA)	79.8
<b>Total</b>		<b>2,359.6</b>

**Table 5.6: Defence notifications to the Parliamentary Standing Committee on Public Works, 2022–23**

Project	Location	Value (\$m)
Facilities to Support LAND 129 Phase 3 Tactical Unmanned Aerial Vehicle Upgrade	Gallipoli Barracks (QLD)	51.6
RAAF Base Amberley Sewage Treatment Plant	RAAF Base Amberley (QLD)	41.7
Facilities to Support the Relocation of Units from the Elizabeth North Depot	RAAF Base Edinburgh (SA)	35.4
Facilities to Support LAND 3025 Phase 2 — Deployable Special Operations Engineer Regiment	Holsworthy Barracks (NSW)	30.7
HMAS <i>Creswell</i> Mid-Term Refresh	HMAS <i>Creswell</i> (NSW)	30.7
Facilities for A Company 41st Battalion, Royal New South Wales Regiment, Tweed Heads Region	Chinderah (NSW)	17.4
Facilities to Support JP8190 Deployable Bulk Fuel Distribution	RAAF Base Amberley (QLD) Lavarack Barracks (QLD) Cowley Beach Training Area (QLD) Greenbank Training Area (QLD) Townsville Field Training Area (QLD)	15.0
Tranche 1 Facilities to Support Project SEA9100 Phase 1 Improved Embarked Logistics Support Helicopter	HMAS <i>Albatross</i> (NSW)	5.1
Other (project names withheld due to sensitivity)	Multiple	92.2
<b>Total</b>		<b>319.8</b>

## Audit

The Defence internal audit program provides independent assurance to senior internal stakeholders on enterprise controls and the effectiveness of those controls in mitigating strategic enterprise risks. During 2022–23, a total of 18 internal audit tasks were completed. This included eight tasks which commenced in 2021–22, but were completed in 2022–23. The remaining 10 tasks comprised eight annual audit program tasks and two management-directed audits.

Defence also supported audit activities undertaken by the ANAO. In 2022–23, the Auditor-General completed five performance audits on Defence, the audit of the Defence financial statements for the period ending 30 June 2023, and the priority assurance review (*Major Projects Report 2021–22*). Defence also monitors progress on implementation of recommendations from internal audits and ANAO audits, and reports on these to the Defence Audit and Risk Committee.

## Auditor-General's reports

In 2022–23, the Auditor-General published five performance audit reports in relation to Defence and one priority assurance review.

**Table 5.7: Auditor-General's performance audit reports on Defence, 2022–23**

Report	Date presented to Parliament	Audit / review objective
Auditor-General Report No. 45 of 2022–23: Australia's Provision of Military Assistance to Ukraine	29 June 2023	To examine the effectiveness of Defence's development and implementation of Australia's approach to providing military assistance to the Government of Ukraine.
Auditor-General Report No. 33 of 2022–23: Defence's Management of General Stores Inventory	7 June 2023	To examine the efficiency and economy of Defence's management of its general stores inventory.
Auditor-General Report No. 24 of 2022–23: Defence's Management of the Delivery of Health Services to the ADF	23 May 2023	To assess whether Defence is managing its ADF health services contract to achieve efficient and effective delivery of the contracted services.
Auditor-General Report No. 21 of 2022–23: Defence's Procurement of Hunter Class Frigates	10 May 2023	To assess the effectiveness of the Defence's procurement of Hunter Class frigates and the achievement of value for money to date.
Auditor-General Report No. 12 of 2022–23: 2021–22 Major Projects Report	9 February 2023	To provide information and assurance to the Parliament on the performance of selected acquisitions as at 30 June 2022.
Auditor-General Report No. 7 of 2022–23: Defence's Administration of the Integrated Investment Program	29 November 2022	To examine the effectiveness of Defence's administration of the Integrated Investment Program since 2016.

## Inspector-General of the Australian Defence Force

Section 110B of the *Defence Act 1903* establishes the Inspector-General of the Australian Defence Force (IGADF) as an independent statutory office. IGADF operates outside of the ADF chain-of-command. IGADF provides an impartial integrity; inquiry and assurance function, while overseeing the quality and fairness of Australia's military justice system.

The functions of IGADF are to:

- conduct performance reviews of the military justice system, including audits of ADF units, ships and establishments;
- investigate or inquire into justice matters including the professional conduct of Service police;
- advise on matters concerning the military justice system and make recommendations for improvement;
- conduct reviews of complaints made under the statutory redress of grievance scheme;
- inquire into deaths of ADF members that appear to have arisen out of or in the course of their service;
- investigate or inquire into matters concerning the ADF as directed by the Minister for Defence or the Chief of the Defence Force; and
- promote military justice values across the ADF.

Recent workload trends have shown a significant increase in the number of submissions received by the IGADF. In the six reporting periods before 2021, the IGADF historically averaged 65 submissions annually. In contrast, IGADF has averaged approximately 105 submissions annually over the past three reporting periods. The submission rate alone represents an approximate increase of 62 per cent over historical caseloads. In addition, IGADF completed 32 per cent more military justice performance audits than in the previous reporting period, and finalised 53 per cent more inquiries into the deaths of ADF members. This unparalleled caseload has contributed to the high operating tempo in 2022–23.

During the 2022–23 reporting period, audit teams completed 54 military justice performance audits (12 Navy, 28 Army, 13 Air Force and one Joint) of ADF units. Of those audits completed, nine units had material deficiencies in their military justice arrangements while one was determined to be a technical failure. IGADF will re-audit each of these 10 units within the next 12 months. In the past financial year reporting period, 3,598 ADF personnel (829 Navy, 1,934 Army, 636 Air Force and 199 from Joint Service units) participated in focus group discussions as part of IGADF's audit program. IGADF received 104 new matters alleging military justice failures in 2022–23, representing an increase of almost 10 per cent over the 94 referrals received in 2021–22. During the 2022–23 period, 65 matters were finalised.

In addition, IGADF received 50 new complaints relating to the conduct of ADF Military Police in 2022–23. The Military Police Professional Standards section completed 32 investigations into possible breaches of the Military Police Code of Conduct during the same period. IGADF oversees the statutory complaints scheme available to ADF members — the redress of grievance scheme. In 2022–23, ADF members submitted 245 new redress of grievance complaints (66 Navy, 115 Army and 64 Air Force) to their commanding officers. This represents a decrease of approximately 6 per cent from the 261 complaints in 2021–22. During the 2022–23 reporting period, the IGADF finalised 259 (60 Navy, 129 Army and 70 Air Force) redress of grievance complaints. This effort equates to an increase of approximately 15 per cent over the 226 redress of grievance complaints finalised in the previous reporting period.

IGADF received 46 death notifications for ADF members during 2022–23<sup>1</sup>. By the end of this reporting period, 50 inquiries were finalised into the deaths of ADF members. IGADF prepares an annual report, pursuant to section 110R of the *Defence Act 1903*, on the operations of the Office of IGADF for the Minister for Defence. IGADF report is presented to the Parliament and subsequently published at [igadf.gov.au/publications](https://igadf.gov.au/publications).

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1. The 15 fatalities reported in Chapter 6 (WHS incidents page 109) are subject to ongoing investigation by the IGADF, Comcare and relevant state and territory police and coroners, and at this stage the workplace nexus for these incidents is unclear. The IGADF received notification of 46 deaths during the 2022–23 reporting period, however, not all of these deaths occurred during the reporting period. Defence records indicate that 44 ADF personnel (of varying Service Categories) died during the 2022–23 reporting period as a result of illness/disease, training accidents, misadventure, confirmed suicide and possible suicide.

## Defence (Inquiry) Regulations 2018

Regulation 73 of the Defence (Inquiry) Regulation 2018 requires the Chief of the Defence Force to report on the operation of administrative inquiries conducted in Defence during each financial year reporting period. ADF appointing officers initiated 22 administrative inquiries (nine Navy, 12 Army and one Air Force) during the 2022–23 reporting period.

## Inspector-General of the Australian Defence Force Afghanistan Inquiry

The IGADF Afghanistan Inquiry was commissioned by Defence in 2016 after rumours and allegations emerged relating to possible breaches of the Law of Armed Conflict by members of the Special Operations Task Group over the period 2005 to 2016. The inquiry was conducted at arm's length from the ADF chain-of-command and Government to ensure the independence and integrity of the process.

The inquiry made a broad range of findings including credible information of criminal misconduct. Findings were also made in relation to significant and sustained departures from the ADF's professional standards. Consequently, the inquiry made 143 recommendations, all of which Defence is addressing through the Afghanistan Inquiry Reform Plan. This has been a multi-year effort and work is ongoing.

The Afghanistan Inquiry Reform Plan, released on 30 July 2021, set out the Defence strategy for responding to the Afghanistan Inquiry and established the Afghanistan Inquiry Reform Program to coordinate and drive this work. The program continues to deliver on the following two objectives, leveraging existing reform and implementing inquiry-specific initiatives:

- **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.

The program comprises four work packages that address the 143 recommendations and a range of initiatives. Objective 1 is being delivered through Work Packages 1 to 3 and continue to address the inquiry's recommendations regarding individuals and compensation. Objective 2 is being delivered through Work Package 4, which is focused on transformational reform.

The work being delivered through the program is not limited to, and extends beyond, addressing Afghanistan Inquiry recommendations. This has enabled Defence to consider and respond to the broader root causes of the matters identified in the Afghanistan Inquiry report. These initiatives were designed to develop the systems, policies, doctrine, training, culture and accountability that will address departures from the required standards. A substantial body of work has been undertaken to address the Inspector-General's findings and recommendations and embed sustainable, enduring reform across the enterprise. As at 30 June 2023, 110 of the 143 recommendations have been closed with respect to action required of Defence.

**Work Package 1:** This contains 103 inquiry recommendations, of which 99 are closed and four are on hold, pending the outcome of Office of the Special Investigator activity. Defence continues to support the work of the Office of the Special Investigator by providing records in response to requests for information, and subject matter expert advice to ensure accuracy in the interpretation of Defence-related information. Criminal investigations and any potential prosecutions are being conducted independently of Defence by the Office of the Special Investigator, the Australian Federal Police and the Commonwealth Director of Public Prosecutions.

On 20 March 2023, a joint investigation between the Office of the Special Investigator and the Australian Federal Police resulted in a former member of the ADF being charged with one count of War Crime-Murder under subsection 268.70(1) *Criminal Code Act 1995 (Cth)*. This is the first war crime charge of murder to be laid against a serving or former member of the ADF under Australian law.

**Work Package 2:** While this contains no inquiry recommendations, all five people-related initiatives have been closed. These initiatives supported considerations and, where warranted, additional workforce management action beyond those identified in Work Package 1.

**Work Package 3:** The inquiry report made 15 recommendations to pay compensation to alleged victims and their families where credible evidence involving allegations of property damage, assault and unlawful killing, without awaiting the establishment of criminal liability. All 15 recommendations remain open. Defence has continued to work with Commonwealth agencies to explore options to give effect to the recommendations. Defence has continued to work with Commonwealth agencies to explore options to give effect to the recommendations. In June 2023, the Government agreed to a pathway forward to establish a compensation scheme within Defence under regulation. Work is ongoing to finalise the detail of the scheme and bring forward a proposal to Government.

**Work Package 4:** This contains 25 inquiry recommendations, of which 11 are closed and 14 remain open. Work is being delivered through five reform streams: organisational arrangements and command accountability; culture; workforce; partnerships; and information.

Each stream has conducted a deeper analysis into the findings in the inquiry report and resulted in the creation of 72 activities (which includes the 25 inquiry recommendations) designed to address Objective 2 — *prevent recurrence*. Of the 72 activities, 29 are open, 41 are closed and two are on hold. Significant achievements include:

- the revision of several doctrinal publications to incorporate lessons from the inquiry to ensure improved training received by all ADF members. These include the Law of Armed Conflict, Character, Military Working Dogs, and Internment and Detention doctrine;
- several policies have been implemented to provide greater controls over deployed forces and better support and increased accountability for deployed commanders. These include an enhanced respite policy, clear 'Throwdowns' policy, policy on the management of deployed commanders and embedded persons, and Appointment to Command certificates to provide greater accountability of commanders across the entire enterprise;
- development of a comprehensive system for the improved management of allegations of prescribed serious operational incidents, leading to enhanced awareness of and access to alternative reporting mechanisms beyond the chain-of-command; and
- improved data management practices to better control and use data to detect anomalies in behaviours and manage deployed personnel.

A full list of work completed and in-progress is available on the Afghanistan Inquiry website. Defence's response is available at [defence.gov.au/about/reviews-inquiries/afghanistan-inquiry/defence-response](https://defence.gov.au/about/reviews-inquiries/afghanistan-inquiry/defence-response).

## Independent oversight

The Afghanistan Inquiry Implementation Oversight Panel was established in November 2020 to provide Government, through the Deputy Prime Minister and Minister for Defence, with an independent external source of advice about the adequacy of Defence's response to the Afghanistan Inquiry. The Afghanistan Inquiry Implementation Oversight Panel consists of three eminent persons: Dr Vivienne Thom AM; Professor Rufus Black; and Mr Robert Cornall AO. As at 30 June 2023, 10 quarterly reports had been provided. The seventh through to 10th quarterly reports have been provided to the Deputy Prime Minister and Minister for Defence in the past 12 months.

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

In accordance with the requirements of section 112BC in Part VI, Division 1AA of the *Customs Act 1901*, the Minister responsible 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 2022 to 30 June 2023, the Deputy Prime Minister and Minister for Defence exercised the powers pursuant to Division 1AA of the Act on nil occasions.

## Judicial and administrative tribunal decisions

On 14 May 2023, the parties reached an in-principle agreement to settle *Reannan Laura Haswell & Anor verses Commonwealth of Australia (NSD 431/2020)*, a matter relating to Defence's historic use of firefighting foam containing poly-fluoroalkyl substances (PFAS) at seven Defence bases (RAAF Base Pearce, RAAF Base Darwin, RAAF Base Richmond, RAAF Base Wagga, RAAF Base Edinburgh, RAAF Base Townsville and the Bandiana Military Area). This class action was settled for \$132.7 million.

On 23 May 2023, the parties reached an in-principle agreement to settle an open-class action relating to PFAS contamination pertaining to the individuals with an interest in land granted to the Wreck Bay Aboriginal Community Council within the Jervis Bay Territory. This class action was settled for \$22 million.

## Commonwealth Ombudsman and Defence Force Ombudsman reports

No Commonwealth Ombudsman reports relating to Defence and no Defence Force Ombudsman reports were published in 2022–23.

## Organisational capability reviews

The Australian Public Service Commission did not conduct a review of Defence's organisational capability in 2022–23.



1

# Our farewell to Her Majesty Queen Elizabeth II and salute to Their Majesties King Charles III and Queen Camilla

The ADF participated in a range of ceremonial duties in Australia and the United Kingdom to honour the life and death of Her Majesty Queen Elizabeth II and for the coronation of Their Majesties King Charles III and Queen Camilla.

Defence had a long and proud association with the late Queen who held a number of Honorary military appointments with the ADF, including:

- Captain-General of the Royal Regiment of Australian Artillery;
- Colonel-in-Chief of the Royal Australian Engineers;
- Colonel-in-Chief of the Royal Australian Infantry Corps;
- Colonel-in-Chief of the Royal Australian Army Ordnance Corps;
- Colonel-in-Chief of the Royal Australian Army Nursing Corps; and
- Air Commodore-in-Chief of the Royal Australian Air Force Reserves.

To mark the Queen’s passing, Australia’s Federation Guard fired a 96-gun salute — one round for each year of the Queen’s life — at Parliament House in Canberra, Australian Capital Territory, on 9 September 2022.

His Majesty King Charles III’s accession to the throne was marked in a Proclamation Ceremony at Parliament House in Canberra, Australian Capital Territory, on 11 September 2022, including a 21-gun salute from Australia’s Federation Guard.

Together with troops from Canada and New Zealand, 39 members of the ADF joined a contingent from across the Commonwealth to lead the Queen’s funeral procession through the streets of London on 19 September 2022.

Ahead of the procession, Their Royal Highnesses the Prince and Princess of Wales conducted an unofficial visit to personally thank the troops for being part of the funeral ceremony.



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**1:** The Commonwealth contingent — comprised of personnel from the ADF, Canadian Armed Forces, and New Zealand Defence Force — march on the procession route during Her Majesty Queen Elizabeth II’s state funeral in London, United Kingdom. CREDIT: Corporal John Solomon. **2:** Australia’s Federation Guard conducts a 21-gun salute to honour the coronation of Their Majesties King Charles III and Queen Camilla at Parliament House in Canberra, Australian Capital Territory. CREDIT: Leading Aircraftman Adam Abela

The commander of the Australian contingent for the ceremony, Commodore Ray Leggatt RAN said, "The men and women who marched today honoured Her Majesty's memory and completed their final duty to the Queen in an exceptional manner."

On 6 May 2023, ADF personnel also undertook ceremonial duties in London for the coronation of Their Majesties King Charles III and Queen Camilla.

The 600-strong Commonwealth contingent, including 38 personnel from Australia's Federation Guard, led the coronation procession from Westminster Abbey to Buckingham Palace.

The leader of the ADF's coronation contingent, Squadron Leader Mitchell Brown said, "The experience of marching down the Mall and being able to give three cheers to the King when he came out the back of Buckingham Palace is something that I will remember for the rest of my life."

"But the biggest highlight was the opportunity to lead this magnificent group of soldiers, sailors and aviators who make up Australia's Federation Guard at such an important and historic event," Squadron Leader Brown said.

Petty Officer William Garlick said, "It is an honour to come back to the United Kingdom after having marched in Her Majesty The Queen's funeral".

Corporal Tegan Ross and Bombardier Michael Nona marched alongside Their Majesties in the 260-year-old Gold State Coach.

Corporal Ross said, "It was raining down, but it didn't dampen my spirits at all. It was just an extraordinary day. It was everything I thought it would be and more. I will cherish this moment for the rest of my life."

Bombardier Nona said, "This experience will be the highlight of my career."

Australia's Federation Guard also marked the coronation in Australia with a 21-gun salute at Parliament House in Canberra, Australian Capital Territory, on 7 May 2023.

Australia's Federation Guard gun position officer, Lieutenant Jay Bowden, said he was honoured to lead the gun salute to the new monarchs King Charles III and Queen Camilla.

"Marking the reign of a new King or Queen is a rare and special occasion and I feel privileged to be part of such an historic event," Lieutenant Bowden said. •



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**3:** Royal Australian Air Force Corporal Tegan Ross from Australia's Federation Guard escorts the Gold State Coach with representatives from Commonwealth countries during the coronation of Their Majesties King Charles III and Queen Camilla in London, United Kingdom. CREDIT: Sergeant Andrew Sleeman



## Chapter 6:

# Strategic workforce management

Australian Public Servant Isabella Italiano, Royal Australian Navy Petty Officer Lauren Van Den Berg, Australian Army Lieutenant Colonel Jake Penley, and Royal Australian Air Force Group Captain John Davidson CSC at Russell Offices in Canberra, Australian Capital Territory. CREDIT: Jay Cronan

## Workforce summary

In the face of considerable change throughout 2022–23, the Defence workforce has demonstrated a high-level of resilience and commitment to the rebalancing and reshaping of the enterprise. Defence recognises its people as the most important capability and fundamental to achieving Defence’s mission and purpose. The health and wellbeing of Defence’s workforce remains paramount.

The *2020 Force Structure Plan* stated that the Government would implement an initial increase in the ADF and APS personnel over 2020–24, and longer-term growth across the next two decades.

Defence continued to adapt to the strategic landscape and resourcing demands across the enterprise, including responding to the recommendations in the *Defence Strategic Review*. In early 2023, Defence began implementing the *Defence Strategic Review* recommendations including the transition of the Nuclear-Powered Submarine Taskforce to the Australian Submarine Agency, which will take effect on 1 July 2023.

Organisational change creates new opportunities for the workforce in shipbuilding, cyber, STEM, information and communications technology (ICT) and intelligence domains. Developing a highly skilled workforce continued to be facilitated through Defence’s education pathways, such as the STEM Cadetship Program, the NAVIGATE Program (enabling high-performing STEM specialists to build on their science and technology career in Defence), and by providing a number of scholarships with domestic and international universities, including Masters of Nuclear Science and Masters of Nuclear Engineering. With historically low national unemployment, a competitive labour market and the demands on the workforce for concurrent domestic and overseas commitments, Defence must create a compelling employee value proposition to attract new, and retain existing, personnel to achieve the required workforce growth.

Following the release of the *Defence Strategic Review*, the Government committed to investing approximately \$400 million to establish a continuation bonus initiative. Permanent ADF members who have served a minimum of four years and who are ending their initial mandatory period of service may be eligible for a \$50,000 bonus payment if they serve another three years. This will be implemented in 2024, and reviewed after two years to ensure it is contributing to increased retention rates.

The Recruitment and Retention Team identified a number of initiatives that could improve Defence’s employee value proposition. In addition to these initiatives, the team acknowledged two ongoing key bodies of work: the transition of the recruiting contract to a new partner, Adecco Australia and the Australian Defence Force Employment Offer Modernisation Program. Both initiatives have and will continue to bolster recruiting and retention efforts. The new recruiting services contract with Adecco Australia will enable Defence to transition to a new, distributed recruitment model to better engage with the Australian community to achieve current and future workforce demand.

On 11 November 2022, the independent Defence Force Remuneration Tribunal agreed to a new, streamlined ADF allowance framework for salary-related allowances. This framework, known as Military Factor, came into effect on 25 May 2023 and reflects unique Service conditions, improves allowance administration and reduces complexity.

Other recruiting and retention initiatives implemented in 2022–23 included:

- expansion to the Defence Assisted Study Scheme and Study Bank programs to improve and increase access to education opportunities;
- expansion to the ADF Family Health Benefit to ensure that ADF families can maintain a healthy lifestyle; and
- improvement to the Defence Home Ownership Assistance Scheme (DHOAS) by halving the minimum service required for access by current ADF members and Reservists, and removing the access cap altogether for veterans who have left Service.

## Workforce planning

The *Defence Strategic Workforce Plan 2021–2040* guides the workforce growth and reshaping required to address the challenges outlined in the *2020 Defence Strategic Update*. This is framed through workforce planning and management, recruiting, retention, career management and transition support initiatives.

Defence will grow its APS and ADF by an additional 18,500 from 2025, to a permanent workforce strength of over 100,000 by 2040. An initial workforce growth of 12,500 was funded to deliver, operate and sustain the Defence capabilities detailed in the *2020 Force Structure Plan*. With the recent changes to capabilities outlined in the Government's response to the *Defence Strategic Review*, Defence will undertake a thorough reprioritisation of our future workforce growth to align with six immediate priorities, as detailed in Chapter 2: Departmental overview.

### Staffing levels and statistics

All workforce information in this report is as at 30 June 2023, and will differ from 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 its APS workforce on an average staffing level basis. Defence uses full-time equivalent, which is paid strength on a particular date, to provide the most accurate indicator of current staffing levels. 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 and with or without pay. These statistics are used to obtain information about personnel by gender employment categories and employment location. Defence does not base its workforce planning on headcount figures.

In the workforce tables, 'indeterminate' includes any person who does not exclusively identify as either male or female — that is, any person of a non-binary gender. People who fall into this category may use a variety of terms to self-identify.

## Australian Defence Force staffing

ADF staffing figures for 2021–22 and 2022–23 are shown in Table 6.1.

**Table 6.1: Australian Defence Force staffing figures, 2021–22 and 2022–23**

ADF staffing measure <sup>1,2</sup>	2021–22 <sup>3</sup>	2022–23	Variation
<b>For workforce planning purposes</b>			
Actual funded strength (paid strength as at 30 June)	59,304	58,621	-683
Average funded strength (over the financial year)	59,803	58,642	-1,161
<b>For other statistical data</b>			
Permanent headcount (on duty/leave and paid/unpaid)	58,206	57,346	-860

**Notes:**

1. 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 712 participants on 30 June 2022, and 663 participants on 30 June 2023.
2. 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 ADF members. For consistency with other tables in this chapter, the headcount figures do not include Reserves (Service Categories 2, 3, 4 and 5) or those on continuous full-time service (Service Option C).
3. 2021–22 headcount figures have been adjusted from those reported in the *Defence Annual Report 2021–22* to account for retrospective transactions.

Table 6.2 details ADF permanent force average funded strength for 2022–23, which includes ADF Reserves on continuous full-time service. The ADF strength was 58,642 in 2022–23, a decrease of 1,161 from 2021–22. The average funded strength for Reserves on continuous full-time service was 1,222 (comprising Navy 346, Army 682 and Air Force 194) — an increase of 63 from 2021–22.

**Table 6.2: Australian Defence Force permanent force (Service Categories 6 and 7) and Reserves undertaking continuous full-time service (Service Option C), average funded strength, 2021–22 and 2022–23**

	2021–22 Actual	2022–23 Budget estimate <sup>1</sup>	2022–23 Revised estimate <sup>2</sup>	2022–23 Actual	Variation	Percentage (%)
Navy	15,442	15,748	15,753	15,142	-606	-3.9
Army	29,321	30,977	30,978	28,524	-2,453	-7.9
Air Force	15,040	15,338	15,332	14,976	-362	-2.3
<b>Total average funded strength</b>	<b>59,803</b>	<b>62,063</b>	<b>62,063</b>	<b>58,642</b>	<b>-3,421</b>	<b>-5.5</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 leave without pay are not included.

1. As published in the March *Portfolio Budget Statements 2022–23*.
2. Variation refers to the difference between the 2022–23 revised estimate and actual figures.

## Australian Defence Force enlistments and separations

Defence generates workforce via both *ab initio* recruitment and re-enlistment of personnel. In 2022–23, Defence recruited more than 7,000 personnel to permanent and Reserve roles in the ADF. Retention in the ADF permanent force improved slightly, with a decrease in separations from 11.2 per cent to 11.1 per cent, however Defence was unable to reach its target for the recruitment of full-time ADF members, achieving less than 75 per cent.

In 2022–23, the ADF enlisted 5,537 permanent members, made up of 4,359 male members, 1,177 female members and one member of indeterminate gender. This was 397 more enlistments than in 2021–22. Women represented 21.3 per cent of enlistments, and Indigenous Australians represented 6.1 per cent of enlistments.



A Royal Australian Air Force aircraftman recruit takes part in methods of movement training at 1 Recruit Training Unit at RAAF Base Wagga, New South Wales. CREDIT: Private Nicholas Marquis

Of the 5,537 ADF permanent members enlisted, 1,119 entrants had prior military service in the Reserves (Service Categories 3, 4 and 5), the ADF Gap Year program (Service Option G) or another country or previous permanent force service. There were 4,418 *ab initio* entrants.

The permanent ADF headcount (Service Categories 6 and 7) decreased by 860 in 2022–23, while the Reserve (Service Categories 3, 4 and 5) headcount increased by 1,068. These changes reflect both enlistments and separations, but also movement between Service categories in the Total Workforce System.

Tables 6.3 and 6.4 provide comparative information about ADF permanent force (Service Categories 6 and 7) separations over the past two years.

**Table 6.3: Australian Defence Force permanent force and ongoing Australian Public Service, 12-month rolling separation rates as at 30 June 2022 and 30 June 2023**

	12-month rolling separation percentage rate (%)	
	30 June 2022	30 June 2023
Navy	9.7	9.2
Army	13.2	12.9
Air Force	8.8	9.6
<b>Total ADF permanent force<sup>1</sup></b>	<b>11.2</b>	<b>11.1</b>
<b>APS</b>		
<b>Ongoing APS</b>	<b>14.4</b>	<b>12.0</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 6 and 7) and do not include Reserves (Service Categories 2, 3, 4 and 5), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).

**Table 6.4: Australian Defence Force permanent force (Service Categories 6 and 7) separations, 2021–22 and 2022–23**

		Voluntary separations <sup>1</sup>	Involuntary separations <sup>2</sup>	Age retirement	Trainee separations	Total
<b>2021–22<sup>3</sup></b>						
Navy	Officers	119	52	32	51	254
	Other ranks	652	437	21	104	1,214
Army	Officers	297	134	62	70	563
	Other ranks	1,735	1,038	46	406	3,225
Air Force	Officers	247	71	20	24	362
	Other ranks	627	234	18	57	936
<b>Total ADF permanent force</b>	<b>Officers</b>	<b>663</b>	<b>257</b>	<b>114</b>	<b>145</b>	<b>1,179</b>
	<b>Other ranks</b>	<b>3,014</b>	<b>1,709</b>	<b>85</b>	<b>567</b>	<b>5,375</b>
	<b>Total</b>	<b>3,677</b>	<b>1,966</b>	<b>199</b>	<b>712</b>	<b>6,554</b>
<b>2022–23</b>						
Navy	Officers	162	47	21	34	264
	Other ranks	643	332	11	104	1,090
Army	Officers	302	125	39	42	508
	Other ranks	1,579	1,021	36	476	3,112
Air Force	Officers	297	98	13	38	446
	Other ranks	571	329	11	66	977
<b>Total ADF permanent force</b>	<b>Officers</b>	<b>761</b>	<b>270</b>	<b>73</b>	<b>114</b>	<b>1,218</b>
	<b>Other ranks</b>	<b>2,793</b>	<b>1,682</b>	<b>58</b>	<b>646</b>	<b>5,179</b>
	<b>Total</b>	<b>3,554</b>	<b>1,952</b>	<b>131</b>	<b>760</b>	<b>6,397</b>

**Notes:**

Figures in this table show permanent force (Service Categories 6 and 7) substantive headcount numbers. Reserves undertaking continuous full-time service (Service Option C) and 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' includes voluntary redundancies and resignations.
2. 'Involuntary' primarily comprises members who are medically transitioned from Defence, and personnel who were unsuitable for further duty, who died while serving or who were part of 'Command Initiated Transfer to the Reserve'.
3. Data for 2021–22 may not match the data provided in the *Defence Annual Report 2021–22* due to retrospective transactions.

### Australian Defence Force Reserves

The number of days each ADF Reserve member (Service Categories 3, 4 and 5) works in a year can vary substantially depending on personal circumstances and organisational need. To reflect this, Table 6.5 shows both the total number of days served by Reserve members in 2022–23 and the number of Reservists who rendered paid service.

In 2022–23, there was an increase of 48,128 days service compared with 2021–22, to a total of 1,163,074 (Navy 126,101, Army 779,435 and Air Force 257,538), while the number of Reservists undertaking service days increased to 21,669 (Navy 1,947, Army 15,711 and Air Force 4,011).

Table 6.5 shows the number of days served by Navy, Army and Air Force Reserve members varied from the revised budget estimate by 0.1 per cent, 3.9 per cent and 0.2 per cent respectively.

**Table 6.5: Australian Defence Force Reserve paid strength (Service Categories 3, 4 and 5), 2021–22 and 2022–23<sup>1,2</sup>**

	2021–22 Actual: days served (members paid)	2022–23 Budget estimate <sup>3</sup> : days served (members paid)	2022–23 Revised estimate <sup>4</sup> : days served (members paid)	2022–23 Actual: days served (members paid) <sup>5</sup>	Variation: days served (members paid)	Percentage variation days served (members paid) (%)
Navy	121,887	126,000	126,000	126,101	101	0.1
	(1,823)	(1,900)	(1,900)	(1,947)	(47)	(2.5)
Army	737,698	750,000	750,000	779,435	29,435	3.9
	(15,596)	(15,900)	(15,900)	(15,711)	-(189)	-(1.2)
Air Force	255,361	256,950	256,950	257,538	588	0.2
	(3,852)	(3,840)	(3,840)	(4,011)	(171)	(4.5)
<b>Total paid Reserves</b>	<b>1,114,946</b> <b>(21,271)</b>	<b>1,132,950</b> <b>(21,640)</b>	<b>1,132,950</b> <b>(21,640)</b>	<b>1,163,074</b> <b>(21,669)</b>	<b>30,124</b> <b>(29)</b>	<b>2.7</b> <b>(0.1)</b>

**Notes:**

1. The number of days or hours worked by Reserve members can vary greatly, so the 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 3, 4 and 5. Reserves undertaking continuous full-time service (Service Option C) are not included in this table; they are included in Table 6.1.
3. As published in the March *Portfolio Budget Statements 2022–23*.
4. As published in the October *Portfolio Budget Statements 2022–23*.
5. This represents the Reserve personnel who rendered service from the approximately 32,000 personnel across Service Categories 3, 4 and 5 who have indicated availability to render service. It does not include around 10,000 personnel in Service Category 2 who are not rendering service and may be called on as required.

## Reserve Service protection

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

Under the *Defence Reserve Service (Protection) Act 2001*, 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 *Defence Reserve Service (Protection) Act 2001*, 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 protection issues have been directed through the 1800 DEFENCE call centre. The service provides ADF reservists and their employers with extended access to advice, and Defence with accurate data collection on phone enquiries regarding issues related to the *Defence Reserve Service (Protection) Act 2001*.

Between 1 July 2022 and 30 June 2023, 272 calls were received by 1800 DEFENCE in relation to the *Defence Reserve Service (Protection) Act 2001*. Of the enquiries, 93 were resolved at the time of contact by providing general information regarding protections and obligations provided by the *Defence Reserve Service (Protection) Act 2001*; and 179 complex enquiries were referred internally for specific advice, with an average resolution time of 3.9 days. A further 58 enquiries were received directly and resolved. A total of 330 enquiries were received and resolved. Of these enquiries, two required senior-level intervention for resolution. One complaint was received and resolved without requiring further investigation.

## 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 712 participants enlisted in the 2022 program (Navy 172, Army 326 and Air Force 214). A total of 663 participants have enlisted in the 2023 program (Navy 140, Army 301 and Air Force 222). As at 30 June 2023, 98 members from the 2022 program and 613 members from the 2023 program were still participating.

For 2022–23, the ADF Gap Year program achieved 98 per cent of recruiting targets, which is a slight decrease from 104.9 per cent in 2021–22.

**Table 6.6: ADF Gap Year (Service Option G) 2022 and 2023 participants, as at 30 June 2023**

	Navy			Army			Air Force			ADF			Total
	Male	Female	Indeter- minate	Male	Female	Indeter- minate	Male	Female	Indeter- minate	Male	Female	Indeter- minate	
<b>2022 program</b>													
Participants	82	90	–	243	83	–	125	89	–	450	262	–	712
Separated or inactive Reserves	28	16	–	55	12	–	29	13	–	112	41	–	153
Transferred to permanent ADF	31	43	–	122	44	–	65	57	–	218	144	–	362
Transferred to Reserves	7	10	–	48	21	–	5	8	–	60	39	–	99
<b>Still participating in 2022 program</b>	<b>16</b>	<b>21</b>	<b>–</b>	<b>18</b>	<b>6</b>	<b>–</b>	<b>26</b>	<b>11</b>	<b>–</b>	<b>60</b>	<b>38</b>	<b>–</b>	<b>98</b>
<b>2023 program</b>													
Participants	59	81	–	231	70	–	109	113	–	399	264	–	663
Separated or inactive Reserves	1	3	–	22	8	–	5	4	–	28	15	–	43
Transferred to permanent ADF	1	–	–	–	–	–	2	3	–	3	3	–	6
Transferred to Reserves	–	–	–	1	–	–	–	–	–	1	–	–	1
<b>Still participating in 2023 program</b>	<b>57</b>	<b>78</b>	<b>–</b>	<b>208</b>	<b>62</b>	<b>–</b>	<b>102</b>	<b>106</b>	<b>–</b>	<b>367</b>	<b>246</b>	<b>–</b>	<b>613</b>

**Note:**

'Indeterminate' includes any person who does not exclusively identify as either male or female i.e. a person of a non-binary gender. People who fall into this category may use a variety of terms to self-identify.

## Australian Public Service workforce

APS staffing figures for 2021–22 and 2022–23 are shown in Table 6.7.

**Table 6.7: Australian Public Service staffing figures, 2021–22 and 2022–23**

APS staffing measure	2021–22 <sup>1</sup>	2022–23	Variation
<b>For workforce planning purposes</b>			
Actual full-time equivalent (paid strength as at 30 June)	15,907	17,286	1,379
Average full-time equivalent (over the financial year)	15,821	16,497	676
<b>For other statistical data</b>			
Headcount (on duty/leave, full-time or part-time, paid/unpaid)	16,915	18,126	1,211

**Notes:**

Figures include both ongoing and non-ongoing APS employees.

- 2021–22 headcount figures have been adjusted from those reported in the *Defence Annual Report 2021–22* to account for retrospective transactions.

Table 6.8 shows details of the APS average strength, expressed as average full-time equivalent, for 2022–23. The APS average strength was 16,497 in 2022–23. This was an increase of 676 from the 2021–22 figure of 15,821.

**Table 6.8: Australian Public Service workforce, average full-time equivalent, 2021–22 and 2022–23**

	2021–22 Actual	2022–23 Budget estimate <sup>1</sup>	2022–23 Revised estimate <sup>2</sup>	2022–23 Actual	Variation <sup>3</sup>	Percentage (%)
APS	15,821	16,991	16,991	16,497	-494	-2.9

**Notes:**

These figures are average full-time equivalent; they are not a headcount.

- As published in the March *Portfolio Budget Statements 2022–23*.
- As published in the October *Portfolio Budget Statements 2022–23*.
- Variation refers to the difference between the 2022–23 revised estimate and actual figures.

Table 6.9 shows the actual full-time equivalent at the last pay in 2022–23, which at 17,286 was 1,379 more than the final pay figure in 2021–22 of 15,907.

**Table 6.9: Australian Public Service workforce, end-of-financial year actual full-time equivalent, 2021–22 and 2022–23**

	2021–22 Actual <sup>1</sup>	2022–23 Actual <sup>2</sup>	Variation	Percentage (%)
Total APS	15,907	17,286	1,379	8.7

**Notes:**

Figures in this table are actual full-time equivalent for the last payday of 2021–22. Employees on leave without pay are not included. The figures differ from Table 6.8 as that table shows the average full-time equivalent across the full year.

- As published in the *Portfolio Budget Statements 2021–22*.
- As published in the *Portfolio Budget Statements 2022–23*.

## Australian Public Service recruitment and separations

During 2022–23, Defence experienced a period of growth in the ongoing APS workforce, increasing from 16,633 to 17,773, while separations declined from 14.4 per cent to 12 per cent.

Defence recruited 3,759 APS employees during 2022–23, including 520 as part of a Defence graduate or entry-level program.

The APS headcount (ongoing and non-ongoing) increased by 1,211 which reflects the net difference between recruitment and separations. The majority of separations were due to resignation or retirement from Defence (Table 6.10).

**Table 6.10: Australian Public Service separations, 2021–22 and 2022–23**

	Voluntary redundancy <sup>1</sup>	Involuntary separations <sup>2</sup>	Resignation/retirement <sup>3</sup>	Transfers <sup>4</sup>	Total
<b>2021–22<sup>5</sup></b>					
Senior Executive Service	–	–	22	7	29
Executive Levels 1 and 2	37	12	478	221	748
Other levels	102	31	1,265	415	1,813
<b>Total APS</b>	<b>139</b>	<b>43</b>	<b>1,765</b>	<b>643</b>	<b>2,590</b>
<b>2022–23</b>					
Senior Executive Service	–	–	14	9	23
Executive Levels 1 and 2	17	14	454	176	661
Other levels	24	53	1,180	320	1,577
<b>Total APS</b>	<b>41</b>	<b>67</b>	<b>1,648</b>	<b>505</b>	<b>2,261</b>

### Notes:

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

1. Voluntary redundancies are those that are program initiated.
2. Involuntary figures include breach of conduct, invalidity retirement, involuntary redundancies, a 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 term.
4. Transfers are those who have transferred to other Government departments.
5. Some 2021–22 figures have been adjusted from those reported in the *Defence Annual Report 2021–22* to account for retrospective transactions.

## Defence graduate and entry-level programs

Defence graduate and entry-level programs continue to deliver vital people capability to address workforce challenges and emerging needs of the enterprise and aligns our workforce to Government requirements. The graduate and entry-level programs have a renewed focus on diversity, moving towards a 50 per cent target for women on all entry-level STEM programs in Defence.

Defence also participates in the Australian Government Graduate Program and whole-of-government entry-level programs by recruiting candidates through a centralised process. This approach maximises efficiencies across the APS and allows candidates to be considered for a number of Government agencies with one application.

In 2022–23, 520 graduates and participants commenced Defence graduate and entry-level programs, representing an increase of 48 per cent compared with 2021–22 and contributing approximately 20 per cent of the annual ongoing APS workforce recruited to Defence.

## Defence STEM Cadetship Program

The Defence STEM Cadetship Program provides an entry-level employment pathway for high-performing university students who are currently studying a relevant STEM degree. STEM cadets are employed in the APS, where they are provided with real-world and practical work experience in Defence.

The program addresses Defence's future STEM workforce needs by promoting careers in Defence. There are currently 177 active STEM cadets in the program. Defence will continue to focus on increasing numbers, while further developing and reforming the Defence STEM Cadetship Program over the coming years.

## ADF Cadets

The single-Service (Navy, Army and Air Force) cadet organisations operate in partnership with communities to deliver youth development programs focused on youth empowerment. The programs are inclusive, non-discriminatory, and open to young people from 13 to 18 years of age of all abilities, provided their needs do not compromise the safety of any participants.

As at 30 June 2023, 29,785 cadets were enrolled in the three cadet programs. There were 4,580 adult volunteers including officers of cadets, instructors of cadets, and 'approved helpers' who supervise and support the young people in the programs; and 588 ADF Cadets units across all states and territories.

In May 2023, Defence held the inaugural ADF Cadets Tri-Service Leadership Summit in Canberra. Supported by the patron of the ADF Cadets and senior ADF leaders, 30 high-performing cadets from across Australia participated in the two-day leadership event, focusing on ethical leadership in a tri-service environment.

Defence's modernisation of CadetNet continues to better enable the ADF cadet programs through improved technical capability. Defence will focus on community engagement to grow cadet and volunteer numbers in units in rural and remote areas, including Indigenous communities; incorporating new STEM features in ADF Cadets youth development programs to motivate participants and make the programs more attractive and relevant to the Australian labour market. More information is available at [cadetnet.gov.au](http://cadetnet.gov.au).

## Youth

Defence has more than 30 youth programs and activities in locations that align with current ADF establishments. Engagement with youth is an important component of Defence's connection to communities, educational institutions and contribution to nation-building.

Defence youth programs and activities are closely aligned to diversity and inclusion initiatives to increase opportunities for priority diversity target groups, including female students, Aboriginal and Torres Strait Islander students, students from culturally and linguistically diverse backgrounds, and students studying STEM-related disciplines.

Defence continues to review and update the suite of youth protection training courses. The redeveloped Defence Youth Protection Awareness Course was launched in August 2022 and further work is underway to design and deliver the combined Defence Youth Protection Supervisor and Manager course in late 2023.

In November 2022, Defence completed a youth harmonisation project, identifying opportunities for Defence to improve strategic coordination of its youth programs. An enterprise-wide Defence Youth Engagement Strategy to enable coherence in the recognition and delivery of youth programs is currently being developed.

Defence completed a *Youth Regulatory Framework Review* in May 2023, confirming Defence's legal compliance with the *Commonwealth Child Safe Framework* and *National Principles for Child Safe Organisations*, and has commenced reform of the *Youth Policy Manual*, in line with *Defence Administrative Policy*. More information is available at [defenceyouth.gov.au](http://defenceyouth.gov.au).



Warrant Officer Liz Crean takes a selfie with outgoing Warrant Officer of the Air Force Fiona Grasby in front of Recruit Course 18/22 at the changeover ceremony for the Warrant Officer of the Air Force in Canberra, Australian Capital Territory. CREDIT: Nicole Mankowski

## Actual workforce

This section provides workforce information as at 30 June 2023 and outlines changes in the workforce that occurred during 2022–23. Tables 6.11 to 6.17 show numbers of people, employment categories, locations and gender information. The numbers of star-ranked and Senior Executive Service (SES) officers are also provided at Tables 6.13 and 6.14. The information is based on headcount.

At 30 June 2023, Defence had a permanent workforce of 75,119, comprising 57,346 permanent ADF members (Service Categories 6 and 7) and excluding ADF Gap Year participants (Service Option G), and 17,773 ongoing APS employees. An additional 353 APS employees were employed on a non-ongoing basis (Table 6.16).

The Reserve (Service Categories 3, 4 and 5) headcount increased by 1,068 to 32,049 (including Reserve members on continuous full-time service Service Option C). The total ADF workforce was 89,395 and included 19,352 Navy permanent and Reserve members, 48,766 Army permanent and Reserve members, and 21,277 Air Force permanent and Reserve members. At 30 June 2023, 1,023 Reservists were also Defence APS employees.

**Table 6.11: Defence workforce headcount as at 30 June 2022 and 30 June 2023**

	Navy	Army	Air Force	ADF <sup>2</sup>	APS <sup>3</sup>
Headcount 30 June 2022 <sup>1</sup>	14,958	28,395	14,853	58,206	16,915
Additions	1,141	2,949	1,447	5,537	3,759
Separations	1,354	3,620	1,423	6,397	2,261
Machinery of Government changes <sup>4</sup>	-	-	-	-	287
Headcount 30 June 2023	14,745	27,724	14,877	57,346	18,126
<b>Change</b>	<b>-213</b>	<b>-671</b>	<b>24</b>	<b>-860</b>	<b>1,211</b>

**Notes:**

Figures in this table show substantive headcount numbers.

- Some 2021–22 figures have been adjusted from those reported in the *Defence Annual Report 2021–22* to account for retrospective transactions.
- ADF figures are for permanent members (Service Categories 6 and 7) and do not include Reserves (Service Categories 2, 3, 4 and 5), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
- APS figures include paid and unpaid employees, which covers full-time, part-time, suspended, ongoing and non-ongoing employees.
- Movement of employees due to the Australian Submarine Agency becoming a separate statutory authority within the Defence portfolio on 1 July 2023.

**Table 6.12: Defence workforce by employment location as at 30 June 2023**

	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	6,555	1,435	735	110	2,861	9	659	2,145	236	14,745
Army	5,132	2,930	11,015	1,767	871	49	2,576	3,075	309	27,724
Air Force	4,370	1,150	3,472	1,891	306	14	946	2,406	322	14,877
<b>Subtotal</b>	<b>16,057</b>	<b>5,515</b>	<b>15,222</b>	<b>3,768</b>	<b>4,038</b>	<b>72</b>	<b>4,181</b>	<b>7,626</b>	<b>867</b>	<b>57,346</b>
<b>Reserves<sup>5</sup></b>										
Navy	1,426	369	590	131	513	71	103	1,394	10	4,607
Army	5,736	3,522	5,625	1,486	2,119	476	743	1,332	3	21,042
Air Force	1,854	456	1,606	851	286	49	112	1,186	-	6,400
<b>Subtotal</b>	<b>9,016</b>	<b>4,347</b>	<b>7,821</b>	<b>2,468</b>	<b>2,918</b>	<b>596</b>	<b>958</b>	<b>3,912</b>	<b>13</b>	<b>32,049</b>
<b>Total ADF</b>	<b>25,073</b>	<b>9,862</b>	<b>23,043</b>	<b>6,236</b>	<b>6,956</b>	<b>668</b>	<b>5,139</b>	<b>11,538</b>	<b>880</b>	<b>89,395</b>
<b>APS<sup>6</sup></b>										
<b>Total APS</b>	<b>2,333</b>	<b>3,380</b>	<b>1,253</b>	<b>2,112</b>	<b>527</b>	<b>91</b>	<b>219</b>	<b>8,081</b>	<b>130</b>	<b>18,126</b>

**Notes:**

Figures in this table are based on substantive locations for the ADF and actual locations for the APS. Actual location provides a more reliable indication of an APS employee's location, so actual location has been used for the report.

- Victorian figures include individuals located in Albury in New South Wales.
- Australian Capital Territory figures include individuals located in Jervis Bay in the Jervis Bay Territory, Queanbeyan in New South Wales and Bungendore in New South Wales.
- Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.
- Permanent Force (Service Categories 6 and 7) does not include ADF Gap Year (Service Option G), which had 775 participants on 30 June 2022. Gap Year participants may be employed in multiple locations during their period of service.
- Reserves include all members (Service Categories 3, 4 and 5) and Reserves undertaking continuous full-time service (Service Option C). This does not include Reserve Service Category 2.
- Includes paid and unpaid employees, which covers full-time, part-time, ongoing and non-ongoing employees. The 30 June 2023 figures for the APS include 1,023 APS employees who are also counted as Reserve members.

**Table 6.13: Star-ranked officers as at 30 June 2023**

	Star-ranked officers <sup>1</sup>			2022-23 engagements <sup>2</sup>			2022-23 separations		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<b>Four-star</b>									
Navy	-	-	-	-	-	-	-	-	-
Army	1	-	1	-	-	-	-	-	-
Air Force	-	-	-	-	-	-	-	-	-
<b>Three-star</b>									
Navy	3	-	3	1	-	1	1	-	1
Army	4	1	5	1	1	2	1	-	1
Air Force	1	-	1	-	-	-	-	-	-
<b>Two-star</b>									
Navy	11	4	15	4	1	5	2	-	2
Army	18	4	22	4	2	6	4	1	5
Air Force	11	3	14	5	1	6	3	-	3
<b>One-star</b>									
Navy	42	8	50	12	5	17	5	-	5
Army	50	8	58	10	4	14	8	-	8
Air Force	38	12	50	13	1	14	4	1	5
<b>Total</b>	<b>181</b>	<b>40</b>	<b>221</b>	<b>50</b>	<b>15</b>	<b>68</b>	<b>28</b>	<b>2</b>	<b>30</b>

**Notes:**

- Figures in this table show members in Service Categories 6 and 7 at their substantive rank. Reserves undertaking full-time service (Service Option C) are not included in the figures. Figures exclude members who do not exclusively identify as either male or female.
- Figures in this table show substantive promotions only.

**Table 6.14: Australian Public Service Senior Executive Service employees as at 30 June 2023**

	Total Senior Executive Service <sup>1</sup>			2022-23 engagements <sup>2,3</sup>			2022-23 separations <sup>2,4</sup>		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<b>Senior Executive</b>									
Secretary	1	-	1	-	-	-	-	-	-
Band 3	4	4	8	1	1	2	3	-	3
Band 2 <sup>5</sup>	21	8	29	6	-	6	6	4	10
Band 1 <sup>6</sup>	41	65	106	1	10	11	1	9	10
<b>Chief of Division</b>									
Grade 2	6	3	9	-	-	-	-	-	-
Grade 1	3	1	4	1	1	2	-	-	-
<b>Total APS</b>	<b>76</b>	<b>81</b>	<b>157</b>	<b>9</b>	<b>12</b>	<b>21</b>	<b>10</b>	<b>13</b>	<b>23</b>

**Notes:**

- Figures in this table show employee numbers at their substantive level, but not employees on long-term leave [13], secondment or temporary transfer to other departments [9]. Figures exclude employees who do not exclusively identify as either male or female.
- Gains and losses do not reflect movement of officers between levels in each of the SES 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.
- SES Band 2 includes Medical Officer Grade 6.
- SES Band 1 includes Medical Officer Grade 5.

**Table 6.15: Australian Public Service Executive Level employees and below, by gender and classification as at 30 June 2023**

	30 June 2023 headcount			2022–23 engagements			2022–23 separations		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<b>Executive level</b>									
Executive Level 2	1,292	723	2,015	88	77	165	121	67	188
Executive Level 1	2,336	1,858	4,194	242	227	469	284	188	472
<b>Subtotal</b>	<b>3,628</b>	<b>2,581</b>	<b>6,209</b>	<b>330</b>	<b>304</b>	<b>634</b>	<b>405</b>	<b>255</b>	<b>660</b>
<b>Other staff</b>									
APS Level 6	2,845	2,537	5,382	414	509	923	344	296	640
APS Level 5	1,343	1,482	2,825	311	384	695	196	198	394
APS Level 4	589	1,063	1,652	183	360	543	67	131	198
APS Level 3	342	561	903	98	177	275	56	83	139
APS Level 2	427	255	682	335	139	474	105	59	164
APS Level 1	182	88	270	121	56	177	23	12	35
<b>Subtotal</b>	<b>5,728</b>	<b>5,986</b>	<b>11,714</b>	<b>1,462</b>	<b>1,625</b>	<b>3,087</b>	<b>791</b>	<b>779</b>	<b>1,570</b>
<b>Total APS</b>	<b>9,356</b>	<b>8,567</b>	<b>17,923</b>	<b>1,792</b>	<b>1,929</b>	<b>3,721</b>	<b>1,196</b>	<b>1,034</b>	<b>2,230</b>

**Notes:**

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 employees who do not exclusively identify as either male or female.

**Table 6.16: Australian Public Service employees by gender as at 30 June 2022 and 30 June 2023**

	30 June 2022 <sup>1</sup>			30 June 2023		
	Full-time	Part-time <sup>2</sup>	Total	Full-time	Part-time <sup>2</sup>	Total
<b>Ongoing employees</b>						
Male	8,662	183	8,845	9,063	200	9,263
Female	6,903	863	7,766	7,586	891	8,477
Indeterminate <sup>3</sup>	21	1	22	32	1	33
<b>Total ongoing</b>	<b>15,586</b>	<b>1,047</b>	<b>16,633</b>	<b>16,681</b>	<b>1,092</b>	<b>17,773</b>
<b>Non-ongoing employees</b>						
Male	102	29	131	141	35	176
Female	121	27	148	136	41	177
Indeterminate <sup>3</sup>	2	1	3	–	–	–
<b>Total non-ongoing</b>	<b>225</b>	<b>57</b>	<b>282</b>	<b>277</b>	<b>76</b>	<b>353</b>
<b>Total APS employees</b>						
Male	8,764	212	8,976	9,204	235	9,439
Female	7,024	890	7,914	7,722	932	8,654
Indeterminate <sup>3</sup>	23	2	25	32	1	33
<b>Total</b>	<b>15,811</b>	<b>1,104</b>	<b>16,915</b>	<b>16,958</b>	<b>1,168</b>	<b>18,126</b>

**Notes:**

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

- Some 30 June 2022 figures have been adjusted from what was reported in the *Defence Annual Report 2021–22* 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.
- Employees who have identified as indeterminate includes any person who does not exclusively identify as either male or female, for example, a person of a non-binary gender. People who fall into this category may use a variety of terms to self-identify.

**Table 6.17: Australian Defence Force permanent (Service Categories 6 and 7), ADF Gap Year (Service Option G) and Reserve forces (Service Categories 3, 4 and 5) and Australian Public Service by gender as at 30 June 2022 and 30 June 2023**

	30 June 2022 <sup>1</sup>				30 June 2023			
	Male	(%)	Female	(%)	Male	(%)	Female	(%)
<b>Navy permanent<sup>2</sup> (Trained force)</b>								
Officers	2,314	15.5	724	4.8	2,331	15.8	739	5.0
Other ranks	7,596	50.8	2,289	15.3	7,405	50.2	2,290	15.5
Officers	789	5.3	265	1.8	816	5.5	290	2.0
Other ranks	738	4.9	235	1.6	653	4.4	214	1.5
<b>Total Navy</b>	<b>11,437</b>	<b>76.5</b>	<b>3,513</b>	<b>23.5</b>	<b>11,205</b>	<b>75.9</b>	<b>3,533</b>	<b>24.0</b>
<b>Army permanent<sup>2</sup> (Trained force)</b>								
Officers	4,555	16.0	959	3.4	4,473	16.1	967	3.5
Other ranks	16,741	59.0	2,774	9.8	16,171	58.3	2,749	9.9
Officers	703	2.5	211	0.7	761	2.7	218	0.8
Other ranks	2,102	7.4	345	1.2	2,085	7.5	294	1.1
<b>Total Army</b>	<b>24,101</b>	<b>84.9</b>	<b>4,289</b>	<b>15.1</b>	<b>23,490</b>	<b>84.6</b>	<b>4,228</b>	<b>15.3</b>
<b>Air Force permanent<sup>2</sup> (Trained force)</b>								
Officers	3,513	23.7	1,149	7.7	3,507	23.6	1,187	8.0
Other ranks	6,166	41.5	2,200	14.8	6,022	40.5	2,277	15.3
Officers	672	4.5	273	1.8	705	4.7	262	1.8
Other ranks	611	4.1	264	1.8	690	4.6	222	1.5
<b>Total Air Force</b>	<b>10,962</b>	<b>73.8</b>	<b>3,886</b>	<b>26.1</b>	<b>10,924</b>	<b>73.4</b>	<b>3,948</b>	<b>26.6</b>
<b>ADF permanent<sup>2</sup> (Trained force)</b>								
Officers	10,382	17.8	2,832	4.9	10,311	18.0	2,893	5.0
Other ranks	30,503	52.4	7,263	12.5	29,598	51.6	7,316	12.8
Officers	2,164	3.7	749	1.3	2,282	4.0	770	1.3
Other ranks	3,451	5.9	844	1.5	3,428	6.0	730	1.3
<b>Total ADF permanent</b>	<b>46,500</b>	<b>79.8</b>	<b>11,688</b>	<b>20.2</b>	<b>45,619</b>	<b>79.6</b>	<b>11,709</b>	<b>20.4</b>
<b>ADF Gap Year</b>								
Navy	85	11.1	92	12.0	73	10.1	99	13.7
Army	250	32.6	89	11.6	227	31.5	68	9.4
Air Force	149	19.4	102	13.3	134	18.6	120	16.6
<b>Total ADF Gap Year</b>	<b>484</b>	<b>63.1</b>	<b>283</b>	<b>36.9</b>	<b>434</b>	<b>60.2</b>	<b>287</b>	<b>39.8</b>

[Table 6.17 continued]

	30 June 2022 <sup>1</sup>				30 June 2023			
	Male	(%)	Female	(%)	Male	(%)	Female	(%)
<b>Reserves<sup>2,3</sup></b>								
Navy	3,277	10.6	1,341	3.1	3,533	11.0	1,073	3.3
Army	17,454	56.3	5,600	10.6	17,633	55.0	3,408	10.6
Air Force	4,649	15.0	7,913	4.3	4,970	15.5	1,430	4.5
<b>Total Reserves</b>	<b>25,380</b>	<b>81.9</b>	<b>14,854</b>	<b>18.1</b>	<b>26,136</b>	<b>81.5</b>	<b>5,911</b>	<b>18.4</b>
<b>APS<sup>2,4</sup></b>								
<b>Total APS</b>	<b>8,976</b>	<b>53.1</b>	<b>7,914</b>	<b>46.9</b>	<b>9,439</b>	<b>52.2</b>	<b>8,654</b>	<b>47.8</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 2022 figures have been adjusted from what was reported in the *Defence Annual Report 2021–22* 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 3, 4 and 5) and Reserves 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 2023 figures for the APS include 1,023 APS employees who are also counted as Reserve members.



Royal Australian Navy personnel from 725 Squadron stand at attention while the Australian national anthem is played during the Anzac Day 2023 dawn service in Coffs Harbour, New South Wales. CREDIT: Leading Seaman Imagery Specialist Susan Mossop

## Diversity and inclusion

The attraction, recruitment and retention of a highly skilled workforce, aligned to our values and behaviours, is critical in ensuring that Defence's capability, professionalism and effectiveness can advance Australia's security and prosperity, both domestically and internationally.

During 2022–23, a suite of courses was available to all employees through the Learning Management System to provide them with training related to inclusion, diversity, unconscious bias and cultural awareness. The Defence Indigenous Cultural Learning Portal is a practical 'one-stop-shop' to encourage all Defence personnel to pursue or continue their own Indigenous cultural learning journey. The portal provides Defence personnel with ongoing and nationwide access to Indigenous cultural learning resources to increase their understanding and recognition of Aboriginal and Torres Strait Islander cultures, histories, knowledge, achievements and rights.

Additionally, each year Defence recognises an approved list of events of significance and importance, which enhance our operational capability by contributing to our inclusive culture, and acknowledging and promoting awareness of our diverse workforce. 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;
- Science in Australia Gender Equity;
- Champions of Change Coalition; and
- Pride in Diversity.

### Women in Defence

As at 30 June 2023, the participation rate of women in the Defence APS reached 47.7 per cent, an increase from 46.7 per cent as at 30 June 2022. In this period, the proportion of women in executive level positions increased from 28.7 per cent to 30 per cent. There has also been a decrease over the past year in the proportion of women in Senior Executive Service positions from 52.7 per cent to 51.8 per cent. Further, Defence boards have 49.3 per cent representation by women, an increase of 2 per cent from last year. Defence continues to support women through a number of initiatives, including leadership and mentoring opportunities offered within Defence, professional memberships (such as courses through the Australian Human Resources Institute) and Commonwealth public sector programs.

Defence continues to shape the agenda of women in STEM in Australia, and is now working towards a new target of 50 per cent female participation in all STEM entry-level programs in Defence. In addition, the Defence NAVIGATE program exceeded its target of at least 40 per cent female participants for the pilot program, with a new target of 50 per cent for all subsequent NAVIGATE programs.

As at 30 June 2023, the participation rate of women in the permanent ADF reached 20.4 per cent, a slight increase from 20.1 per cent as at 30 June 2022. In the same period, the number of women serving in the ADF increased by 21, with 11 more women in senior officer positions.

Defence has targets for female representation in the ADF, originally at 15 per cent for Army and 25 per cent for Navy and Air Force by 2023. As at 30 June 2023 both Army and Air Force have achieved their targets, with 15.2 per cent and 26.5 per cent respectively. Army has set revised targets of 18 per cent by 2025 and 20 per cent by 2035, and Air Force has revised its target to 35 per cent by 2030.

Navy did not achieve its 2023 target, with 24 per cent female representation as at 30 June 2023, and has set a revised target of 35 per cent by 2035.

Defence continues to identify proactive opportunities to attract and retain women, for example through the annual Women in the ADF Report, and by the Chief of the Defence Force and the Chief Defence Scientist participating as permanent members of the Champions of Change Coalition, which is committed to achieving gender equality, advancing more women in leadership, and building respectful and inclusive workplaces.

## Indigenous participation and engagement

Defence's longstanding commitment to the *National Agreement on Closing the Gap* is outlined in the *Defence Reconciliation Action Plan 2019–2022* — Defence's fourth Reconciliation Action Plan. Although the 2019–2022 Plan ended in December 2022, the commitment will continue, with the development of a new strategy to align more closely to the *National Agreement on Closing the Gap*.

Overall, Indigenous representation among Defence APS employees decreased slightly from 2.2 per cent on 30 June 2022 to 2.1 per cent on 30 June 2023. The permanent ADF Indigenous workforce increased from 3.5 per cent on 30 June 2022 to 3.7 per cent on 30 June 2023.

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

For example:

- Defence delivers the whole-of-government **Indigenous Graduate Pathway**, which recruits Indigenous university graduates on behalf of a large number of Australian Government departments and agencies. Successful candidates undertake job placements that match their skill set, expertise and passion across a 12 to 18-month program. Participants who successfully complete the program secure an ongoing APS position with the placement agency;
- the **Defence Work Experience Program** plays an important role in showcasing the range of career opportunities available in the ADF and APS. The Defence Work Experience Program attracts talent from across Australia through community engagement initiatives, work experience activities and partnering with Indigenous organisations to improve future outcomes for Indigenous youth. During 2022–23, Defence delivered 25 programs designed to specifically engage with our Indigenous youth, representing 12 per cent of all offerings;
- the **Indigenous ADF Pre-Recruit Program** aimed at Indigenous Australians who meet the general entry recruiting medical, education and aptitude standards, 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 delivered in a structured military environment, while also introducing candidates to ADF culture within the context of individual cultural identity. The program is conducted at Blamey Barracks, Kapooka and RAAF Base Wagga in New South Wales and HMAS *Stirling* in Western Australia. During 2022–23, there were 10 Navy participants, 20 Army participants and 11 Air Force participants in the ADF 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. Recruits achieve their Certificate II in Vocational Skills for Work (equivalent to Year 10 English and maths) and their First Aid Certificate. As well as achieving general entry education requirements, recruits have the opportunity to improve their medical, psychological and physical prospects for service, while concurrently participating in resilience, confidence building and adventure training activities in a culturally supportive environment. These six-month programs are conducted in Cairns, Queensland; Darwin, Northern Territory; and Kapooka, New South Wales. During 2022–23, 42 people participated in the Navy Indigenous Development Program and 103 people participated in the Army Indigenous Development Program; and
- the **Air Force Indigenous Youth Program** which provides Indigenous candidates with hands-on experience, highlighting the range of career opportunities available within Air Force. In 2022–23, the program had approximately 120 participants.

**Table 6.18: Indigenous participation, 2022–23**

	30 June 2022 <sup>1</sup>		30 June 2023	
	Number	Percentage of total (%)	Number	Percentage of total (%)
<b>Navy</b>				
Permanent	554	3.7	556	3.8
Reserves <sup>2</sup>	76	1.8	92	2.0
<b>Army</b>				
Permanent	1,063	3.7	1,084	3.9
Reserves <sup>2</sup>	757	3.6	809	3.8
<b>Air Force</b>				
Permanent	449	3.0	463	3.1
Reserves <sup>2</sup>	89	1.5	102	1.6
<b>Total ADF</b>				
Permanent	2,066	3.5	2,103	3.7
Reserves <sup>2</sup>	922	3.0	1,003	3.1
<b>Total APS<sup>3</sup></b>	<b>375</b>	<b>2.2</b>	<b>376</b>	<b>2.1</b>

**Notes:**

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

1. Data for 2021–22 does not match the data provided in the *Defence Annual Report 2021–22*, due to retrospective transactions.
2. Reserves include all members (Service Categories 3, 4 and 5) 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 378 graduates recruited for the 2023 Defence Graduate Program, approximately 39 per cent indicated they either spoke or wrote a second language (other than English). The most common languages were Mandarin, French, Japanese, German and Spanish.

### Lesbian, gay, bisexual, trans, intersex and queer 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 LGBTIQ+ workplace inclusion. As part of Defence’s Pride in Diversity membership, it holds regular training sessions throughout the year for all Defence personnel, which aims 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 is committed to removing barriers, either real or perceived, for employees with a disability. This means all employees have equitable access to training and development opportunities.

Defence continues to enhance capability and build positive and sustainable employment through a number of disability employment initiatives. In 2022–23, these initiatives included:

- the Defence Administrative Assistance Program, employing approximately 105 people with an intellectual disability across Australia through partnerships with Australian Disability Enterprises; and
- the Inclusive Employment Program, employing 11 people with an intellectual disability at the APS 1 and 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 online 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 2023, 3.1 per cent of Defence APS employees identified as having a disability. Other reporting mechanisms include the annual APS Commission 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. The 2019 survey reported that 19 per cent of Defence personnel indicated they had at least one form of disability or chronic medical condition.

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 APS Commission's State of the Service reports and the APS Statistical Bulletin. These reports are available on the Australian Public Service Commission (APSC) website at [apsc.gov.au](https://www.apsc.gov.au).

## Health and wellbeing of Defence personnel and veterans

Defence continues to deliver services to support the health and wellbeing of ADF members 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.

### Health stewardship

Established in October 2021, the ADF Health Select Committee provides a collaborative forum that focuses specifically on health matters, including mental health and sets the direction for the Defence health system to align with capability requirements of the ADF. The ADF Health Select Committee is also responsible for providing direction on implementation and monitoring achievement of the *ADF Health Strategy*.

### Health strategy and evaluation

The *ADF Health Strategy* was revised to ensure it remains fit for purpose. Force optimisation and operational health capability were identified as the lead pillars which have now been reflected in the strategy and in action plans. End states for each of the lead pillars have been identified which articulate outcomes the strategy is seeking to achieve. Work on the development of the ADF Health Strategy Action Plan has commenced.

### Mental health and wellbeing

Through internal assessment and reporting mechanisms, Defence identified an opportunity to improve Defence's enterprise approach to mental health and wellbeing. The Chief of the Defence Force agreed to the creation of a Director General position to lead a new branch, consolidating functions from across Defence, to create a more optimal approach to mental health and wellbeing. In November 2022, the Director General Mental Health and Wellbeing was appointed and, soon after, commenced a review of existing functions and arrangements to support mental health, wellbeing and suicide prevention. The Mental Health and Wellbeing Branch will lead Defence in enterprise management of mental health and wellbeing for all Defence personnel. It will be the principal lead for workforce mental health and wellbeing and set policy and program requirements and enable assured and continuous improvement. It will provide the enterprise with expert advice to mature practice in relation to mental health, wellbeing and suicide prevention.

### Defence and Department of Veterans' Affairs Aligned Wellbeing Factors

Throughout 2023, Defence continued to work with the Department of Veterans' Affairs (DVA) to refine the Defence and DVA Aligned Wellbeing Factors, including the elevation of safety and justice as a factor recognised by both organisations. The factors align each organisation's approach to wellbeing and will ensure that clear language and aligned actions are used across the organisations to respond to 'lifetime' needs of current and former serving ADF members and their families.

### Defence Mental Health and Wellbeing Strategy

The *Defence Mental Health and Wellbeing Strategy 2018–2023* initiatives align with the *Defence Strategic Update 2020*. There is a focus on delivering services for ADF members that directly contribute to capability, and support the deployable force. Defence and DVA are currently working together to develop an integrated Defence and Defence Veteran Mental Health and Wellbeing Strategy (2024–2029), led by the newly established Mental Health and Wellbeing Branch in Defence People Group. The Continuous Improvement Framework Project is an evaluation of the *Defence Mental Health and Wellbeing Strategy (2018–2023)* and key programs or activities that exist within it. The final evaluation report will be completed by the end of 2023 and contain recommendations for future evaluation activities. Recommendations will be incorporated into ADF mental health programs to continue to support our members and inform the development of the Defence and Veteran Mental Health and Wellbeing Strategy (2024–2029).

## Australian Defence Force health policy and healthcare provision

Defence continues to deliver evidence-based care to ADF members. Defence health policy continues to be updated to ensure alignment with best practice in the community. The *ADF Maternity Policy* was recently updated to ensure best-practice support to members during pregnancy and in the post-partum period. This process included significant contributions from stakeholders, external experts and professional colleges. The Garrison Health Smarter Service Delivery Program aims to improve, innovate, optimise and modernise Defence health services. As an example, a new physiotherapy access model was implemented.



The Royal Australian Air Force Balloon VE-DEF landing after a flight at the Canberra Balloon Spectacular, Australian Capital Territory. CREDIT: Pilot Officer Lauren Mallett

## Programs and initiatives

During 2022–23, Defence increased the focus on health protection and prevention activities. As an example, the ADF resilience program 'BattleSMART' continued to evolve. In 2022, Defence completed an evaluation of a revised BattleSMART package at initial training establishments across the three Services — Navy, Army, Air Force. This evaluation found BattleSMART continues to apply best practice and reflects principles identified by resilience research in military populations. This evaluation supports the ongoing application and prioritisation as part of the ADF training continuum.

In addition to the support provided to ADF members through the joint health system, a number of initiatives are accessible to enable Defence to target prevention and early intervention, decrease stigma, build skills and knowledge and facilitate access to support when needed.

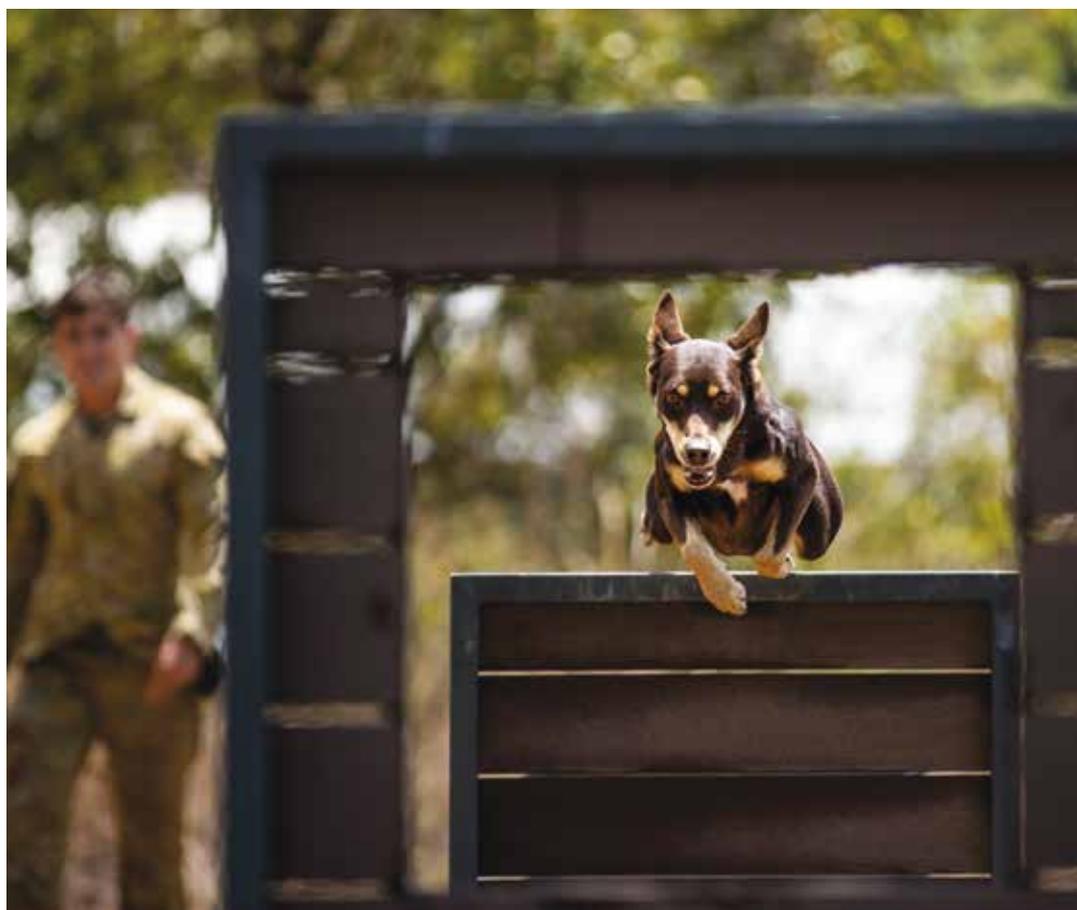
These include:

- **ADF Suicide Prevention Program** — The Program continues to be enhanced through the ongoing partnership with SafeSide Prevention. The *SafeSide Framework* is an evidence-based, best practice approach to suicide prevention and has been customised to ensure fit for purpose for the Defence environment. This includes mandatory training and specialised tailored training for mental health clinicians, health professionals, chaplains and command teams. The Defence Suicide Database is a real time monitoring system that records all suspected and confirmed deaths by suicide of ADF personnel serving full-time at the time of their death since January 2000. Defence suicide data contributes to an established process of reporting to internal and external stakeholders. Work is underway on the enhancement of the Defence Suicide Database and the development of a suicide behaviour (ideation, plans and attempts) dashboard in conjunction with the Joint Health Command Health Information Office. The ADF Centre for Mental Health has designed a Defence Suicide Death Review Process in consultation with the Suicide Prevention Five Eyes Alliance Working Group and enterprise stakeholders that aligns with changes to the Work Health and Safety (Psychosocial Risks) Amendment Regulation (2022), that came into effect on 1 April 2023. The Defence Suicide Death Review Process is a centralised and formalised approach that uses a socio-ecological framework for the analysis of suicide deaths that can be used to inform future directions in Defence suicide prevention.
- **ADF Centre for Mental Health** — The ADF Centre for Mental Health delivered 555 mental health awareness and suicide prevention educational and training activities to Defence members and health staff. The Alcohol Tobacco and other Drugs Program commenced a refresh and review of the *ADF Alcohol Management Strategy* that has three specific aims which are to enhance operational capability, reduce personal harm and minimise organisational cost. The aims will be achieved through the following strategic objectives: leadership; systems; programs; policies and protocols; knowledge; skills and resourcing; evaluation and continuous improvement; and partnerships. The ADF Centre for Mental Health also delivered mental health promotional activities with important messages showcased during PTSD Awareness Day, World Suicide Prevention Day, R U OK? Day and World Mental Health Day which shone a light on 'Awareness. Belonging. Connection'.
- **Defence Employee Assistance Program** — This is a confidential professional counselling service available to APS personnel, Australian Signals Directorate 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, virtually or via telephone. The program provides short-term preventive and proactive interventions to address issues that may adversely affect performance and wellbeing, with referral pathways available for more intensive support as required. Support services are tailored to meeting individual needs, including but not limited to those relating to: disability and carers, First Nations people, domestic and family violence, elder care, LGBTIQ+ people, spiritual and pastoral care and young people and students.
- **Defence NewAccess Stress and Anxiety Coaching Program** — This program provides coaching support to both APS and ADF personnel experiencing low levels of anxiety and depression. NewAccess supports individuals to learn new strategies to manage stress, with referral pathways available for more intensive support as required.

- **Career Assist, Conflict Assist, Nutrition and Lifestyle Assist, Family Assist, Money Assist, Legal Assist and Manager Assist** — These programs provide 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** — The webinars focus on practical tips for taking care of oneself, including the use of emotional regulation and coping strategies.
- **Mental Health Speakers Series presentations** — These presentations take place a few times a year to raise awareness and to reduce stigma by inviting those with 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.

## Health research

The *Defence Health Research Priorities 2022–25* were endorsed by the ADF Health Select Committee. Eight priorities were identified through consultation and include measuring and monitoring the health of the force, mental health and wellbeing, musculoskeletal injuries, health of the future warfighter, health system performance and efficiency, infectious disease, gender and health, and occupational and environmental health. Defence has appointed a Defence Professor of Mental Health who will lead a five-year program of research into the prevention and management of priority mental health issues.



Explosive detection dog Archie from the 3rd Combat Engineer Regiment undergoes agility training at Lavarack Barracks in Townsville, Queensland. CREDIT: Bombardier Guy Sadler

## Work health and safety

Defence finalised the delivery of the *Defence Work Health and Safety Strategy 2017–2022* in the first half of 2023. During the lifetime of the strategy, 55 implementation plan activities were undertaken. At the completion of the strategy, 45 activities had been completed and 10 activities were incomplete. Most of the incomplete activities remaining are in the final stage of delivery and are on track to be completed by the end of 2023.

### Due diligence

Defence is committed to making its workplaces as safe as possible through the practice of effective due diligence. As part of its due diligence obligations, Defence continues to maintain a strong and collaborative relationship with Comcare. Defence co-chairs a biannual Defence-Comcare liaison forum, invites Comcare representation on senior work health and safety committees, and identifies other opportunities to share information and learnings.

Defence maintains specialist systems and processes to report and analyse safety incidents across the enterprise. Consistent monthly work health and safety reporting to the Senior Leadership Group and across the enterprise supports strong work health and safety decision-making at all levels of Defence.

A key aspect of work health and safety due diligence is ensuring that our work health and safety officers are aware of their responsibilities under the *Work Health and Safety Act 2011*. Formal briefings are provided to work health and safety officers within three months of commencement in their role. All personnel staff are required to complete annual work health and safety training. As at 30 June 2023, completion rates for mandatory training were highest among permanent ADF (92 per cent) and APS (89 per cent) personnel, followed by the Reservist workforce (57 per cent).

## Deaths of Australian Defence Force personnel

44 ADF personnel died in the 2022–23 reporting period as a result of illness/disease, homicide, misadventure, suicide and possible suicide. 23 members were rendering full-time service, and 21 were rendering part-time service, at the time of their death. 38 of the deceased members were male, with six female fatalities occurring.

**Table 6.19: Deaths of full-time service personnel<sup>1</sup>, 2022–23\***

Cause of death	Number of deaths	Service			Gender	
		Navy	Army	Air Force	Male	Female
Suicide <sup>2</sup>	6	–	4	2	5	1
Yet to be determined (possible suicide) <sup>3</sup>	3	2	–	1	2	1
Illness / disease <sup>4</sup>	13	1	7	5	12	1
Misadventure <sup>5</sup>	1	–	–	1	1	–
<b>Total</b>	<b>23</b>	<b>3</b>	<b>11</b>	<b>9</b>	<b>20</b>	<b>3</b>

**Notes:**

1. Service categories 6 and 7.
2. Confirmed by a state or territory coroner.
3. Possible suicide, however awaiting coroner's reports.
4. Deaths from a long-term illness, or medical issues that were previously unknown.
5. Deaths resulting from accidents that occurred whilst off-duty.

\*The 15 fatalities reported in Chapter 6 (WHS incidents, see page 109) are subject to ongoing investigation by the IGADF of the Australian Defence Force, Comcare and relevant state and territory police and coroners, and at this stage the workplace nexus for these incidents is unclear. The IGADF received notification of 46 deaths during the 2022–23 reporting period, however, not all of these deaths occurred during the reporting period. Defence records indicate that 44 ADF personnel (of varying Service Categories) died during the 2022–23 reporting period as a result of illness/disease, homicide, misadventure, confirmed suicide and possible suicide.

**Table 6.20: Deaths of part-time service personnel<sup>1</sup>, 2022–23**

Suspected cause of death	Number of deaths	Service			Gender	
		Navy	Army	Air Force	Male	Female
Suicide	2	–	2	–	2	–
Yet to be determined (possible suicide)	2	–	2	–	2	–
Illness / disease	13	1	8	4	11	2
Misadventure	3	–	2	1	3	–
Homicide	1	–	1	–	–	1
<b>Total</b>	<b>21</b>	<b>1</b>	<b>15</b>	<b>5</b>	<b>18</b>	<b>3</b>

**Notes:**

1. Service categories 2, 3 and 5.

**Work health and safety incidents in Defence**

The number of work health and safety incidents increased in 2022–23, though the number of people involved in notifiable incidents reduced, as shown in Table 6.21. Incidents are reported from the date of occurrence. Figures in Table 6.21 can vary from previous Defence annual reports, as incidents can be reported well after the occurrence date and severity statuses can be updated.

**Table 6.21: Number of work health and safety incidents and number of people involved, 2020–21 to 2022–23**

	2020–21		2021–22		2022–23	
	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>	10	11	17	18	15	15
Serious injury or illness <sup>1</sup>	168	171	157	162	156	163
Dangerous incident <sup>1</sup>	236	402	274	357	227	351
<b>Subtotal (notifiable incidents)</b>	<b>414</b>	<b>584</b>	<b>448</b>	<b>537</b>	<b>398</b>	<b>529</b>
Minor injury	8,049	8,215	7,483	7,627	7,706	7,887
Near miss	2,187	3,668	2,113	3,440	2,064	3,309
Exposure	795	3,326	814	3,815	792	3,499
<b>Subtotal (reportable incidents)</b>	<b>11,031</b>	<b>15,209</b>	<b>10,410</b>	<b>14,882</b>	<b>10,562</b>	<b>14,695</b>
<b>Total</b>	<b>11,445</b>	<b>15,793</b>	<b>10,858</b>	<b>15,419</b>	<b>10,960</b>	<b>15,224</b>

**Notes:**

The figures in the 2022–23 columns reflect the financial year up to 30 June 2023; however, the data is as at 3 August 2023 to ensure recent updates have been captured. The Australian Signals Directorate became a separate statutory body on 1 July 2018; therefore its data is excluded from this table.

1. 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.
2. The 'Number of incidents' columns show the number of incidents occurring in that financial year. A single incident can include multiple individuals.
3. 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.

Of the 398 incidents notifiable to Comcare in 2022–23, Comcare undertook monitoring and compliance activity in relation to 145. Two of these incidents were subject to non-disturbance notices. Non-disturbance notices are reissued weekly for as long as they remain in place, which resulted in two notices being issued in 2022–23, as shown in Table 6.22.

**Table 6.22: Number of Comcare work health and safety notices, 2020–21 to 2022–23**

Type of notice	2020–21	2021–22	2022–23
Improvement notice <sup>1</sup>	1	2	–
Prohibition notice <sup>2</sup>	1	–	5
Non-disturbance notice <sup>3</sup>	2	59	2

**Notes:**

- Improvement notices are based on incidents and occurrences that contravene work health and safety legislation. Some 2021–22 figures have been adjusted from those reported in the *Defence Annual Report 2021–22* to account for retrospective transactions.
- Prohibition notices are issued to remove an immediate threat to the health and safety of workers.
- Non-disturbance notices are issued for a specific period of time to remove a threat to the health or safety of personnel.

## Returning Australian Public Service employees to work

Safely returning our people to work is important for the health and wellbeing of staff, and enables Defence to focus on its mission and purpose. Defence works closely with APS employees, their supervisors and other key stakeholders to deliver person-centred support for Defence APS employees who are experiencing health conditions to enable their safe maintenance at or return to work.

In 2022–23, 189 Defence APS employees were referred to a rehabilitation case manager, a small increase from 2021–22. These were a combination of compensable and non-compensable cases.

Of the 101 Defence APS employee claims accepted by Comcare in 2022–23, the three most common mechanisms of injury were falls, trips and slips (29); mental stress (17) and body stressing (12).

Psychological claims contributed to 43.36 per cent of Defence costs for 2022–23, followed by disease 35.05 per cent and injury 21.59 per cent. Defence’s average cost of claims in 2022–23 was \$22,141, compared with the Commonwealth average of \$27,072. Defence’s average term of incapacity across all injury types was 21.7 weeks, compared with the Commonwealth average of 19.5 weeks.

Defence’s workers’ compensation premium for 2023–24 increased by 16.52 per cent from 2022–23. Factors that contributed to this include inflation and economic conditions, in addition to an increase in estimated wages for the incoming financial year.

In 2022–23, Defence’s average return to work rate was 80.8 per cent, compared with the Commonwealth rate of 74.4 per cent, which is driven by early support mechanisms, care for injured and ill Defence employees and their supervisors.

## Complaint handling and resolution

Defence personnel have the right to make complaints if they are aggrieved by matters relating to their employment. ADF personnel (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 incidents will be addressed; and to seek support services, ensuring they feel 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 personnel with guidance and processes for complainants, respondents and managers to follow to ensure a consistent and considered approach to complaint management.

### Resolution

The Defence Alternative Dispute Resolution Program is an enduring program which has long-established a supportive, safe and informal environment for dispute resolution to assist in the delivery of Defence capability. Effective, professional and respectful workplace relationships are critical in the delivery of capability. Where these relationships break down, alternative dispute resolution is available to assist in addressing workplace conflict and restoring workplace relationships at the earliest opportunity and at the lowest appropriate level.

Alternative dispute resolution services are provided across Australia and internationally to all Defence personnel, regardless of ADF rank, employee classification or contractor status. The services are delivered by dispute resolution managers and a panel of experienced, accredited and highly skilled dispute resolution practitioners.

In 2022–23, the Alternative Dispute Resolution Program delivered 1,253 interventions including mediation, facilitated conversations, group facilitations and conflict coaching. Workshops were also conducted to establish workplace expectations, increase communications and provide a solid grounding in the complaint management processes. Early intervention strategies are key to empowering Defence personnel to resolve issues earlier and work towards positive resolution outcomes.

A diverse network of 1,000 workplace behaviour advisers encompassing both ADF personnel and Defence APS employees is available across all Defence bases, establishments and units. Workplace behaviour advisers provide impartial policy advice to support early resolution of disputes and the effective management of complaints.

## Australian Public Service review of actions

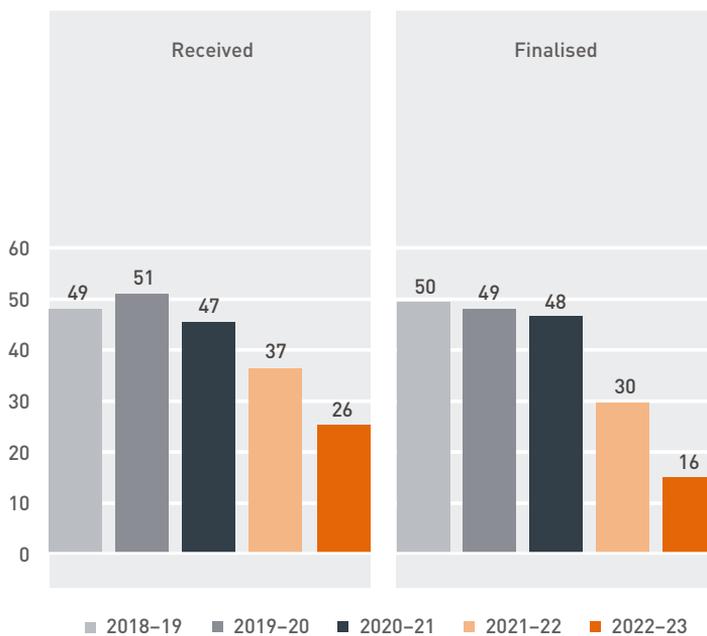
Non-SES APS employees who have a complaint about an action or a decision relating to their employment can seek to have the matter considered for review as part of the APS review of action process under section 33 of the *Public Service Act 1999*.

In 2022–23, Defence received 26 applications for review of actions, a reduction of 11 from 2021–22. One applicant then sought secondary review from the Merit Protection Commissioner. In this review, the decision was confirmed. 16 reviews of action were finalised.

The following subjects featured in the applications for review in 2022–23:

- management of unacceptable behaviour complaints by line management;
- leave and salary entitlements; and
- performance, feedback and development scheme decisions.

**Figure 6.1: Number of applications for review received and finalised during 2018–19 to 2022–23**



## 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 adhere to high standards of ethical and personal conduct and are a credit to Defence and the nation.

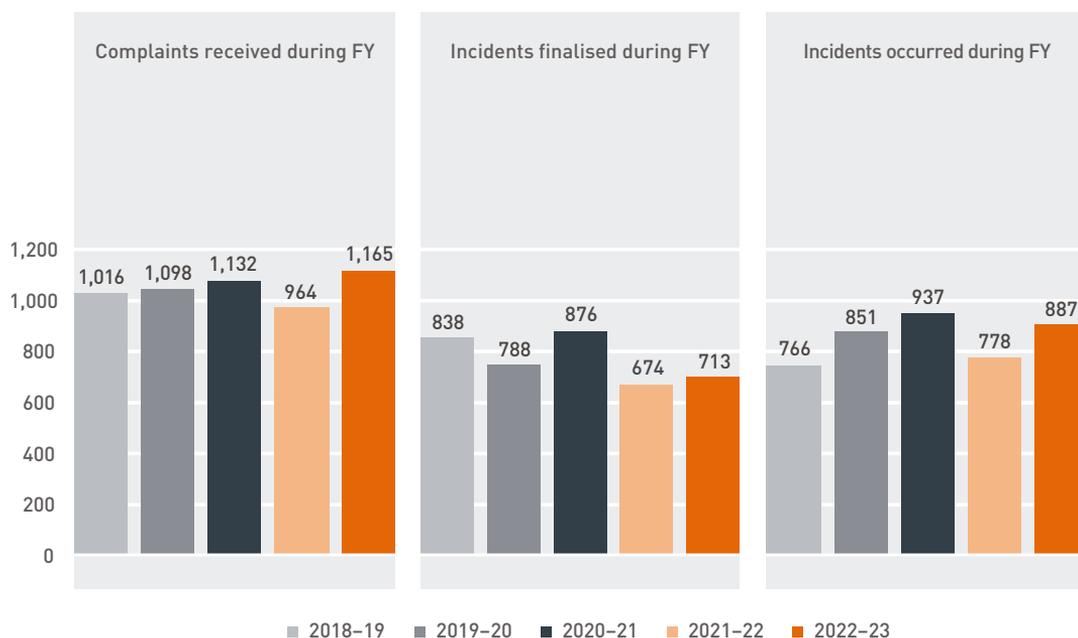
In 2022–23 Defence:

- continued the ongoing review of the *Complaints and Alternative Resolutions Manual* by focusing on developing a user-friendly, interactive resource for complaint management across Defence. This included the release of a new chapter — ‘Stop Sexual Harassment Directions’ — to align with amendments to the *Fair Work Act 2009* and Defence Regulation 2016; since inception there have been nil reported applications;
- strengthened commander, manager and supervisor capability in the management of unacceptable behaviour incidents through the delivery of 150 training workshops delivered by qualified dispute resolution practitioners; and
- updated the Mandatory Workplace Behaviour Awareness Program. The program includes interactive and engaging content to address current and emerging trends related to behaviour, encouraging a positive reporting culture.

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.

Personnel continue to respond to encouragement to report incidents of unacceptable behaviour, with a total of 1,165 complaints reported during 2022–23, an increase of 20.9 per cent compared with 2021–22. Of these, 887 complaints related to incidents that occurred during the financial year, with the remaining 278 relating to incidents occurring in previous financial years.

**Figure 6.2: Unacceptable behaviour complaints reported as received, finalised and having occurred, during 2018–19 to 2022–23**



## Sexual misconduct response

There is no place for sexual misconduct in Defence. All allegations are taken very seriously. Incidents of sexual misconduct do not align with the Defence Values and Behaviours.

Over 2022–23, Defence continued to improve its handling of sexual misconduct issues. Defence has established systems, training and processes to educate our people and seek to prevent sexual misconduct. Defence maintains a victim-centric, trauma-informed approach to support individuals to report sexual misconduct and continually reviews its policies and processes to minimise the risk of incidents.

Any ADF personnel who experiences sexual misconduct is strongly encouraged and supported to report the incident. Victims who wish to report an incident have a range of options, including direct engagement with state or territory police, or the Australian Federal Police independent of Defence. Victims can also choose to report to Defence through the military police or their own chain-of-command. Defence has a variety of around the clock confidential support services available to impacted individuals such as the Sexual Misconduct Prevention and Response Office.

### Reported sexual assault in the Australian Defence Force

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 6.23: Reported Defence sexual assault incidents per year**

Model Criminal Code				Australian and New Zealand Standard Offence Classification					
2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22	2022–23
96	98	84	87	170	166	160	187	148	133

**Note:**

Figures from 2013–14 to 2016–17 cannot be directly compared with figures from 2017–18 onward, due to the use of different reporting frameworks for sexual offences.

The Joint Military Police Unit received reports about 133 sexual assaults in 2022–23. Those 133 reports were:

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

The policing outcomes of the 133 reported sexual assaults were:

- 53 cases where ADF personnel did not wish to make a statement of complaint or have the matter investigated by civilian or military police;
- five cases where the complaint was withdrawn (four cases with civilian police and one case with military police);
- 10 cases where there was insufficient evidence to proceed (five cases with civilian police and five cases with military police);
- 12 cases where there was no ADF jurisdiction as the alleged offender was a civilian, ADF cadet, former ADF personnel, personnel of another military force, or the victim indicated they wanted the civilian police to investigate and did not want Defence to be provided any details;
- 48 cases remained ongoing investigations with civilian police (28 cases), ongoing investigations with military police (nine cases), or are with the Office of Military Prosecutions (11 cases);
- three cases resulted in guilty outcomes at a military trial;
- one case resulted in an administrative sanction; and
- one case ended with no further action.

Approximately 44 per cent of sexual assault allegations reported to the Joint Military Police Unit were made by members who did not wish to make a statement of complaint, did not want the matter investigated by military or civilian police, or withdrew their complaint. Respecting the wishes of the victim is consistent with policing principles of maintaining a victim-centric approach but may inhibit Defence's ability to substantiate or conclude matters.

The sexual assault figures are drawn from a live policing database and reflect Joint Military Police Unit's understanding of matters as at 11 July 2023. These figures are initial reports and may change as they are investigated or finalised.

## Sexual misconduct prevention and response

The Sexual Misconduct Prevention and Response Office (SeMPRO), provides a confidential support service to Defence personnel directly affected by sexual misconduct, assistance with incident management and response to promote personnel wellbeing, debriefing services for personnel exposed to difficult material at work, and sexual misconduct educational programs and resources. This service has been provided to the Defence community since 2013.

The team works to foster safe workplaces that uphold Defence Values and Behaviours by directly assisting personnel, through policy development and initiatives, and by developing and delivering educational packages. The following key milestones were achieved in 2022–23:

- As identified in the 2021–22 reporting period, SeMPRO conducted a review of the relevant education products and, with extensive stakeholder engagement, designed a holistic sexual misconduct education framework, with the new courseware being mandatory for all Defence employees to complete. The first education module, Sexual Misconduct Foundations of Knowledge, was released in January 2023 and focuses on which unacceptable behaviours constitute sexual misconduct, and emphasises pathways for disclosing or reporting sexual misconduct. At 30 June 2023, 57 per cent of all active Defence personnel, including Reservists, had completed this module. The next two modules of the Foundation of Knowledge — Peer Response to a Disclosure, and Consent Matters — are scheduled for launch in January 2024.
- As part of an annual review, Defence’s central sexual misconduct policy was reviewed with Defence-wide engagement. The current policy is more contemporary, includes guidance on nuanced consent changes in Australia, and technology-facilitated abuse and provides clearer links to other Defence policy.
- The inaugural Sexual Misconduct Knowledge Sharing Forum was held in April 2023, tentatively scheduled to occur quarterly. This forum is being trialled as an opportunity to liaise with various organisations within Defence. It aims to facilitate discussions and inform organisations, committees and command in identifying trends, risk and protective factors with the overarching goal of preventing unwanted sexualised behaviours and ensuring a physically and psychologically safe working environment.
- SeMPRO provided assistance and shared experience with other Government agencies, and with industry, on applying a person-centric and trauma-informed approach to sexual misconduct policies, procedures and education products.
- 1800 SeMPRO is a dedicated around the clock response service for people impacted by sexual misconduct in Defence. The overall demand for all SeMPRO client services, support, advice and debriefing decreased between 2021–22 (440) and 2022–23 (346). The Client Response Team is one of multiple avenues available in Defence that provides health and support services for personnel impacted by sexual misconduct. Access to these services is confidential and is not shared with command teams without the client’s consent.

Defence encourages reporting of sexual misconduct incidents. Personnel impacted by sexual misconduct in Defence are able to report incidents to Defence or civilian police at any time, but this is not a requirement prior to accessing help. People are encouraged to seek assistance at any time. This can be without making a report, after reporting but before potentially choosing not to pursue an investigation, or throughout policing and legal proceedings. Defence also recognises that external support services may be suitable depending on individual circumstances.

SeMPRO is a supporting, not a reporting, organisation. Social workers and psychologists encourage clients to report incidents, but their focus is to provide individuals with assistance and service coordination, resources and referrals, and education. The Client Response Team work to assist wellbeing, build resilience and facilitate developing self-management strategies and skills. The volume of clients seeking support from SeMPRO after being directly impacted by sexual misconduct (sexual offences, sexual harassment, sex-based discrimination, or adjacent incidents such as stalking and intimate image abuse) decreased from 213 in 2021–22 to 144 in 2022–23 (see Table 6.24).

The Client Response Team also provides a separate advice service to assist commanders, managers, colleagues, family members and friends to improve responses to disclosures and reports, and support optimal management of incidents. Clients of this service are people seeking help to ensure that a person directly impacted by sexual misconduct receives the best response possible. Commanders, managers, and supervisors receive SeMPRO guidance on applying Defence’s policy requirements while focusing on the wellbeing of those involved. Colleagues, family members and friends receive advice on how to assist a person who has disclosed being subjected to sexual misconduct. Personalised advice provided by the Client Response Team complements SeMPRO’s interactive workshops on sexual misconduct incident management and wellbeing delivered across Defence. The uptake of one-on-one assistance with sexual misconduct incident management and disclosures decreased between 2021–22 and 2022–23 (Table 6.24), while participation in workshops increased from 2021–22 (907) to 2022–23 (1,187).

**Table 6.24: Sexual Misconduct Prevention and Response Office new advice clients, 2014–15 to 2022–23**

Financial year	Number of SeMPRO advice clients	Number of SeMPRO support clients
2014–15	147	118
2015–16	131	83
2016–17	223	135
2017–18	253	130
2018–19	266	109
2019–20	235	125
2020–21	275	158
2021–22	216	213
2022–23	197	144
<b>Total</b>	<b>1,943</b>	<b>1,215</b>

**Note:**

The data in this table is client data collected during service provision and can change as clients reveal additional information or when multiple contacts with the service are subsequently reconciled.

In 2022–23, SeMPRO provided confidential debriefing to five clients. Debriefing services are designed to prevent psychological injuries arising from workplace exposure to trauma.

SeMPRO aims to give all personnel a clear understanding of Defence’s behavioural expectations, seeks to reduce the impact of sexual misconduct both directly and by training others to respond well to reports and disclosures, 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 such as bereavement, serious illness or injury, and assistance to families managing the opportunities and challenges associated with military life, support for ADF members and their families when the personnel transitions from military to civilian life, and a number of health and wellbeing initiatives. Programs which support Defence personnel and their families fall into four main areas: mobility and absence from home support; critical incident support; command advice; and transition support.

### Australian Defence Force members and their families

The total number of ADF members and recognised family is approximately 123,500. Defence provides a broad range of programs and services to assist Defence families to make the most of the opportunities provided by the military way of life and also to prepare for and meet the challenges. This includes information and advice, support and counselling, referrals to specialised community services, and assistance and support in crisis situations. Support services and programs include:

- 24/7 counselling and support for personal or family issues through the Defence Member and Family Helpline;
- information about and referral to community services, for example parenting support, family counselling services and relationship counselling;
- assistance and bereavement support to family members in the event of the death of an ADF member;
- family support programs, including assistance for the employment of ADF partners through the Partner Employment Assistance Program, and support for recognised family members with special needs;
- 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, as well as webinars and resilience programs;
- support for children of ADF members with education, childcare services 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, including emergency funding and accommodation, for example in situations where there are concerns about an individual's welfare and/or family safety; and
- engagement with the community through regionally located offices, family liaison officers, Defence community centres, and funded support groups and services.

### Wellbeing and welfare assistance

Defence continues to respond to requests for support and assistance from ADF members and their families. Proactive outreach activities during the last financial year have included contact with ADF families during times of deployment including a number of global, regional and domestic operations. Welfare support calls have also been undertaken with personnel and families posted overseas during the pandemic and to the families of those involved in the Afghanistan evacuation.



Seaman Communications Information Systems Genevieve Heibloem (right) greets a friend upon HMAS *Perth*'s return home to Fleet Base West in Western Australia. HMAS *Perth* participated in the multinational Exercise La Perouse in the Bay of Bengal and served on Operation RESOLUTE, which is the Australian Defence Force's 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. CREDIT: Able Seaman Imagery Specialist Rikki-Lea Phillips

## Transition support

Defence provides transition support services to all ADF members who have served in the ADF a minimum of one day, regardless of Service Category. Transition support is offered to members before, during and up to two years after their separation from Service, or transfer to Reserve Service.

Defence continues to evolve supports for the non-career elements of transition, including the impacts of transition on families. Support to members is delivered through an extensive suite of job-readiness, meaningful engagement, cultural reintegration, and social connectivity programs from which a bespoke curriculum is designed to match each member's individual circumstances and goals.

ADF member and family transition seminars continue to be a foundation of transition service delivery. Each seminar provides an awareness of the suite of supports available to ADF personnel and an opportunity to speak with a transition coach. Virtual-live and virtual-static transition seminar options are also available, which provide optimal flexibility for members and their families to attend.

Transition stakeholder forums are conducted across Australia to allow representatives from the transition ecosystem to engage with regional transition services, to receive and provide updates and to gain feedback on the effectiveness and performance of the current transition system.

Defence is taking a system-wide view, removing duplication, connecting services and providing support to transition specialists to affect both simple and complex transitions.

Defence continues to work closely with DVA to deliver the best possible outcomes for current and former members of the ADF and their families. Defence and DVA have focused their planning and continuous improvement of the transition ecosystem against the Defence and DVA Wellbeing Factors.

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

### Australian Defence Force personnel

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 personnel.

The *Workplace Remuneration Arrangement 2020–2023* is the framework that allows for annual wage adjustments for ADF personnel. Maintaining competitive remuneration helps to attract and retain military people, and forms a significant part of the ADF personnel total employment package.

The *Workplace Remuneration Arrangement 2020–2023* increases salary and salary-related allowances in return for enhanced Defence capability. Other conditions of service are determined by the Deputy Prime Minister and Minister for Defence under section 58B of the *Defence Act 1903*.

Table 6.25 details salary ranges for permanent ADF personnel as at 30 June 2023.

**Table 6.25: Permanent Australian Defence Force salary ranges as at 30 June 2023**

Rank	Salary range	
	Minimum (\$)	Maximum (\$)
<b>Officer of the permanent force (equivalent)</b>		
Lieutenant General (E) <sup>1</sup>	428,930	508,434
Major General (E) <sup>2</sup>	256,724	352,235
Brigadier (E) <sup>2,3</sup>	180,457	339,800
Colonel (E) <sup>2,3,5</sup>	167,470	332,000
Lieutenant Colonel (E) <sup>2,4</sup>	142,836	318,819
Major (E) <sup>2,4</sup>	116,470	307,627
Captain (E) <sup>2,4</sup>	95,193	296,375
Lieutenant (E) <sup>5</sup>	82,222	152,275
2nd Lieutenant (E) <sup>5</sup>	78,023	143,371
<b>Other rank of the permanent force (equivalent)</b>		
Warrant Officer Class 1 (E)	105,183	152,115
Warrant Officer Class 2 (E)	98,308	142,279
Staff Sergeant (E)	95,620	137,898
Sergeant (E)	87,415	132,671
Corporal (E)	77,911	122,778
Lance Corporal (E)	73,114	115,391
Private Proficient (E)	71,976	114,252
Private (E)	70,861	113,142

#### Notes:

1. Some Lieutenant General (E) rates are set by the Defence Force 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.

## Non-Senior Executive Service 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 Government policy.

The *Defence Enterprise Agreement 2017–2020* nominally expired on 16 August 2020; however, it will continue to operate alongside the determination made under subsection 24(1) of the *Public Service Act 1999* signed by the Secretary of the Department of Defence, which provided three consecutive annual increases to salary and salary-related allowances throughout the three-year period to August 2022.

Table 6.26 details Defence APS salary rates as at 30 June 2023. The majority of 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 attract and retain selected employees with the necessary skills and knowledge to deliver capability.

**Table 6.26: Australian Public Service salary ranges as at 30 June 2023**

Classification	Minimum (\$)	Maximum (\$)	Individual arrangements <sup>1</sup> (\$)
<b>Senior Executive Service salary arrangements</b>			
SES Band 3	286,787	336,460	796,403
SES Band 2 <sup>2</sup>	234,346	286,397	424,875
SES Band 1 <sup>3</sup>	196,003	244,078	268,830
<b>Non-Senior Executive Service salary arrangements<sup>4</sup></b>			
	Minimum (\$)	Maximum (\$)	Special pay points (\$)
Executive Level 2	125,622	150,785	201,874 <sup>5</sup>
Executive Level 1	108,195	122,044	150,785 <sup>6</sup>
APS Level 6	85,607	97,790	100,741 <sup>7</sup>
APS Level 5	78,143	83,700	84,346 <sup>8</sup>
APS Level 4	71,207	77,739	–
APS Level 3	62,863	69,265	–
APS Level 2	55,187	62,042	62,680 <sup>9</sup>
APS Level 1	48,764	54,740	–

**Notes:**

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

**Table 6.27: Primary employment arrangements of Senior Executive Service and non-Senior Executive Service employees**

Primary agreement title	SES <sup>1</sup>	Non-SES <sup>1</sup>	Total <sup>2</sup>
Enterprise Agreement	–	16,756	16,756
Section 24(1) Public Service Act Determination	191	–	191
<b>Total</b>	<b>191</b>	<b>16,756</b>	<b>16,947</b>

**Notes:**

1. Non-SES salary ranges are provided under the Defence APS (Salary adjustment) Determination 2019 made under subsection 24(1) of the *Public Service Act 1999*. The primary terms and conditions of employment for Defence APS employees are set out in the *Defence Enterprise Agreement 2017–2020*.
2. The figure of 191 includes Chiefs of Division, Medical Officers, and SES employees on long-term leave and Defence funded secondments.
3. The Secretary of the Department of Defence is not included in the above figures as this is a statutory appointment.

## 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, job sharing and working remotely. Defence invests heavily in training and the development of staff and has a number of formal and informal schemes to recognise exemplary performance and achievements.

### Senior Leadership Group

During the reporting period to 30 June 2023, Defence had 36 executives who met the definition of key management personnel. Their names and lengths of term as key management personnel are shown in Table 6.28.

**Table 6.28: Key management personnel, 2022–23**

Name	Position	Term as key management personnel
Mr Greg Moriarty	Secretary of Defence	Full-year
General Angus Campbell AO DSC, Australian Army	Chief of the Defence Force	Full-year, reappointed 07/07/2022
Vice Admiral David Johnston AC, Royal Australian Navy	Vice Chief of the Defence Force	Full-year, reappointed 07/07/2022
Mr Matt Yannopoulos PSM	Associate Secretary	Full-year
Vice Admiral Michael Noonan AO, Royal Australian Navy	Chief of Navy	Last day of appointment as Chief of Navy 06/07/2022
Lieutenant General Rick Burr AO DSC, Australian Army	Chief of Army	Last day of appointment as Chief of Army 02/07/2022
Air Marshal Mel Hupfeld AO DSC, Royal Australian Air Force	Chief of Air Force	Last day of appointment as Chief of Air Force 03/07/2022
Vice Admiral Mark Hammond AO, Royal Australian Navy	Chief of Navy	Appointed as Chief of Navy from 07/07/22
Lieutenant General Simon Stuart AO DSC, Australian Army	Chief of Army	Appointed as Chief of Army from 03/07/2022
Air Marshal Robert Chipman AM CSC, Royal Australian Air Force	Chief of Air Force	Appointed as Chief of Air Force from 04/07/2022
Mr Steven Groves	Chief Finance Officer	Full-year
Mr Stephen Pearson	Chief Information Officer	Part-year, ceased 31/01/2023
Mr Justin Keefe	Acting Chief Information Officer	Part-year, acted from 30/01/2023 to 30/06/2023

(Table 6.28 continued)

Name	Position	Term as key management personnel
Mr Peter Tesch	Deputy Secretary Strategy, Policy and Industry	Part-year, ceased 19/08/2022
Mr Hugh Jeffrey	Deputy Secretary Strategy, Policy and Industry	Part-year, acted from 27/08/2022, appointed 02/03/2023
Ms Justine Greig	Deputy Secretary Defence People	Full-year
Lieutenant General Gregory Bilton AO CSC, Australian Army	Chief Joint Operations	Full-year
Rear Admiral Ian Murray AM, Royal Australian Navy	Acting Chief of Joint Capabilities	Ceased 01/07/22
Lieutenant General John Frewen AO DSC, Australian Army	Chief of Joint Capabilities	Commenced 02/07/2022
Lieutenant General Gavan Reynolds AO, Australian Army	Chief of Defence Intelligence	Full-year
Vice Admiral Jonathan Mead AO, Royal Australian Navy	Chief Nuclear-Powered Submarine Task Force	Full-year
Ms Celia Perkins	Deputy Secretary Estate and Infrastructure	Full-year
Professor Tanya Monro	Chief Defence Scientist	Full-year
Mr Shane Fairweather	Acting Deputy Secretary Capability Acquisition and Sustainment	Part-year, acted from 01/07/2022 to 13/09/2022
Mr Chris Deeble AO CSC	Deputy Secretary Capability Acquisition and Sustainment	Part-year, appointed 29/08/2022
Mr Tony Dalton AM CSC	Deputy Secretary National Naval Shipbuilding	Part-year, ceased 05/05/2023
Ms Kathryn Campbell AO CSC	Senior Advisor AUKUS	Full year
Rear Admiral Wendy Malcolm AM CSM, Royal Australian Navy	Acting Deputy Secretary National Naval Shipbuilding	Part-year, acted from 01/05/2023 to 30/06/2023
Mr Tom Hamilton	Deputy Secretary Defence Strategic Review Implementation	Part-year, appointed 09/03/2023
Air Marshal Leon Phillips OAM, Royal Australian Air Force	Inaugural Chief of the Guided Weapons and Explosive Ordnance	Commenced 08/05/2023
Lieutenant General Natasha Fox AM CSC, Australian Army	Inaugural Chief of Personnel	Commenced 05/06/2023
Air Marshal Darren Goldie AM CSC, Royal Australian Air Force	National Cyber Security Coordinator on secondment to the Department of Home Affairs	Commenced 20/06/2023
Mr Stephen Moore	Acting Deputy Secretary Strategy, Policy and Industry	Part-year, acted from 21/07/2022 to 26/08/2022 17/11/2022 to 26/11/2022 03/12/2022 to 12/12/2022 16/04/2023 to 21/04/2023 01/06/2023 to 05/06/2023
Ms Teresa Blair	Acting Deputy Secretary Strategy, Policy and Industry	Part-year, acted from 14/01/2023 to 20/01/2023 26/02/2023 to 03/03/2023 24/04/2023 to 30/04/2023 08/05/2023 to 12/05/2023
Mr Graham Weber	Acting Chief Finance Officer	Part-year, acted from 21/11/2022 to 02/12/2022 12/06/2023 to 30/06/2023
Professor Emily Hilder	Acting Chief Defence Scientist	Part-year, acted from 01/05/2023 to 28/05/2023

**Table 6.29: Key management personnel remuneration, 2022–23**

	Value (\$)
<b>Short-term benefits:</b>	
Base salary	10,911,636
Bonus	–
Other benefits and allowances	336,768
<b>Total short-term benefits</b>	<b>11,248,404</b>
Superannuation	2,136,190
<b>Total post-employment benefits</b>	<b>2,136,190</b>
<b>Other long-term benefits:</b>	
Long service leave	251,716
<b>Total other long-term benefits</b>	<b>251,716</b>
Termination benefits	–
<b>Total key management personnel remuneration</b>	<b>13,636,310</b>

**Note:**

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Deputy Prime Minister and Minister for Defence, Minister for Defence Industry, Minister for Veterans' Affairs and Defence Personnel and Assistant Minister for Defence and Veterans' Affairs. The remuneration and other benefits for these ministers are not paid by the Department of Defence.
2. The total number of key management personnel that are included in the above table is 34 (2021–22: 23). There are seven acting key management personnel included in this figure (2021–22: three).

### Australian Defence Force senior officers

All ADF senior officers (excluding statutory/public officeholders) are remunerated under the *Workplace Remuneration Arrangement 2020–2023*. Other non-pay-related conditions of service are determined by the Deputy Prime Minister and Minister for Defence under section 58B of the *Defence Act 1903*.

### Public officeholders

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

The tribunal has decided to defer any adjustment in remuneration and they will meet in August 2023 to further consider and determine whether any adjustment is appropriate. Any such determination will have effect from 1 July 2023.

### 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 by a supporting remuneration determination and individual arrangements by a common law agreement or letter of offer.

### 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.

SES employees may have their salary increased based on the outcome of their annual performance appraisal. An SES employee may also be paid a bonus at the discretion of the Secretary of the Department of Defence as a reward for exceptional performance. 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 6.30: Australian Public Service employee performance bonus payments, 2022–23**

Classification	Number of employees receiving performance pay	Aggregate (sum total) of all payments made (\$)	Average of all payments made (\$)	Minimum payment made to employees (\$)	Maximum payment made to employees (\$)
SES Band 3	-	-	-	-	-
SES Band 2	-	-	-	-	-
SES Band 1	-	-	-	-	-
Executive Level 2	1,030	1,833,663	1,780	121	19,602
Executive Level 1	2,280	2,628,429	1,153	46	14,600
APS Level 6	2,657	2,542,592	957	23	7,628
APS Level 5	1,528	1,279,377	837	2	4,604
APS Level 4	707	524,817	742	87	894
APS Level 3	650	451,479	695	14	855
APS Level 2	245	170,835	697	290	725
APS Level 1	30	18,284	609	258	725
Other	-	-	-	-	-
<b>Total</b>	<b>9,127</b>	<b>9,449,475</b>	<b>1,035</b>		

**Note:**

Medical Officer 1 included in APS 6 category. Medical Officer 2 included in EL 1 category. Medical Officer 3 and 4 included in EL 2 category. Science and Technology 2 included in APS 4 category. Science and Technology 3 included in APS 5 category. Science and Technology 4 included in APS 6 category. Science and Technology 5 included in EL 1 category. Science and Technology 6, 7 and 8 included in EL 2 category.

**Table 6.31: 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.
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 Reserves 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.



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## Marching with pride in the Mardi Gras Parade

Defence is committed to fostering an inclusive culture, where every individual is valued for their contribution and dedication to service and the Defence mission. This is regardless of their background, age, race, culture, religion, sexual orientation or gender identity.

In 2023, Defence celebrated a number of significant diversity and inclusion workplace milestones, including:

- 30th anniversary of the lifting of the ban on open gay service,
- 20th anniversary of the establishment of the Defence LGBTI Information Service, and
- 13th anniversary of the inclusion of transgender people serving in the ADF.

2023 was also the 10th anniversary of ADF personnel marching in uniform at the annual Sydney Gay and Lesbian Mardi Gras Parade, demonstrating the importance of a more diverse workforce to enhance Defence capability and effectiveness.

The Defence contingent represented the 2023 Mardi Gras theme of 'Gather, Dream, Amplify' through Indigenous dancing, stories from Navy's Indigenous performers, along with marching and music to amplify the message of inclusion.

The Australian Defence Force Academy Pipes and Drums led the 60-strong Defence contingent in the Parade, which included ADF and APS personnel; Defence LGBTI Information Service members; and former serving members, their families and supporters. For the first time, two Defence ministers marched in the Parade.

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1: Defence LGBTI Information Service President, Royal Australian Navy Lieutenant Rachel Cosgrove, takes part in the 2023 Sydney Gay and Lesbian Mardi Gras Parade, New South Wales. CREDIT: Private Nicholas Marquis

Parade Commander and LGBTIQ+ Champion, Major General Anthony Rawlins, believes that the Mardi Gras demonstrates that you can merge several identities.

“Being able to [march] in uniform shows you can seamlessly merge your professional identity with your personal identity,” Major General Rawlins said.

Parade second-in-command, Royal Australian Air Force Flying Officer Nathan Howarth, believes Defence’s participation in the march demonstrated to future generations that it is okay to be who you are and still serve in the military.



“It’s important to show we are as much a part of Defence as our non-LGBTIQ+ counterparts. We are showing young LGBTIQ+ people there is a place for them no matter what they choose to do,” Flying Officer Howarth said. •

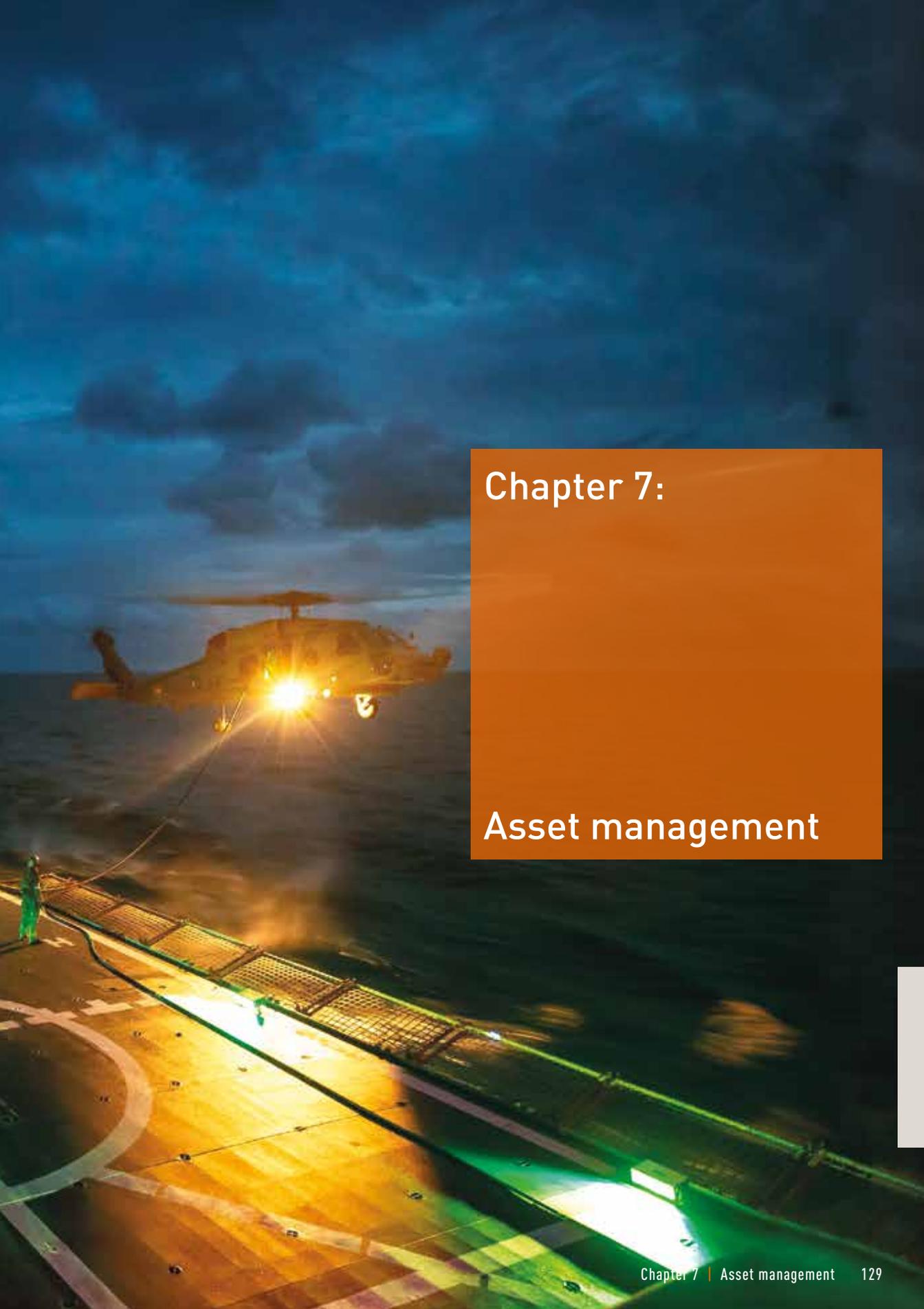


**2:** Australian Army Lieutenant Riley Bradford, Royal Australian Navy Sub Lieutenant Claudia Gilbert, and Royal Australian Air Force Leading Aircraftwoman Katie Luff in Hyde Park prior to the 2023 Sydney Gay and Lesbian Mardi Gras Parade, New South Wales. CREDIT: Private Nicholas Marquis. **3:** The Australian Defence Force Academy Pipes and Drums participate in the 2023 Sydney Gay and Lesbian Mardi Gras Parade, New South Wales. CREDIT: Private Nicholas Marquis

## INDO-PACIFIC ENDEAVOUR 2022

HMAS *Anzac*'s flight deck team conduct a night helicopter in-flight refuel with the ship's MH-60R 'Raven' helicopter during a training sortie as part of Indo-Pacific Endeavour 2022 — Australia's flagship regional engagement activity. Indo-Pacific Endeavour 2022 involved about 1,800 personnel, five ships, 11 helicopters and Royal Australian Air Force aircraft across 14 countries in Southeast Asia and the northeast Indian Ocean between September to December 2022. Regional engagement activities included military exercises, workshops, training, sporting events and cultural activities, and the deepening of cooperation on issues ranging from humanitarian assistance and disaster relief to gender, peace and security. CREDIT: Leading Seaman Imagery Specialist Jarryd Capper





## Chapter 7:

# Asset management

## Defence Single Information Environment

Defence is supported by one of the largest and most complex ICT environments 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, services and strategic communications to enable the warfighting capabilities of the ADF globally.

CIOG leads the integrated design, cost-effective delivery, and sustained operation of Defence's Single Information Environment, which is Defence's ICT 'ecosystem'. The Single Information Environment helps generate effects, whether on the desktop or in the battlefield. It encompasses the computing and communications infrastructure of Defence, along with the management systems and people that deliver and sustain it. The Single Information Environment includes the data, infrastructure and services required for essential Defence functions including command and control; communications; ICT; intelligence, surveillance and reconnaissance; cyberspace warfare; and logistics.

The Single Information Environment also includes the fixed, deployable and mobile networks that underpin ADF operations. CIOG also provides strategic (satellite, high and very low frequency) communications capabilities to support ADF training and operations across the globe, at sea, in the air and on the land. It is responsible for maintaining interoperability with our allies and coalition partners and across Government agencies.

Through the implementation of the *2022 Defence Information and Communications Technology Strategy*, CIOG is driving delivery of mission-capable ICT so that Defence is ready to fight and win in the digital age. Defence will evolve the posture of the Single Information Environment to be more secure, resilient, survivable and scalable, increasing access to information where and when it is needed, while reducing vulnerabilities to threats that can impact decision-making.

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 Defence maintains its 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.

The *Defence Strategic Review* recommends ambitious reform to Defence's policy, strategy, posture and capability settings to ensure Defence is well-positioned to meet the nation's security challenges in a changing strategic environment. For Defence ICT, it re-enforces the requirement to strengthen Defence's cyber security capability and invest in strengthening the senior leadership presence in CIOG to address current and future ICT demands.

Through planned investment in 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 Single Information Environment but also fixed, deployed and mobile networks that support Australian operations.

Defence's cyber security apparatus is being enhanced through the *Defence Cyber Security Strategy* to deliver mission-focused, threat-centric and contemporary Defence enterprise cyber security, 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 investment in Defence's cyber security capability is aligned to Defence priorities, supports ADF operations and 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 Single Information Environment, and Defence continues to operationalise the *Defence Supply Chain Risk Management Framework*, through integrating into key procurement and assurance processes and practices.

## Purchasing

Defence undertakes its procurement in accordance with the Commonwealth Procurement Rules. The rules are supported through Defence-specific procurement policies, including the *Defence Procurement Manual*, guidance and fact sheets. The *Defence Annual Procurement Plan*, which provides notice to industry of significant procurements, is published on the AusTender website at [tenders.gov.au](https://tenders.gov.au), in accordance with the Commonwealth Procurement Rules.

## Procurement initiatives to support small and medium enterprises

Defence actively promotes and supports small business participation in Australian Government procurement. Participation statistics for small and medium enterprises are available on the Department of Finance website at [finance.gov.au](https://finance.gov.au). Defence measures to support small and medium enterprises include:

- complying with the *Commonwealth Procurement Framework*. This includes the application of Appendix A Exemption 17 of the Commonwealth Procurement Rules to directly engage small and medium enterprises for procurements valued up to \$500,000 by or on behalf of Defence, provided value for money can be demonstrated;
- mandatory use of the Commonwealth Contracting Suite for procurements valued under \$200,000;
- applying the *Defence Policy for Industry Participation* to encourage small and medium enterprise participation;
- complying with the *Indigenous Procurement Policy*, noting that many Indigenous businesses are small and medium enterprises;
- complying with the Australian Government's *Supplier Pay On-Time or Pay Interest Policy*, including the use of credit cards for low-value procurements valued below \$10,000; and
- providing mentoring, guidance and advisory services to Australian small and medium enterprises through the Office of Defence Industry Support.

Defence recognises the importance of ensuring that small businesses are paid on time. The *Australian Government Pay On-Time Survey — Performance Report 2021–2022*, published on the Department of Treasury website at [tenders.gov.au](https://tenders.gov.au), shows that for contracts valued up to \$1 million, Defence paid 97 per cent of its contracts within 20 days.

## 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.

The Commonwealth *Indigenous Procurement Policy* sets annual targets for the volume and value of contracts to be awarded to Indigenous enterprises by the Commonwealth and each portfolio. In 2022–23, the Defence target for the number of contracts remained at 3 per cent of eligible domestic contracts, equalling 737 contracts. The value-based target for contracts awarded to Indigenous businesses 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 2022–23 is \$207 million. Defence's performance against the portfolio's annual targets is published on the National Indigenous Australians Agency website at [niaa.gov.au](https://niaa.gov.au).

Part of Defence's vision for a reconciled Australia is understanding and learning from history and working towards an inclusive future. This includes providing meaningful opportunities for Aboriginal and Torres Strait Islander peoples to play an active role in supporting and enhancing Defence capability.

## Capital investment

In 2022–23, five major capital facilities and infrastructure projects were referred to, and two major capital facilities and infrastructure projects received exemption from the Parliamentary Standing Committee on Public Works, with a total value of \$2.36 billion. The Committee conducted five public hearings for those projects referred, and the five projects subsequently achieved parliamentary approval.

Also in 2022–23, 13 medium works capital facilities and infrastructure projects, with a total value of \$319.8 million, were notified to the committee.

Further information on the projects that were referred to, received exemption from, or notified to the Parliamentary Standing Committee on Public Works can be found in Chapter 5: Management and accountability.

## Capability investment

The *Defence Strategic Review* noted that Australia's strategic circumstances and the risks are now radically different and that the recommendations in the *Defence Strategic Review*, in conjunction with the acquisition of conventionally-armed, nuclear-powered submarines, will reshape the force structure, posture and capability of Defence for the coming decades.

The *2020 Defence Strategic Update* ended the longstanding assumption in Defence planning that Australia would have a 10-year warning time for conflict. Ending warning time has major repercussions for Australia's management of strategic risk. It necessitates an urgent call to action, including higher levels of military preparedness and accelerated capability development.

To meet these challenges, the ADF needs:

- an integrated, focused force structure based on net assessment;
- a strategy of denial;
- an acknowledgement of the risks inherent in the different levels of conflict; and
- realistic scenarios agreed to by Government.

To achieve this, Defence will refocus through additional investment in the acceleration of capabilities and divest, delay or re-scope other activities that do not advance the attributes of the Integrated Force (Defence infrastructure, the five domains and enabling logistics or other systems). Changes in the Integrated Investment Program require immediate decisions to realise time, resource (both workforce and financial) and cultural change.

This will include rescheduling delivery, reducing in scale, or divesting programs and previously envisaged core projects not suited for the strategic circumstances outlined in the *Defence Strategic Review*.

During the introductory phase of the *Defence Strategic Review*, Defence conducted a preliminary reprioritisation of the Integrated Investment Program. This identified a range of acquisitions determined to be of lower priority for Defence's strategic circumstances that could be considered for delay, re-scope or cancellation. Defence is further reprioritising elements of the Integrated Investment Program in line with the force structure priorities, force design guidance and strategic assessments.

In response to the *Defence Strategic Review* the Government has taken immediate action to prioritise Defence capabilities in six areas as detailed in Chapter 2: Departmental overview.

## Significant Government announcements in 2022–23

### Defence enterprise:

The *Defence Strategic Review* identified the need for prioritised investment to upgrade and develop our northern network of bases, ports and barracks, stretching from Exmouth in Western Australia, through the Northern Territory, and across to Townsville in Far North Queensland. The Government committed to strengthening Australia's northern bases, committing \$3.8 billion of infrastructure works over the next four years. Works across northern air bases will include upgrades to runway and apron capacity, fuel supply and storage, accommodation and security. Investments in land and joint estate capabilities will centre on major training area upgrades in the Northern Territory and upgrades at Robertson Barracks in Darwin, in addition to works at Lavarack Barracks in Townsville, to enable the ADF to conduct training exercises and remain battle ready.

The expenditure in 2022–23 for approved projects in the Enterprise Estate and Infrastructure Program across the Northern Territory was approximately \$500 million. Key programs and activities across Defence included:

- providing enhanced facilities and infrastructure, including airfield improvements, under the RAAF Base Tindal Redevelopment Stage 6 and United States Force Posture Initiative Airfield Works and Associated Infrastructure Program at RAAF Base Tindal; and providing berthing, training, maintenance, logistics and support facilities to support new maritime vessels at various bases, including HMAS *Coonawarra* and RAAF Base Darwin; and
- receiving Government and parliamentary approval in the financial year reporting period for significant capital facilities and infrastructure projects including the Cocos (Keeling) Island Airfield Upgrade, the Robertson Barracks Base Improvements Project, facilities to support the introduction into service of the MQ-4C Triton aircraft system, the Cultana Training Area Redevelopment Stage 2 and HMAS *Harman* Redevelopment.

### Maritime domain:

The Royal Australian Navy and the Naval Shipbuilding and Sustainment Enterprise are pursuing an enhanced lethality surface combatant fleet to address Australia's changing strategic circumstances. The Government has followed on from its response to the *Defence Strategic Review* with an independent analysis of Navy's surface combatant capability to ensure the capability's size, structure and composition complement the capabilities provided by the forthcoming conventionally-armed, nuclear-powered submarine fleet.

While work continues on the Hunter Class frigates and life extension of the Collins Class submarines, the Government continued to invest in naval capabilities to provide advanced strike and ship defence capabilities. In support of Government direction to accelerate long-range precision strike weapon systems, the Government announced in January 2023 that Kongsberg would deliver the Naval Strike Missile for the Anzac Class frigates and Hobart Class destroyers.

In April 2023, the Government announced procurement of a dedicated undersea support vessel, the Australian Defence Vessel *Guidance*, to support undersea surveillance systems trials, including the ability to deploy undersea crewed and uncrewed vehicles, and robotic and autonomous systems.

In May 2023, the Government announced its commitment to modernise anti-ship missile defence capabilities on Anzac Class frigates and Hobart Class destroyers with the Multi-Ammunition Soft-Kill System. The Government is also investing in underwater tracking, anti-submarine warfare, electronic warfare and leading-edge radar capabilities.

### Land domain:

In late 2022, the Government agreed to rapidly replace the MRH90 multi-role helicopters with the UH-60M Black Hawk utility helicopter, with delivery of the first three aircraft expected in late 2023. The Australian Army is on track to receive the first AH-64E Apache Attack helicopters in 2025, replacing the Tiger armed reconnaissance helicopter by 2028.

In January 2023, the Government announced the decision to purchase 20 High Mobility Artillery Rocket Systems, associated munitions and support systems that will be fielded in the late 2020s. The *Defence Strategic Review* has since directed the Australian Army to acquire additional High Mobility Artillery Rocket Systems. Army has also entered into a memorandum of understanding with the United States to co-develop the Precision Strike Missile to achieve an enduring land-based maritime strike capability.

In early 2023, the Government approved the final tranche of the Joint Counter Improvised Explosive Device project to deliver up to 116 explosive ordnance disposal robots to replace the ADF's explosive ordnance disposal robot fleet and deliver purpose-built training and storage facilities for force protection equipment.

In February 2023, the Government approved the replacement and modernisation of the ADF's deployable bulk fuel storage and distribution capability. This will increase the joint force's operational reach and endurance, enabling littoral operations across the region, from warfighting to humanitarian assistance.

The Boxer combat reconnaissance vehicle achieved initial operating capability in mid-2022. Rheinmetall has commenced production of the Boxer Block II and on 23 March 2023, the Minister for Defence Industry stated this could be one of Australia's largest-ever defence export contracts boosting our sovereign defence industry. Approval of the Robotics and Autonomous Systems project in June 2023 has enabled the establishment of the Centre of Land Autonomy. This will accelerate the Australian Army's technological research and innovation and contributes to the innovation ecosystem with academia, industry and other national bodies.

The ADF will be providing 30 additional Bushmaster protected mobility vehicles to Ukraine, demonstrating our ongoing commitment to Ukrainian sovereignty. The contribution expands on Australia's previous commitment of 90 protected mobility vehicles provided in 2022, taking Australia's provision of Bushmasters to Ukraine to 120. In June 2023, the Government contributed an additional 70 military vehicles, including: 28 M113 armoured vehicles, 14 special operations vehicles, 28 medium tactical trucks and 14 trailers, and 105mm ammunition to Ukraine.

### Air domain:

In line with recommendations from the *Defence Strategic Review*, on 27 April 2023, the Government announced it will commit \$2 billion over the next four years to upgrade and develop the northern airbase network as a matter of priority. Covering a vast area across the north of Australia from RAAF Base Learmonth through Cocos (Keeling) Islands, as well as airbases in the Northern Territory and Queensland, work has commenced on upgrades to runway and apron capacity, fuel supply and storage, accommodation and security. The strengthening of the northern airbase network will bolster Air Force's ability to support operations in the north through surveillance, air defence, strike and air transport.

Stemming from the partnership between Defence, the United States Navy and Northrop Grumman, the first MQ-4C Triton Remotely Piloted Aircraft System rolled out on 15 September 2022. The MQ-4C Triton will make a significant contribution to Air Force's ability to persistently patrol Australia's north and north-western approaches, the South West Pacific, and south to Antarctica. To support the operation of this capability, Defence will invest more than \$900 million in Australian industry, including sustainment, facilities and ICT.



A Royal Australian Air Force F-35A Lightning II from No. 75 Squadron conducted joint training missions as part of the multinational Exercise Northern Edge 23 in Alaska, United States. CREDIT: Leading Aircraftman Brandon Murray

### Space domain:

The Government's response to the *Defence Strategic Review* directed that Defence Space Command transition to the Joint Capabilities Group, recognising the importance of space as an operational domain, alongside the other four domains of air, maritime, land and cyber.

Space is critical to the effective employment of military power and is central to how Defence conducts multi-domain operations. The transition is a natural step as Defence Space Command continues to develop and progress space capabilities in defence of Australia's national interests. Defence Space Command is working across the Defence portfolio to progress efforts to advance space capability delivery, a space policy framework and to develop space workforce and career pathways. On 3 April 2023, Defence announced Lockheed Martin Australia as the preferred tenderer for the delivery of Australia's first sovereign-controlled Defence Satellite Communication System over the Indian and Pacific Ocean regions.

In September 2022, Defence Space Command, in collaboration with the United States Space Force, declared initial operational capability for a space surveillance telescope relocated from the United States to Exmouth in Western Australia. The telescope will strengthen the United States Space Surveillance Network's ability to track space assets and debris and provide warnings of possible collisions between space objects. Defence Space Command also achieved initial operational capability for the space segment and ground infrastructure for a protected military satellite communications capability. The first Joint Space Unit, No. 1 Space Surveillance Unit, was established in January 2023 and Space capabilities participated as part of the Pacific Sentry exercise.

### Cyber domain:

The ADF Cyber Gap Program continues to support the national cyber security skills uplift, with 211 participants expected to graduate in December 2023. This will take the total number of graduated participants to 805 at the program's conclusion.

## Projects of Concern

The Projects of Concern regime is a proven process for managing the remediation of underperforming projects. This is achieved through close collaboration and high engagement with senior Defence and industry partner management, led by the Minister for Defence Industry, to agree and implement a plan to resolve significant commercial, technical, cost and/or schedule difficulties.

To increase the visibility of Defence's acquisition and sustainment performance, in August 2022, monthly reporting commenced for the Minister for Defence Industry. This report was expanded throughout 2022–23 to include performance insights across all delivery groups. Detailed reports on the Projects of Concern and Projects and Products of Interest are included in this monthly reporting.

Subsequently, in February 2023, Defence introduced the *Delivery Group Performance Management and Reporting and Management of Projects and Products of Interest and Concern Policy*. This policy was promulgated across Defence, reinforcing performance management and reporting by instilling a consistent approach for the management and coordination of performance monitoring and reporting for acquisition, sustainment and support activities, including the elevation of activities for more intensive oversight.

**Table 7.1: Projects of Concern as at 30 June 2023**

Project	Project number and phase	Date added
Multi-Role Helicopter (MRH-90)	AIR 9000 Phases 2, 4 and 6	November 2011
Civil Military Air Traffic System (CMATS)	AIR 5431 Phase 3	October 2022
Satellite Ground Station — East and Wideband Satellite Communications (SATCOM) Network Management	JOINT 2008 Phase 5B2	May 2023

Defence will continue to actively manage the Projects of Concern in 2023–24.



## Defence Blood Challenge

Defence personnel help the lives of tens of thousands of Australians each year by voluntarily rolling up their sleeves to donate blood and plasma during the 14-week Defence Blood Challenge.

The Defence Blood Challenge began in 2009 and is now Australia's longest running blood challenge.

The 2022 Defence Blood Challenge ran from 1 September to 8 December and involved Defence personnel from across Australia in the Royal Australian Navy, Australian Army, Royal Australian Air Force and Australian Public Service, as well as their families and friends. Together, they contributed 9,473 donations, including 606 new donors, which saved up to 28,419 lives.

Deputy Chief of Navy Rear Admiral Chris Smith CSM RAN said the Defence Blood Challenge exemplified the Defence value of service to the community.

"A single blood donation can save the lives of up to three Australians, and the gift of plasma can be used to treat patients with serious burns, cancer or brain disease," Rear Admiral Smith said.

Blood donations and supplies are also vital to Defence, including for our personnel on operations and exercises, as well as all members of the Defence community in their daily lives.

Flight Lieutenant Sam Edwards, who reached his 50th blood donation in Melbourne during the 2022 Defence Blood Challenge, has the relatively rare O negative blood type and because of his especially high platelet count, he has been matched to an individual who depends on his donations.

"In the ADF, we are in the business of helping our mates. It's just as tangible to assist someone by filling a sandbag to protect their home from flood waters, as it is donating to Lifeblood — both scenarios assist and protect lives. The difference is blood products are needed all year round," Flight Lieutenant Edwards said.

Defence personnel continued to roll up their sleeves beyond the Defence Blood Challenge, with a total of 30,924 donations of blood and plasma across the 2022–23 financial year, saving up to 92,772 lives.

Defence is registered as a Lifeblood Team. Lifeblood, is a division of the Australian Red Cross Society, separate from its humanitarian arm. •

**"It's just as tangible to assist someone by filling a sandbag to protect their home from flood waters, as it is donating to Lifeblood."** Flight Lieutenant Sam Edwards

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Royal Australian Navy Chief Petty Officer Erica Lower, Australian Army Warrant Officer Class One Steven Langdon, and Royal Australian Air Force Sergeant Darrell Greig take a break after making donations at the Port Adelaide Donor Centre, South Australia. CREDIT: Leading Aircraftman Sam Price

## WALK TO WORK DAY

Defence personnel and their families cross the 6.4km causeway from Point Peron to HMAS *Stirling* on Garden Island, Western Australia, for their annual Walk to Work Day to promote regular exercise and a cleaner environment. HMAS *Stirling's* Walk to Work Day is also a command-led Mental Health Day activity, which encourages personnel to discuss mental health issues and take action to promote the wellbeing and development of personnel. CREDIT: Chief Petty Officer Imagery Specialist Yuri Ramsey





## Chapter 8:

# Environmental performance

## Defence Environmental Strategy 2016–2036

The *Defence Environmental Strategy 2016–2036* outlines five strategic aims to drive environmental stewardship across Defence activities, including to:

- deliver a sustainable estate across Defence maritime, land and aerospace areas, activities and operations;
- understand and manage its environmental impacts;
- minimise future pollution risks and manage existing contamination risks;
- improve the efficiency of its resource consumption and strengthen resource security; and
- recognise and manage the Defence estate heritage values.

Defence is reviewing the strategy to align with Government priorities such as protecting 30 per cent of nature by 2030; legislative obligations such as the *Climate Change Act 2022 (Cth)*; and international environmental management commitments such as the draft Global Plastics Treaty 2023.

## Climate change

The *Defence Strategic Review* identified climate change as a national security issue with a number of significant implications for Defence.

The Government agreed to the *Defence Strategic Review's* recommendation that Defence should accelerate its transition to clean energy to increase our national resilience, with a plan to be presented to Government by 2025.

The Government also agreed in-principle to a further two recommendations:

- 1 The Commonwealth should work with the states and territories to develop national resilience and response measures for adverse climate change at the local level without the need for ADF support, except in the most extreme emergencies.
- 2 Defence should be the force of last resort for domestic assistance to the civil community, except in extreme circumstances.

The Government's response included an undertaking to further develop and consider these recommendations as part of the National Defence Strategy to be delivered in 2024.

## Carbon net zero

Defence is committed to reducing its emissions in line with the legislated nationally determined contribution emission reduction targets under the *Climate Change Act 2022 (Cth)* while maintaining and enhancing capability.

Defence is committed to the national emission reduction target of 43 per cent, on 2005 levels, by 2030 and net zero by 2050<sup>1</sup>. From 2005 levels, Defence has already reduced greenhouse gas emissions through energy efficiency initiatives, renewable energy generation and the introduction of low-emission vehicles.

### APS net zero by 2030

The Government has set a target for the APS to reach net zero by 2030, excluding security agencies. While exempt from the APS net zero target, Defence will support the target where possible.

Greenhouse gas emissions reporting has been developed with methodology that is consistent with the whole-of-government approach as part of the *APS Net Zero 2030* policy.

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1. Emission reduction targets and baseline data refers to Scope 1 and Scope 2 emissions only.

**Table 8.1: Greenhouse gas emissions inventory for the reporting period, 2022–23<sup>1</sup>**

2022–23 emissions source	Scope 1 emissions profile (tonnes CO <sub>2</sub> -e)	Scope 2 emissions profile (tonnes CO <sub>2</sub> -e)	Scope 3 emissions profile (tonnes CO <sub>2</sub> -e)	Total (tonnes CO <sub>2</sub> -e)
Electricity <sup>2</sup>	–	629,554	75,085	704,639
Natural gas	58,595	–	12,133	70,729
Fleet vehicles <sup>3</sup>	15,439	–	3,809	19,248
Domestic flights	–	–	105,850	105,850
Other energy	1,052,352	–	265,944	1,318,296
<b>Total</b>	<b>1,126,386</b>	<b>629,554</b>	<b>462,821</b>	<b>2,218,761</b>

**Notes:**

*APS Net Zero 2030* is the Government’s policy for the APS to reduce its greenhouse gas emissions to net zero by 2030, and transparently report on its emissions. As part of this, non-corporate and corporate Commonwealth entities are required to report on their operational greenhouse gas emissions. The Greenhouse Gas Emissions Inventory presents greenhouse gas emissions over the 2022–23 period. Results are presented on the basis of Carbon Dioxide Equivalent (CO<sub>2</sub>-e) emissions. Greenhouse gas emissions reporting has been developed with methodology that is consistent with the whole-of-Australian Government approach as part of the *APS Net Zero 2030* policy. Not all data sources were available at the time of the report and adjustments to baseline data may be required in future reports.

- [cleanenergyregulator.gov.au/NGER/About-the-National-Greenhouse-and-Energy-Reporting-scheme/Greenhouse-gases-and-energy](https://cleanenergyregulator.gov.au/NGER/About-the-National-Greenhouse-and-Energy-Reporting-scheme/Greenhouse-gases-and-energy).
- Location-based method.
- Excludes operation fleet.

## Climate adaptation

Defence recognises that the Defence estate will be impacted by the effects of climate change. Defence estate planning incorporates climate risk assessments that identify and prioritise climate adaptation measures. The *Defence Estate Climate Adaptation Handbook* provides guidance to enable the ongoing capability of the Defence estate in preparation for changes to the climate.

## Renewable energy and energy security

In February 2023, the Australian Government announced an additional \$64 million investment in the Defence Renewable Energy and Energy Security Program, to continue exploring opportunities to improve energy security through:

- diversifying energy supply and increasing energy independence by installing renewable energy systems;
- incorporating energy storage systems to increase energy resilience and improve power quality;
- implementing microgrid projects at key sites to integrate renewable energy, complementing existing base electrical networks and increasing the autonomous operation of sites; and
- investigating and managing risks associated with the introduction of new technology/electrical systems, including cyber security and electromagnetic interference.

Defence is currently installing renewable energy at the following sites:

- 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); and
- 1.2-megawatt solar photovoltaic system and a 1.5-megawatt hour battery system at the Harts Range over-the-horizon radar site in the Northern Territory.

Further solar photovoltaic and battery storage systems are in development at Mulwala in New South Wales, RAAF Base Curtin in Western Australia, Woomera and RAAF Base Edinburgh in South Australia, and RAAF Base Tindal in the Northern Territory.

The Defence Renewable Energy and Energy Security Program is leading high-level feasibility assessments of other low-emission technologies including energy storage and microgrid systems. Defence will continue to partner with industry to develop alternative fuels and energy storage methods as a means of improving energy resilience, capability resilience and cost efficiency.

## Defence fuel supply chain reform and initiatives

Defence has a number of initiatives underway to improve the resilience of the Defence Fuel Network through addressing single points of failure and inadequate distribution and storage capacities. These initiatives include enhancing Defence-owned capability along with improved industry and interdepartmental relationships.

To enhance Defence-owned capability, the Defence Fuels Transformation Program will reduce enterprise risk, increase resilience of the Defence fuel supply chain and optimise cost of ownership. The program is delivering critical improvements, including infrastructure, technical integrity, management and governance, and inventory enhancements. The program is enabling ADF preparedness and improving on fuel capability across the Defence Fuel Network. The program is being delivered in a series of tranches, which commenced in July 2018 and is currently scheduled to conclude by 2038–39.

- **Tranche 1** of the program, which includes 28 individual activities, is nearing completion. This tranche has focused on addressing the highest priority safety risks across the Defence Fuel Network through infrastructure upgrades and governance improvements. Major achievements include completion of the construction projects to address safety, compliance and capability risks with physical works completed at HMAS *Cairns*, Swartz Barracks-Oakey and RAAF Bases Amberley, Edinburgh and Townsville. The remainder of Tranche 1 construction projects are expected to be completed by 2024–25 as one project involves works in Malaysia, which has been impacted by schedule delays.
- **Tranche 2** of the program commenced in July 2021 and is scheduled to take place across five years. This tranche is building on the fundamentals established in Tranche 1 by delivering further Defence Fuel Network transformation projects, the highest priority major capital infrastructure replacements, and implementing new fuel services contracts with industry partners. The strategic partnership for the fuel supply contract was signed with Viva Energy Refining on 30 June 2023, representing an important step towards improving fuel security in support of Defence preparedness and operations. The second strategic partnership with a managing contractor for the Defence Fuel Network will be signed in the third quarter of 2023. The contracts will maintain and operate fuel facilities to industry standards through improved asset management and operations, and will supply fuel to Defence.
- **Tranche 3** of the Defence Fuels Transformation Program is being developed for Government consideration as a means to address the Defence fuel supply chain shortfalls and opportunities identified in the *Defence Strategic Review*.

Complementing the Defence Fuels Transformation Program, Defence has developed a *Defence Future Energy Strategy* which provides a framework for Defence's adoption of low-carbon drop-in replacement fuels and other clean energy types such as electric power and fuel-cell technologies. This strategy and its implementation plan was developed and delivered across the course of 2022 and was endorsed by the Defence Enterprise Business Committee on 23 November 2022.

The *Defence Future Energy Strategy* will also govern and guide Defence's transition of operational energy types, primarily those used in operational platforms and the deployed environment. In addition, Defence is working closely with Government and industry to facilitate the establishment of a whole-of-government fuel council to enhance both the ADF and Australia's resilience in times of supply chain disruption. Implementation initiatives are scheduled to continue out to 2050.



Australian Army soldiers deployed on Operation KUDU at their Anzac Day dawn service in the United Kingdom. Operation KUDU is the Australian Defence Force's commitment to train recruits from the Armed Forces of Ukraine under a multinational training program led by, and based in, the United Kingdom. CREDIT: Sergeant Andrew Sleeman

## Sustainable buildings

Defence recognises that ongoing sustainable management of the estate is a critical enabler to capability. The *Defence Smart Infrastructure Handbook* sets guidance and minimum expectations for the delivery of improvements in resource efficiency across the estate lifecycle. Defence is trialling the application of sustainability ratings tools such as Green Star. These tools offer transparency, consistency and accountability in delivering infrastructure that is consistent with Government sustainability commitments including carbon reduction, energy and water efficiency, circular economy, biodiversity protection and wellbeing.

## Waste management

Defence supports delivery of the *National Waste Policy* through its *Waste and Recycled Materials Policy*. The national waste targets adopted by Defence are:

- reduce total waste generation by 10 per cent by 2030;
- 80 per cent resource recovery from all waste streams;
- significantly increase the use of recycled content;
- phase out problematic and unnecessary plastics; and
- halve the amount of organic waste sent to landfill by 2025.

Defence catering contractors have transitioned to compostable or reusable food and beverage packaging in accordance with Defence's single-use plastics phase-out, which was introduced in 2021.

Defence has programs to manage some specific end-of-life waste streams, including:

- consolidation of its tyre disposal programs to better govern end-of-life fate with a successful trial to consume crumb rubber from tyres into infrastructure works;
- solutions that target the diversion of food waste away from landfill through a combination of reduction and recovery; and
- diversion of textile waste from end-of-life uniforms to biofuel, as a positive first step towards supporting textile stewardship initiatives.

Aligning with the Government's commitment to transition to a circular economy, Defence is partnering with industry and the Department of Climate Change, Energy, the Environment and Water to develop processes that support the incorporation and tracking of materials with recycled content into infrastructure projects.

## Land and water management

Defence's landholdings support nationally significant native ecosystems, and these are managed in line with Commonwealth legislation and Government policies and strategies, with the primary aim of sustainable management of the Defence estate. The *Defence Landscape Management Manual* provides the implementation guidance and minimum requirements for undertaking land management activities on the Defence estate. It covers topics such as domestic biosecurity, threatened species and ecological communities, soil, bushfire management and sustainability monitoring and reporting. Defence collaborates with Traditional Owners, and with local, state and territory Government and non-Government agencies to deliver a sustainable estate.

Defence undertakes a routine water quality monitoring program that includes a deliberate and scheduled water testing regime. The program seeks to detect whether current or historical Defence activities may negatively impact the environment or human health through regularly testing surface water, ground water and water sediment quality. Water testing is conducted against evidence-based national guidelines.



Royal Australian Air Force firefighter, Leading Aircraftwoman Toni Rutherford, extinguishes a tree burning internally in Manbulloo, 35km south of Katherine, in the Northern Territory. Firefighters from the Royal Australian Air Force's No.17 Squadron at RAAF Base Tindal responded to a request for assistance from Bushfires Northern Territory. They worked through the evening and into the early hours of the morning alongside Bushfires Northern Territory volunteers and local farmers to prevent further spread of the fire towards RAAF Base Tindal and local farms. CREDIT: Flight Sergeant Mark Egan

## Biodiversity

Defence continued to manage 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, Communications and the Arts. 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. More generally, Defence continues to manage and monitor threatening processes that impact native species and communities. Defence will also deliver bespoke management for threatened species across a broad range of environments through collaborations with external agencies and routine management under base service contracts.

## Bushfire 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. In the reporting period, plan updates were completed or advanced to final draft stage for the majority of major properties in Queensland, South Australia, Tasmania, the Northern Territory and Western Australia. Significant work has been undertaken during 2022–23, to transition Defence bushfire planning and delivery into a single streamlined process supported by information technology systems that provide ongoing currency of bushfire management information.

## Pest and weed management

Defence collaborates with and supports external agencies to manage pests across the Defence estate. In 2022–23, Defence continued a partnership with the Australian Wildlife Conservancy to deliver science-based conservation management on the Yampi Sound Training Area, including significant pest and weed management programs. Defence is also working under the guidance of state agencies and the national Consultative Committee on Introduced Marine Pests Emergencies to respond to incursions of the significant marine pest *Didemnum vexillum* at Fleet Base West and Fleet Base East. Defence has invested in the development of a *Weed Risk Management Framework* in response to a recommendation made as part of an independent review of the policy and delivery frameworks for weed management.

Defence continues to support the Department of Agriculture, Fisheries and Forestry in the management of biosecurity risks, including through the support of mosquito vector monitoring programs at Defence-owned and managed properties that are first points of entry to Australia.

## Heritage management

Defence manages heritage values on the Defence estate consistent with the principles and requirements of Commonwealth heritage legislation, including the 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 develop heritage management plans in accordance with the *Defence Estate Heritage Strategy* and legislative requirements. This includes consultation with Traditional Owners of country to develop appropriate cultural heritage conservation and management of Aboriginal and Torres Strait Islander heritage sites and areas on the estate.

As at 30 June 2023, there are approximately 45 heritage management plans in review, in development or being implemented, including the Royal Military College Duntroon in the Australian Capital Territory, Gallipoli Barracks in Queensland, Singleton Military Area in New South Wales, and RAAF Base Curtin in Western Australia. Most major bases and training areas have a heritage management plan in place, or have been assessed for heritage values.

## Meeting our obligations under the *Environmental Protection and Biodiversity Conservation Act 1999*

The objectives of the *Environment Protection and Biodiversity Conservation Act 1999* are at the core of Defence's environment and heritage policy. Defence maintains a robust environmental assessment and approval program to meet the requirements of the Commonwealth environmental legislation, including by identifying, understanding and avoiding potential adverse impacts of its activities.

Defence continues to conduct self-assessments under the *Environment Protection and Biodiversity Conservation Act 1999* on redevelopment and infrastructure projects, new capability, and major exercises, in order to determine whether a referral to the Minister for the Environment and Water is required. In 2022–23, Defence referred one major project to the Minister for the Environment and Water for assessment and approval under the *Environment Protection and Biodiversity Conservation Act 1999*.

## Environmental improvement

### Pollution prevention

Defence recognises that pollution can lead to long-term contamination risks for the estate, and seeks to minimise and prevent future pollution as a critical contamination mitigation measure. The *Pollution Prevention Management Manual* is the overarching document under the *Defence Environmental Strategy 2016–36* that provides a framework and guidance on the mitigation of polluting activities and substances.

Prominent pollution risks Defence currently faces include heavy metals on live firing ranges, fuel and chemical storage and handling.

### Contamination remediation

Defence continues to assess and remediate contamination and unexploded ordnance, both on and off the Defence estate, and prioritises them according to risk.

The Defence Regional Contamination Investigation Program delivers projects on the Defence estate that define contaminated sites and aims to reduce risks to human health and the environment, while also ensuring land use is optimised for Defence capability. The program is primarily targeted at environmental contaminants of concern other than per and PFAS, which are addressed separately. A key aim of this program is to validate and update contaminated land data and risk definition for contaminated sites, to support Defence capability and better inform future infrastructure development, site management (including monitoring) and property disposal.

**Phase 1** of the Program was completed in 2020. It reviewed contaminated site records across two-thirds of the Defence estate by collecting data, monitoring site conditions and verifying risk assessments.

**Phase 2** of the Program commenced in 2021. Building on Phase 1, it focuses on enhancing environmental outcomes, and maximising capability benefits by targeting investigations and planning for remediation of land where contamination is constraining development or risk factors prevent desired land uses.

In conjunction with the Program, Defence now holds significant chemical data, collected over 10 years of chemical sampling across a variety of environmental media. More than 12 million chemical samples have been analysed, supporting the modelling of contamination movement and the identification of trends, leading to quicker remediation interventions. This data is being developed into early warning tools and tailored information products for Defence projects and land managers.

Defence has completed targeted remediation of unexploded ordnance and associated waste material, including at training areas at Wirlinga and Beecroft in New South Wales, Majura in the Australian Capital Territory, and Puckapunyal in Victoria. Defence conducted Light Detection and Ranging surveys of multiple training areas to support mapping of potential impact areas.

Defence has also continued to review the off-estate unexploded ordnance database which provides Unexploded Ordnance Program information to the public [defence.gov.au/programs-initiatives/national-unexploded-ordnance-program](https://defence.gov.au/programs-initiatives/national-unexploded-ordnance-program). This activity has reduced the number of overall sites from 1,046 to 823. Of these 823, reviews have been conducted at 760 sites.

Defence is delivering a nationally coordinated initiative to detect, remove and render safe suspected Second World War remnants both on and off the estate, to ensure public and environmental safety. As at 30 June 2023, 49 sites out of a planned 139 have been completed.

## Research

Defence has a continuing participant agreement with the Cooperative Research Centre for Contamination Assessment and Remediation of the Environment to conduct research into remediation of contamination and the behaviour of contaminants in the environment. Research projects are currently funded to 30 June 2024. The areas of research the cooperative research centre is currently undertaking are:

- the effect of bushfire on the structural characteristics of asbestos;
- residual behaviour of glyphosate and its metabolites in contrasting Australian soils;
- the assessment of potential risks of jet fuel additives;
- remediation of trichloroethene-contaminated groundwater using Nano-matCARE™ — treatability study;
- assessing daphnids as a surrogate for assessing the toxicity of weathered hydrocarbons; and
- remote monitoring of volatile organic carbon in soil and groundwater using gas sensors and portable gas chromatography-mass spectrometry.

## National PFAS Investigation and Management Program

Defence established the PFAS Investigation and Management Program to manage the risks to humans, animals and the environment associated with per and PFAS contamination on and around Defence properties. Defence has now finalised detailed environmental investigations at all 28 sites in the program. The 28 sites have transitioned from the environmental investigation phase into a management phase, which includes ongoing monitoring and remedial activities at a majority of the sites.

At the conclusion of each investigation, Defence used the findings to develop a PFAS management area plan to address elevated exposure risks identified in the detailed environmental investigation and accompanying human health and/or ecological risk assessments, specific to a site.

Defence's management approach includes the continued monitoring of surface water, groundwater and sediment. Monitoring helps Defence understand if PFAS contamination is changing over time. The results are published in site ongoing monitoring interpretive reports and factsheets.

### Management and remediation

Most PFAS management area plans recommend remedial works to remove risks presented by PFAS on Defence bases and reduce the movement of PFAS in stormwater and groundwater. 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 location and type of the works.

The physical characteristics of each site are unique and can inhibit or expedite the rate of PFAS migration from the Defence base. This includes soil type, rainfall and topography. This means that a remediation option that is optimal at one site can be ineffective at another. For each site, the fundamental assessment criteria for remediation options are effectiveness, longevity, energy requirements and cost. Elimination of off-site migration is unlikely to be achievable given currently available remedial methods due to the widespread nature of very low-level PFAS impacts on the Defence bases. However, eliminating PFAS foam use and remediating PFAS source areas are critical steps in reducing PFAS movement from Defence properties and contributing to the long-term reduction of PFAS in the surrounding environment.

## Water treatment

Water treatment plants are currently operating at HMAS *Creswell* in the Australian Capital Territory, the Army Aviation Centre Oakey in Queensland, RAAF Base Edinburgh in South Australia, RAAF Base Tindal in the Northern Territory, and RAAF Base Williamtown in New South Wales. Resin media regeneration facilities are operating at both Tindal and Williamtown. To date, Defence has treated more than 7.8 billion litres of PFAS-impacted water.

In addition, Defence:

- provides an interim water treatment plant to the Northern Territory Power and Water Corporation for treatment of Katherine's water supply; and have provided Power and Water Corporation more than \$27 million for a long-term larger, increased capacity water treatment plant;
- pays the water bills of 440 properties in Williamtown and 54 properties in Oakey;
- connected 342 properties in Williamtown and 36 properties in Oakey to town water;
- provides 264 rainwater tanks and supply to over 104 properties in Katherine, Oakey and Williamtown; and
- are progressing with providing scheme water to properties in the RAAF Base Pearce PFAS management area.

## Soil

Soil remediation has been undertaken and/or is underway at the Army Aviation Centre Oakey and RAAF Bases Darwin, East Sale, Edinburgh, Pearce, Richmond, Tindal and Williamtown. The soil remediation has focused on source areas where PFAS foams were used or stored. Sediments in drainage lines have also been remediated on several bases. To date, Defence has treated or removed more than 80,000 tonnes of contaminated soil.

Further remediation is planned for HMAS *Albatross*, Lavarack Barracks, the Jervis Bay Range Facility and RAAF Bases Amberley, Townsville and Wagga.

## Research and technology

### Research with Commonwealth Scientific and Industrial Research Organisation (CSIRO)

Since 2018, the CSIRO has been working with Defence on a PFAS research program, which focuses on the following key areas:

- understanding how PFAS moves in our environment;
- learning how to safely reuse or dispose of PFAS contaminated concrete and asphalt;
- applying products to soil to slow down the movement of PFAS; and
- learning how to estimate the movement of PFAS in soil.

The research has revealed the following:

- over time PFAS can be brought to the surface of soil. When it rains, water runoff causes the PFAS to move;
- PFAS can be distributed unevenly in concrete, and this needs to be considered when demolishing PFAS-impacted concrete materials;
- products added to soil to slow the movement of PFAS are likely to be effective for long periods of time; and
- a simple laboratory extraction method has been designed which better predicts PFAS movement than existing laboratory methods.

As at 30 June 2023, Defence has funded 21 research and technology projects valued at approximately \$26 million. This includes research and trials for remedial technologies for soil, groundwater and concrete. Defence has additionally funded:

- an ongoing PFAS special research initiative administered by the Australian Research Council;
- a national program of research into the human health effects of prolonged exposure to PFAS, administered by the National Health and Medical Research Council; and
- a PFAS health study (epidemiological study) conducted by the Australian National University.

Defence collaborates globally to both share its learnings and to ensure the best available remedial actions are implemented on its PFAS-impacted bases.

### Consultation and collaboration

Defence is committed to providing PFAS-affected communities with accessible, timely, accurate and relevant information about the investigation and management of PFAS contamination at Defence properties in their communities.

As at 30 June 2023, Defence has conducted 163 community engagement events for PFAS-affected communities. Defence continues to provide information to affected communities through:

- delivering formal presentations with opportunity for discussion, questions and answers, and/or panel discussion;
- conducting walk-in sessions or 'shop-front' engagements which enable interactive engagement between community members and officials over a period of time;
- delivering virtual presentations online;
- routinely publishing all investigation reports, management plans, media responses and other publications on the Defence PFAS website [defence.gov.au/about/locations-property/pfas](https://defence.gov.au/about/locations-property/pfas);
- distributing newsletters, factsheets and other updates; and
- maintaining dedicated information lines for community enquiries.

Defence continues to publish reports, factsheets and other updates relating to its response to PFAS contamination at each of the 28 sites on the PFAS website, [defence.gov.au/about/locations-property/pfas](https://defence.gov.au/about/locations-property/pfas). The website has recently been refreshed.

It provides:

- all reports and publications released through the PFAS Investigation and Management Program;
- updates on progress in implementing PFAS Management Area Plans;
- updates on the progress of remediation and management activities;
- results of ongoing monitoring;
- details of community consultation that has been conducted and is upcoming;
- answers to frequently asked questions;
- details of research and technology demonstration activities Defence has supported;
- links to precautionary advice issued by state and territory authorities; and
- links to other agency websites.

The PFAS Investigation and Management Program website remains the most appropriate location for community members and other stakeholders to access information regarding the program.

### Financial investment

Since the Defence PFAS Investigation and Management Program commenced in July 2015, Defence has invested approximately \$655 million to manage the impacts of PFAS contamination and address remediation and management. In 2023–24, Defence will be investing an additional \$117.7 million to respond to PFAS contamination. This expenditure has enabled Defence to determine the nature and extent of PFAS contamination, and to work to manage and remediate contamination across the Defence estate and in surrounding communities.



1

## Exercise Blackhole Sun

**Exercise Blackhole Sun was Defence’s contribution to support the Western Australian Government’s total solar eclipse event in Exmouth, located 1,270km north of Perth, on 20 April 2023.**

Exmouth was one of the only places on Earth to experience the rare total solar eclipse, attracting about 20,000 visitors who experienced 62 seconds of darkness as the moon’s shadow crossed the peninsula.

About 160 ADF personnel from the Royal Australian Air Force’s No. 25 (City of Perth) Squadron, the Joint Military Police Unit and other Air Force units from around Australia assisted with the event, including hosting the Western Australian Government agencies and emergency services at RAAF Base Learmonth near Exmouth.

ADF personnel were welcomed to country by Aunty Hazel Walgar, who outlined the significance of the solar eclipse in Aboriginal history.

“The eclipse represents new stars and new life in the universe when the Jirndal (the sun) and the Wilarra (the moon) meet,” Aunty Hazel said.

ADF personnel assisted in the Total Solar Eclipse Control Centre, which was established to coordinate and manage support agency involvement.



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**1:** Personnel from the Joint Military Police Unit and the Royal Australian Air Force’s No. 25 (City of Perth) Squadron conduct a routine patrol on Defence land in Exmouth, Western Australia, as part of Exercise Blackhole Sun. CREDIT: Sergeant Gary Dixon. **2:** Total solar eclipse in Exmouth, Western Australia. CREDIT: Sergeant Gary Dixon

They also provided security force protection — including patrols, some with military working dogs and vehicle checkpoint inspections — at RAAF Base Learmonth, the Learmonth Air Weapons Range and the solar observatory to ensure the safety of the visitors and residents in Exmouth.

Commanding Officer No. 25 Squadron, Wing Commander Paul Taylor said, “The ADF does a lot of work with state emergency services, in often quite adverse conditions, so this is a really good opportunity to work within a much more congenial environment.”

In addition to supporting the Western Australian Government, the Royal Australian Air Force facilitated requests from the United States National Aeronautics and Space Administration (NASA), the University of Hawaii and the California State University, Chico, to use Defence land to conduct research. •



3



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“The eclipse represents new stars and new life in the universe when the Jirndal (the sun) and the Wilarra (the moon) meet.”

Aunty Hazel Walgar

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**3:** Royal Australian Air Force Leading Aircraftwoman Natasha Blackman takes military working dog Onix on a routine patrol at RAAF Base Learmonth in Western Australia during Exercise Blackhole Sun. CREDIT: Sergeant Gary Dixon.

**4:** Officer Commanding No. 96 Wing, Group Captain Amanda Cornell; Regional Manager Public Affairs — Western Australia, Peta Magorian; Assistant Regional Manager Public Affairs — Western Australia, Stephanie Hallen; and No. 25 Squadron Flight Lieutenant Tramaine Dukes, prepare to enjoy the total solar eclipse in Exmouth, Western Australia. CREDIT: Sergeant Gary Dixon

# Appendix A: Financial statements



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Defence

#### Opinion

In my opinion, the financial statements of the Department of Defence (the Entity) for the year ended 30 June 2023:

- (a) comply with Australian Accounting Standards – Simplified Disclosures and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2023 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2023 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 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 the Entity 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.

GPO Box 707, Canberra ACT 2601  
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Phone (02) 6203 7300

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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 consider the valuation of specialist military equipment to be a key audit matter due to:

- the high degree of judgement applied by management and management's valuation expert 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;
- 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;
- prior year weaknesses identified in the internal controls for the Asset Valuation Model that allocate costs to assets under construction. The control weaknesses increase the risk that assets rolled out from assets under construction may be recorded at the incorrect value; and
- the balance being significant relative to the Entity's Statement of Financial Position (\$84.3 billion as at 30 June 2023).

**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 component of specialist military equipment and whether the key assumptions used in the valuation methodology were reasonable;
  - tested a sample of inputs used in the valuation to external sources including prices per the Federal Logistics Database (FedLog), foreign exchange rates, current unit prices and country of manufacture indices;
  - assessed the competence, capability and objectivity of management's valuation expert;
  - tested the completeness and accuracy of data provided to management's valuation expert for use in the valuation process;
  - confirmed useful lives applied to specialist military equipment were consistent with other available information including expected withdrawal dates for these assets;
  - assessed whether the assumptions and judgements used by the Entity to determine the impairment of specialist military equipment are consistent with other available information including changes to planned capability and unscheduled repairs and maintenance;
  - evaluated the sufficiency and appropriateness of the disclosure of the valuation process and balances reported in the financial statements;
  - 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 Australian Accounting Standards;
  - for significant projects, reviewed the quality assurance processes performed by management on the cost attribution model and the approval of cost allocations related to specialist military equipment under construction;
  - assessed the Entity's calculation of employee costs not capitalised to specialist military equipment assets under construction to determine whether that impact could result in a material misstatement; and
-

- in response to prior year control weaknesses, for a sample of projects, tested the quality assurance and compliance processes undertaken by management around the Asset Valuation Model that allocate costs to assets under construction.

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**Key audit matter**

**Existence and completeness of inventories**

*Refer to Note 3.2B 'Inventories'*

The Entity had a balance of \$8.7 billion in inventories as at 30 June 2023 which includes explosive ordnance (\$5.7 billion), general stores inventories (\$2.8 billion), and fuel (\$109.3 million).

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.

**How the audit addressed the matter**

To address the key audit matter, I:

- observed the performance of the Entity's National Asset and Inventory Sample at a selection of Defence locations;
- tested the design, implementation and operating effectiveness of key controls that apply to system components, processes and data within the logistics and financial management information systems; and
- substantiated a sample of transactions processed through the Entity's logistics information systems by agreeing quantities purchased to invoices, warehouse delivery dockets and stock taking records.

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**Key audit matter**

**Valuation of administered employee provisions**

*Refer to Note 4.4A 'Employee provisions'*

The Entity administers four defined benefit plans that entitle Australian Defence Force members to retirement and death benefits based on past service.

I consider the valuation of the administered employee provisions to be a key audit matter due to:

- the measurement of the provision being complex, requiring significant professional judgement in the selection of key assumptions. Key assumptions include salary growth and discount rates, pension indexation rate, pension take-up rate and invalidity retirements. The valuation of the provision is highly sensitive to changes in the key assumptions; and
- the balance being significant relative to the Entity's Administered Schedule of Assets and Liabilities (\$137.9 billion as at 30 June 2023).

In addition, the Australian Accounting Standards include detailed requirements for the presentation and disclosure of defined benefit plans.

**How the audit addressed the matter**

To address the key audit matter, I:

- assessed the design, implementation 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;
- tested the accuracy and completeness of data used to calculate the defined benefit provisions, including assessing the quality assurance processes used by the Entity to confirm the integrity of data used for estimating the defined benefit provisions;
- evaluated the appropriateness of the methodology and reasonableness of the key assumptions applied in estimating the defined benefit provisions by:
  - comparing economic assumptions to long-term expectations over the term of the scheme's liabilities, based on the Government's economic forecasts;
  - assessing the detailed analysis undertaken by the Entity's actuary for consistency with historical data on membership experience in relation to:
    - rates of mortality, redundancy, resignation, disability and retirement;
    - the proportion of members who will

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select each form of payment option available under the plan terms; and

- promotion and future salary increases;
  - assessed the reasonableness of the results of the valuation including the explanations for the changes in the valuation; and
  - evaluated the appropriateness of the disclosure of the significant assumptions applied and of the uncertainties that impact the key assumptions, including the sensitivity analysis.
- 

### **Accountable Authority's responsibility for the financial statements**

As the Accountable Authority of the Entity, 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 – Simplified Disclosures 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 the Entity to continue as a going concern, taking into account whether the Entity'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 the Entity'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 the Entity'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 the Entity 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

A handwritten signature in cursive script that reads "Rona Mellor".

Rona Mellor PSM

Acting Auditor-General for Australia

Canberra

29 September 2023

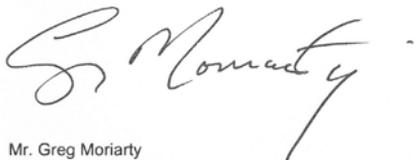
**Department of Defence**

**STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCE OFFICER**

In our opinion, the attached financial statements for the year ended 30 June 2023 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are 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 Moriarty  
Secretary - Department of Defence  
28 September 2023

Signed



Mr. Steven Groves  
Chief Finance Officer - Department of Defence  
28 September 2023

**Department of Defence**

**Financial Statements**

*For the period ended 30 June 2023*

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**Department of Defence**  
**STATEMENT OF COMPREHENSIVE INCOME**

For the period ended 30 June 2023

Original

2023 2022 Budget <sup>1</sup>  
 \$'000 \$'000 \$'000

	Notes			
<b>NET COST OF SERVICES</b>				
<b>EXPENSES</b>				
Employee benefits	1.1A	12,780,879	12,250,609	13,025,413
Suppliers expenses	1.1B	22,271,696	20,763,207	19,567,277
Grants	1.1C	72,059	102,791	42,116
Depreciation and amortisation	3.2A	6,657,711	5,770,444	6,324,791
Finance costs	1.1D	148,035	119,495	101,370
Impairment loss allowance on financial instruments		2,346	1,275	-
Write-down and impairment of assets	1.1E	1,504,795	3,641,966	1,277,420
Net foreign exchange losses	1.1F	18,412	11,618	-
Expenses in relation to special account <sup>2</sup>	1.1G	50,128	-	399,097
Other expenses	1.1H	111,392	178,830	3,160
<b>Total expenses</b>		<b>43,617,453</b>	<b>42,840,235</b>	<b>40,740,644</b>
<b>LESS:</b>				
<b>INCOME</b>				
<b>Own-source revenue</b>				
Revenue from contracts with customers	1.2A	443,560	391,951	315,334
Revenue in relation to special account <sup>2</sup>	1.2G	241,387	-	399,097
Rental income	1.2B	253,750	243,633	233,213
Other revenue	1.2C	328,368	105,119	29,502
<b>Total own-source revenue</b>		<b>1,267,065</b>	<b>740,703</b>	<b>977,146</b>
<b>Gains</b>				
Net gains from asset sales		16,730	4,456	13,398
Reversals of previous asset write-downs and impairment	1.2D	933,469	785,179	602,651
Other gains	1.2E	55,750	425,737	353,300
<b>Total gains</b>		<b>1,005,949</b>	<b>1,215,372</b>	<b>969,349</b>
<b>Total income</b>		<b>2,273,014</b>	<b>1,956,075</b>	<b>1,946,495</b>
<b>Net cost of services</b>		<b>41,344,439</b>	<b>40,884,160</b>	<b>38,794,149</b>
Revenue from Government	1.2F	32,839,608	29,592,034	31,337,876
<b>(Deficit)/Surplus</b>		<b>(8,504,831)</b>	<b>(11,292,126)</b>	<b>(7,456,273)</b>
<b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation reserves	3.2A	1,591,569	5,255,741	-
<b>Total other comprehensive income/(loss)</b>		<b>1,591,569</b>	<b>5,255,741</b>	<b>-</b>
<b>Total comprehensive (loss)/income</b>		<b>(6,913,262)</b>	<b>(6,036,385)</b>	<b>(7,456,273)</b>

The above statement should be read in conjunction with the accompanying notes.

<sup>1</sup> Portfolio Budget Statements 2022-23 (October 2022).

<sup>2</sup> The *Defence Endowments, Bequests and Other Trust Money Special Account* transferred from Administered to Departmental effective 1 July 2022 as agreed by the Minister for Finance in September 2022.

**Department of Defence**  
**STATEMENT OF FINANCIAL POSITION**

As at 30 June 2023

		2023	2022	Original Budget <sup>1</sup>
		\$'000	\$'000	\$'000
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents	3.1A	427,000	316,916	756,889
Trade and other receivables	3.1B	2,065,612	1,578,645	2,485,637
<b>Total financial assets</b>		<u>2,492,612</u>	<u>1,895,561</u>	<u>3,242,526</u>
<b>Non-financial assets</b>				
Land	3.2A	6,231,704	6,112,529	6,328,389
Buildings	3.2A	17,981,933	16,242,644	17,805,827
Specialist military equipment	3.2A	84,271,967	80,958,195	86,847,162
Infrastructure	3.2A	8,308,066	7,347,018	7,284,998
Plant and equipment	3.2A	1,657,600	1,640,638	1,526,005
Heritage and cultural assets	3.2A	435,898	430,768	406,013
Intangibles	3.2A	2,445,166	2,103,775	2,500,072
Inventories	3.2B	8,658,044	7,887,168	8,228,063
Prepayments	3.2C	3,699,494	2,546,916	1,853,343
<b>Total non-financial assets</b>		<u>133,689,872</u>	<u>125,269,651</u>	<u>132,779,872</u>
Assets held for sale	3.2D	76,598	160,606	160,606
<b>Total assets</b>	8.2	<u>136,259,082</u>	<u>127,325,818</u>	<u>136,183,004</u>
<b>LIABILITIES</b>				
<b>Payables</b>				
Supplier payables	3.3A	5,341,846	4,611,582	4,717,869
Employee payables	3.3B	291,030	290,659	473,953
Other payables	3.3C	449,085	393,680	644,972
<b>Total payables</b>		<u>6,081,961</u>	<u>5,295,921</u>	<u>5,836,794</u>
<b>Interest bearing liabilities</b>				
Leases	3.4A	3,097,868	2,929,655	2,930,455
<b>Total interest bearing liabilities</b>		<u>3,097,868</u>	<u>2,929,655</u>	<u>2,930,455</u>
<b>Provisions</b>				
Employee provisions	3.5A	3,135,622	3,121,325	3,233,699
Restoration, decontamination and decommissioning	3.5B	1,087,208	1,009,049	1,009,049
Other provisions	3.5C	305,933	284,175	284,175
<b>Total provisions</b>		<u>4,528,763</u>	<u>4,414,549</u>	<u>4,526,923</u>
<b>Total liabilities</b>	8.2	<u>13,708,592</u>	<u>12,640,125</u>	<u>13,294,172</u>
<b>NET ASSETS</b>		<u>122,550,490</u>	<u>114,685,693</u>	<u>122,888,832</u>
<b>EQUITY</b>				
Contributed equity		79,150,682	64,372,613	80,032,025
Retained surpluses		9,361,785	17,866,626	10,410,353
Reserves		34,038,023	32,446,454	32,446,454
<b>Total equity</b>		<u>122,550,490</u>	<u>114,685,693</u>	<u>122,888,832</u>

The above statement should be read in conjunction with the accompanying notes.

<sup>1</sup> Portfolio Budget Statements 2022-23 (October 2022).

**Department of Defence**  
**STATEMENT OF CHANGES IN EQUITY**

<i>For the period ended 30 June 2023</i>	<b>2023</b>	2022	Original Budget <sup>1</sup>
	<b>\$'000</b>	\$'000	\$'000
<b>Notes</b>			
<b>CONTRIBUTED EQUITY</b>			
<b>Opening balance</b>			
Balance carried forward from previous period	<b>64,372,613</b>	49,633,404	64,372,613
<b>Transactions with owners</b>			
<i>Distribution to owners</i>			
Returns of capital - other	-	(764,102)	-
Transfers from/(to) other entities	-	9,284	-
<i>Contribution by owners</i>			
Equity injection - Appropriations (current year)	<b>11,832,391</b>	12,666,241	12,605,040
Departmental capital budget (current year)	<b>2,833,844</b>	2,827,786	3,054,372
Transfer from Administered- special account <sup>2</sup>	<b>111,834</b>	-	-
<b>Total transactions with owners</b>	<b>14,778,069</b>	14,739,209	15,659,412
<b>Closing balance as at 30 June</b>	<b>79,150,682</b>	64,372,613	80,032,025
<b>RETAINED SURPLUSES</b>			
<b>Opening balance</b>			
Balance carried forward from previous period	<b>17,866,626</b>	29,158,752	17,866,626
<b>Comprehensive (loss)/income</b>			
(Deficit)/surplus for the period as reported	<b>(8,504,831)</b>	(11,292,126)	(7,456,273)
<b>Total comprehensive (loss)/Income</b>	<b>(8,504,831)</b>	(11,292,126)	(7,456,273)
<b>Closing balance as at 30 June</b>	<b>9,361,785</b>	17,866,626	10,410,353
<b>ASSET REVALUATION RESERVE</b>			
<b>Opening balance</b>			
Balance carried forward from previous period	<b>32,446,454</b>	27,190,713	32,446,454
<b>Other Comprehensive income/(loss)</b>			
Other comprehensive income/(loss)	<b>1,591,569</b>	5,255,741	-
<b>Total Other comprehensive income/(loss)</b>	<b>1,591,569</b>	5,255,741	-
<b>Closing balance as at 30 June</b>	<b>34,038,023</b>	32,446,454	32,446,454

<sup>1</sup> Portfolio Budget Statements 2022-23 (October 2022).

**Department of Defence**  
**STATEMENT OF CHANGES IN EQUITY (continued)**

<i>For the period ended 30 June 2023</i>	<b>2023</b>	2022	Original Budget <sup>1</sup>
	<b>\$'000</b>	\$'000	\$'000
<b>Notes</b>			
<b>TOTAL EQUITY</b>			
<b>Opening balance</b>			
Balance carried forward from previous period	<u>114,685,693</u>	105,982,869	114,685,693
<b>Adjusted opening balance</b>	<u>114,685,693</u>	105,982,869	114,685,693
<b>Comprehensive (loss)/income</b>			
(Deficit)/surplus for the period	<b>(8,504,831)</b>	(11,292,126)	(7,456,273)
Other comprehensive income/(loss)	<u>1,591,569</u>	5,255,741	-
<b>Total comprehensive (loss)/income</b>	<u>(6,913,262)</u>	(6,036,385)	(7,456,273)
<b>Transactions with owners</b>			
<i>Distribution to owners</i>			
Returns of capital - other	-	(764,102)	-
Transfers from/(to) other entities	-	9,284	-
<i>Contribution by owners</i>			
Equity injection - Appropriation (current year)	<b>11,832,391</b>	12,666,241	12,605,040
Departmental capital budget (current year)	<b>2,833,844</b>	2,827,786	3,054,372
Transfer from Administered- special account <sup>2</sup>	<u>111,834</u>	-	-
<b>Total transactions with owners</b>	<u>14,778,069</u>	14,739,209	15,659,412
<b>Closing balance as at 30 June</b>	<u>122,550,490</u>	114,685,693	122,888,832

The above statement should be read in conjunction with the accompanying notes.

<sup>1</sup> Portfolio Budget Statements 2022-23 (October 2022).

<sup>2</sup> The *Defence Endowments, Bequests and Other Trust Money Special Account* transferred from Administered to Departmental effective 1 July 2022 as agreed by the Minister for Finance in September 2022.

**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 respective 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 2023

	2023	2022	Original Budget <sup>1</sup>
	\$'000	\$'000	\$'000
<b>Notes</b>			
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations	32,498,142	30,160,488	31,230,970
Section 74 receipts from OPA <sup>2</sup>	1,092,292	744,003	-
Goods and services (including cost recovery)	697,387	589,623	542,477
Interest received	31,375	1,282	-
Receipts in relation to special account <sup>3</sup>	97,523	-	399,097
GST received	2,716,323	2,491,713	2,599,570
Other	219,007	160,201	29,843
<b>Total cash received</b>	<b>37,352,049</b>	<b>34,147,310</b>	<b>34,801,957</b>
<b>Cash used</b>			
Employees	(12,992,713)	(12,484,432)	(12,918,507)
Suppliers	(20,499,878)	(18,953,878)	(18,609,052)
GST paid	(2,654,420)	(2,532,073)	(2,599,570)
Grants	(64,161)	(101,527)	(42,116)
Payments in relation to special account <sup>3</sup>	(276,797)	-	(316,481)
Interest payments on lease liabilities	(109,761)	(127,855)	-
Section 74 receipts transferred to OPA <sup>2</sup>	(1,092,292)	(744,003)	-
Cash returned to OPA	(30,535)	(1,343)	-
Other	(43,949)	(135,598)	(98,940)
<b>Total cash used</b>	<b>(37,764,506)</b>	<b>(35,080,709)</b>	<b>(34,584,666)</b>
<b>Net cash (used by)/from operating activities</b>	<b>(412,457)</b>	<b>(933,399)</b>	<b>217,291</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of land	11	935	90,300
Proceeds from sales of buildings	17,749	4,162	5,740
Proceeds from sales of specialist military equipment	37,380	42,164	-
Proceeds from sales of plant and equipment	12,748	21,933	24,742
Other	6,977	4,906	3,911
<b>Total cash received</b>	<b>74,865</b>	<b>74,100</b>	<b>124,693</b>
<b>Cash used</b>			
Purchase of land	(9,215)	(52,020)	(67,963)
Purchase of buildings	(930,450)	(889,788)	(2,351,348)
Purchase of specialist military equipment	(9,257,605)	(9,592,391)	(10,015,256)
Purchase of infrastructure	(886,754)	(845,527)	(278,887)
Purchase of plant and equipment	(210,746)	(256,208)	(86,850)
Purchase of heritage and cultural assets	(99)	(17)	-
Purchase of intangibles	(500,398)	(1,007,277)	(604,178)
Purchase of inventory	(2,248,278)	(1,990,336)	(2,264,382)
Selling costs on sale of assets	-	(14,406)	(100)
Finance costs	(2)	-	-
<b>Total cash used</b>	<b>(14,043,547)</b>	<b>(14,647,970)</b>	<b>(15,668,964)</b>
<b>Net cash (used by)/from investing activities</b>	<b>(13,968,682)</b>	<b>(14,573,870)</b>	<b>(15,544,271)</b>

<sup>1</sup> Portfolio Budget Statements 2022-23 (October 2022).

<sup>2</sup> Section 74 receipts transferred to and drawn down from the Official Public Account (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>3</sup> The *Defence Endowments, Bequests and Other Trust Money Special Account* transferred from Administered to Departmental effective 1 July 2022 as agreed by the Minister for Finance in September 2022.

**Department of Defence**  
**CASH FLOW STATEMENT (continued)**

For the period ended 30 June 2023

	2023 \$'000	2022 \$'000	Original Budget <sup>1</sup> \$'000
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Contributed equity	14,441,239	15,745,195	15,659,412
<b>Total cash received</b>	<b>14,441,239</b>	<b>15,745,195</b>	<b>15,659,412</b>
<b>Cash used</b>			
Principal payments of lease liabilities	(308,795)	(204,362)	(249,816)
<b>Total cash used</b>	<b>(308,795)</b>	<b>(204,362)</b>	<b>(249,816)</b>
<b>Net cash (used by)/ from financing activities</b>	<b>14,132,444</b>	<b>15,540,833</b>	<b>15,409,596</b>
<b>Net (decrease)/increase in cash held</b>	<b>(248,695)</b>	<b>33,563</b>	<b>82,616</b>
Cash and cash equivalents at the beginning of the reporting period	316,916	285,883	316,916
Transfer of cash from administered programs <sup>3</sup>	357,596	-	357,357
Effect of exchange rate movements on cash and cash equivalents at the beginning of the reporting period	1,183	(2,530)	-
<b>Cash and cash equivalents at the end of the reporting period excluding assets held in trust amount</b>	<b>427,000</b>	<b>316,916</b>	<b>756,889</b>
Assets held in trust amount <sup>3</sup>	1,734	-	-
<b>Cash and cash equivalents at the end of the reporting period including assets held in trust amount</b>	<b>428,734</b>	<b>316,916</b>	<b>756,889</b>

The above statement should be read in conjunction with the accompanying notes.

<sup>1</sup> Portfolio Budget Statements 2022-23 (October 2022).

<sup>2</sup> Section 74 receipts transferred to and drawn down from the Official Public Account (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>3</sup> The *Defence Endowments, Bequests and Other Trust Money Special Account* transferred from Administered to Departmental effective 1 July 2022 as agreed by the Minister for Finance in September 2022.

## Department of Defence BUDGET VARIANCE COMMENTARY

For the period ended 30 June 2023

An explanation of significant variances between the 2022-23 actual results and the Budget as presented in the 2022-23 Portfolio Budget Statements (PBS) that were published in October 2022 are detailed below. The budget is not audited. The budget figures as published in the PBS have been adjusted to align with the presentation and classification adopted in the financial statements.

Variances are explained when it is considered important for a 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 2022-23 PBS by the Government throughout the year. Defence's budget for 2022-23 was updated as part of the 2022-23 October Revised Budget and the 2022-23 Portfolio Additional Estimates Statements (PAES).

A number of significant items within Defence's Statement of Comprehensive Income are subject to factors partly outside Defence'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 due to the ad-hoc nature of the balance that do not follow historical trends and are difficult to predict.

### Departmental Statement of Comprehensive Income

#### Departmental expenses

Departmental expenses are \$2,876.8 million (7.1%) higher than the Original Budget. The major items contributing to this variance are outlined below:

- Supplier expenses which are \$2,704.3 million (13.8%) higher than the Original Budget. This is primarily driven by an increase in repair and overhaul expenses, training, research and development and inventory consumption. The impact of the special account migration for \$50.1 million from administered activities to departmental has been included in the financial results as at 30 June 2023. Migration of special account activities came into effect 1 July 2022. The Ministerial approval was secured by the Department only after finalising reviews in support of the October 2022 Portfolio Budget Statements. As such, the budgets developed in 2022-23 reflect only the preliminary treatment of the migration of special accounts from administered to departmental.
- Depreciation and amortisation expenses which are \$332.9 million (5.3%) higher than the Original Budget. This is largely driven by an increase in depreciation and amortisation expense relating to Buildings and Specialist Military Equipment driven by fair value adjustments that were not factored into the Original Budget.
- Write-down and impairment of assets which are \$227.4 million (17.8%) higher than the Original Budget. Due to the nature of these adjustments, historic trends are not useful in predicting actuals.
- Other expenses which are \$108.2 million higher than the Original Budget, as a result of revised estimates relating to restoration, decontamination and decommissioning costs which were not budgeted.
- Employee benefits which are \$244.5 million (1.9%) lower than the Original Budget primarily due to lower than budgeted headcount across the APS and ADF by approximately 5% and updates to actuarial assumptions relating to employee provisions.

#### Departmental income

Departmental income is \$1,828.2 million (5.5%) higher than the Original Budget. This is primarily driven by:

Revenue from Government which was \$1,501.7 million (4.8%) higher than the Original Budget. This is primarily due to appropriation reclassification across Bills. Operating bills increased by \$1,116.8 million, while DCB and Capital Bills decreased by \$221.4 million and \$972.8 million respectively. These changes were Defence initiated based on expenditure trend patterns.

Additional funding of \$619.8 million as part of the PAES to support Defence's increase in operating expenditure during 2022-23 and primarily related to No-Win-No-Loss for foreign exchange.

#### Other comprehensive income

Other comprehensive income is \$1,591.6 million higher than the Original Budget. This is driven by the revaluation of assets, predominantly increases within Buildings (\$966.2 million) and Infrastructure (\$673.4 million), offset by decreases within Specialist Military Equipment (\$167.2 million). Due to the uncertainty of the movement in the market for these assets, these amounts are not budgeted.

**Department of Defence**  
**BUDGET VARIANCE COMMENTARY**

*For the period ended 30 June 2023*

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**Departmental Statement of Financial Position**

**Departmental assets**

Departmental assets are \$76.1 million (0.1%) higher than the Original Budget. Major items contributing to this variance are outlined below:

- Infrastructure is \$1,023.1 million (14.0%) higher than the Original Budget. This is due to higher than budgeted additions of \$607.7 million.
- Prepayments are \$1,846.1 million (99.6%) higher than the Original Budget. This is predominately due to the timing of prepayments made in relation to Foreign Military Sales (FMS) in the current year compared to the amortisation for these programs. Given the nature of this, fluctuations compared to budget occur regularly.
- Balance Inventories are \$430.0 million (5.2%) higher than the Original Budget, predominantly as a result of general stores inventories additions of \$938.4 million, Explosives ordnance additions of \$464.3 million partially offset by write downs of \$ 438.2 million, and consumption of \$592.8 million.
- Specialist Military Equipment (SME) is \$2,575.2 million (3.0%) lower than the Original Budget, predominantly as a result of the net revaluation decrements and writedowns of \$895.3 million and underspends across the acquisition program. This is primarily driven by delays in acquisition expenditure resulting from continuing disruptions to international supply chains as a result of the Russia and Ukraine war. This impact combined with Defence reassessing priorities through the Defence Strategic Review (DSR), are the primary drivers behind the lower than budgeted SME balance.
- Trade and other receivables are \$420.0 million (16.9%) lower than the Original Budget, primarily driven by 2021-22 foreign exchange No-Win-No-Loss supplementation (\$172.3 million) received in 2022-23.

**Departmental liabilities**

Departmental liabilities are \$414.4 million (3.1%) higher than the Original Budget. Major items contributing to this variance are outlined below:

- Supplier payables are \$624.0 million (13.2%) higher than the Original Budget, predominantly relating to the higher than budgeted operating expenditure towards year end.
- Restoration, decontamination and decommissioning provisions are \$78.2 million (7.7%) higher than the Original Budget. Some sites contamination provisions increased as a result of final valuation assessments that were not available at the time of budgets.
- Employee provisions are \$98.1 million (3.0%) lower than the Original Budget. This is driven primarily by a downwards actuarial adjustment in the long service leave provisions, due to an increase in the bond rate from 3.7% at 30 June 2022 to 4.0% at 30 June 2023. The latest actuarial inputs were not known at the time of preparing the budget.

**Departmental equity**

Departmental equity is \$338.3 million (0.3%) lower than the Original Budget. This is mainly due to the impacts of revaluation increments, partially offset by the decrement in retained surpluses as discussed in 'Statement of Comprehensive Income' section above.

## Department of Defence BUDGET VARIANCE COMMENTARY

For the period ended 30 June 2023

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### Departmental Cash Flow Statement

#### Departmental net cash from operating activities

Departmental net cash used by operating activities is \$629.7 million higher than the Original Budget. The variance is predominantly driven by higher than budget total cash used of \$3,179.8 million or 9.2%. This is primarily due to higher supplier expenses of \$1,890.8 million (or 10.2%), offset by higher than budgeted cash received from operating activities of \$2,550.0 million (or 7.3%). This is due to the higher than budgeted appropriation drawdowns of \$1,267.1 million (or 4.0%) reflecting an overall increase in revenue from Government resulting from reclassification of appropriation bills from capital to operating for approximately \$1,116.8 million during 2022-23, and No-Win-No-Loss funding of \$619.8 million received in 2022-23.

#### Departmental net cash used by investing activities

Departmental net cash used for investing activities is \$1,575.6 million (or 10.1%) lower than the Original Budget. This is primarily driven by lower capital expenditure for the purchase of Land (\$58.8 million or 86.6%), Buildings (\$1,420.8 million or 60.4%) and purchase of Specialist Military Equipment (\$757.6 million or 7.6%) compared to the Original Budget. These variances are partially offset by higher purchases of Plant and Equipment (\$123.9 million) and Infrastructure (\$607.9 million) than in the Original Budget.

#### Departmental net cash from financing activities

The total variance between departmental net cash used by financial activities and the Original Budget is \$1,277.2 million (8.3%). The variance is primarily driven by lower equity drawdowns (\$1,218.1 million or 7.8%) resulting from appropriation reclassification from equity to operating during 2022-23 (\$1,116.8 million).

#### Departmental net cash result

The 2022-23 Defence net cash result is a surplus of \$670.6 million (1.4% of total funding) (2021-22: \$535.1 million deficit).

The net result comprises of:

- *Net capital surplus of \$1,027.9 million (7.0% of capital funding)*. This is primarily driven by delays in acquisition expenditure resulting from continuing disruptions to international supply chains as a result of the Russia and Ukraine war. This impact combined with the Department reassessing priorities through the Defence Strategic Review (DSR), are the primary drivers behind the surplus against 2022-23 capital funding.

*Partially offset by:*

- *Net operating deficit of \$357.3 million (1.1% of operating funding)* including the impacts of the special accounts of \$191.3 million (decreasing the operating deficit). In considering the factors contributing to the net capital surplus, Defence invested further in sustainment, repairs and overhaul activities across a number of services and assets during 2022-23 to maintain ongoing operating capability. Partially offsetting these additional operating costs were lower than budgeted employee benefits costs largely driven by lower than budgeted headcount across the Defence workforce by approximately 5.0%, and increases in the 10 year government bond rates from 3.7% (30 June 2022) to 4.0% (30 June 2023), favourably impacting the result.

**Department of Defence**

**ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME**

For the period ended 30 June 2023

		2023	2022	Original Budget <sup>1</sup>
		\$'000	\$'000	\$'000
<b>NET COST OF SERVICES</b>				
<b>EXPENSES</b>				
Employee benefits	2.1A	9,748,999	10,569,098	9,465,950
Subsidies	2.1B	171,643	94,918	140,300
Impairment loss allowance on financial instruments	2.1C	-	10	-
Supplier expense	2.1D	-	243,741	-
<b>Total expenses</b>		<b>9,920,642</b>	<b>10,907,767</b>	<b>9,606,250</b>
<b>INCOME</b>				
<b>Revenue</b>				
<b>Non taxation revenue</b>				
Fees and fines	2.2A	18,128	17,761	18,987
Dividends <sup>2</sup>	2.2B	-	78,194	66,617
Military superannuation contributions	2.2C	1,154,138	1,225,257	1,123,864
Other revenue	2.2D	41,979	329,675	47,411
<b>Total non-taxation revenue</b>		<b>1,214,245</b>	<b>1,650,887</b>	<b>1,256,879</b>
<b>Total income</b>		<b>1,214,245</b>	<b>1,650,887</b>	<b>1,256,879</b>
<b>Net (cost of)/contribution by services</b>		<b>(8,706,397)</b>	<b>(9,256,880)</b>	<b>(8,349,371)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation surplus		538,383	394,155	-
Actuarial gains/(losses) on defined benefits plans	4.5	9,008,100	46,582,800	-
<b>Total other comprehensive Income</b>		<b>9,546,483</b>	<b>46,976,955</b>	<b>-</b>
<b>Total Comprehensive Income</b>		<b>840,086</b>	<b>37,720,075</b>	<b>(8,349,371)</b>

The above statement should be read in conjunction with the accompanying notes.

<sup>1</sup> Portfolio Budget Statements 2022-23 (October 2022).

<sup>2</sup> Defence Housing Australia (DHA) and shareholders have an agreement on a dividend moratorium in respect to the 2022–23 financial year. As such, DHA declared nil dividend payment for 2022–23 with the funds to be reinvested into delivering housing requirements to effectively support Defence capability.

**Department of Defence**

**ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES**

As at 30 June 2023

Original

Budget <sup>1</sup>

		2023	2022	
		\$'000	\$'000	\$'000
	<b>Notes</b>			
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents <sup>2</sup>	4.1A	-	357,357	-
Trade and other receivables	4.1B	56,355	155,331	133,717
Equity accounted investments	4.1C	3,664,308	3,125,925	3,105,105
<b>Total financial assets</b>		<b>3,720,663</b>	<b>3,638,613</b>	<b>3,238,822</b>
<b>Non-financial assets</b>				
Prepayments	4.2A	58,220	110,487	46,558
<b>Total non-financial assets</b>		<b>58,220</b>	<b>110,487</b>	<b>46,558</b>
<b>Total Assets Administered on behalf of Government</b>		<b>3,778,883</b>	<b>3,749,100</b>	<b>3,285,380</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Other payables <sup>2</sup>	4.3A	10,004	311,884	1,314
<b>Total payables</b>		<b>10,004</b>	<b>311,884</b>	<b>1,314</b>
<b>Provisions</b>				
Employee provisions	4.4A	137,877,700	140,774,100	118,060,367
<b>Total provisions</b>		<b>137,877,700</b>	<b>140,774,100</b>	<b>118,060,367</b>
<b>Total Liabilities Administered on behalf of Government</b>		<b>137,887,704</b>	<b>141,085,984</b>	<b>118,061,681</b>
<b>Net Liabilities</b>		<b>(134,108,821)</b>	<b>(137,336,884)</b>	<b>(114,776,301)</b>

The above schedule should be read in conjunction with the accompanying notes.

<sup>1</sup> Portfolio Budget Statements 2022-23 (October 2022).

<sup>2</sup> The *Defence Endowments, Bequests and Other Trust Money Special Account* transferred from Administered to Departmental effective 1 July 2022 as agreed by the Minister for Finance in September 2022.

**Department of Defence**  
**ADMINISTERED RECONCILIATION SCHEDULE**

For the period ended 30 June 2023

		2023 \$'000	2022 \$'000
	<b>Notes</b>		
<b>Opening assets less liabilities as at 1 July</b>		<b>(137,336,884)</b>	<b>(177,220,563)</b>
<b>Net (cost of)/contribution by services</b>			
Income	2.2A to D	<b>1,214,245</b>	1,650,887
Expenses			
Payments to entities other than corporate Commonwealth entities	2.1A to D	<b>(9,920,642)</b>	<b>(10,907,767)</b>
Payments to corporate Commonwealth entities		-	-
<b>Other comprehensive income:</b>			
Revaluations taken to/(from) reserves:			
– Defence Housing Australia (DHA)	4.1C	<b>533,022</b>	357,258
– Small portfolio entities	4.1C	<b>5,361</b>	36,897
Actuarial gains/(losses)	4.5	<b>9,008,100</b>	46,582,800
<b>Transfers (to)/from the Australian Government:</b>			
Appropriation transfers from OPA:			
Annual appropriations for payment to corporate Commonwealth entities		-	-
Special appropriations (limited)			
Payments to entities other than corporate Commonwealth entities	5.1C	<b>72</b>	<b>88</b>
Special appropriations (unlimited)			
Payments to entities other than corporate Commonwealth entities	5.1C	<b>3,841,480</b>	3,466,495
Transfers to OPA		<b>(1,570,138)</b>	<b>(1,523,832)</b>
Transfer to Departmental- special account <sup>1</sup>		<b>(111,834)</b>	-
Write off of historical liability		<b>62,839</b>	-
Funded benefit payments to the members, not drawn down from Special Appropriations		<b>165,558</b>	220,853
<b>Closing assets less liabilities as at 30 June</b>		<b><u>(134,108,821)</u></b>	<b><u>(137,336,884)</u></b>

The above schedule should be read in conjunction with the accompanying notes.

<sup>1</sup> The *Defence Endowments, Bequests and Other Trust Money Special Account* transferred from Administered to Departmental effective 1 July 2022 as agreed by the Minister for Finance in September 2022.

**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.

**Department of Defence**  
**ADMINISTERED CASH FLOW STATEMENT**

For the period ended 30 June 2023

	2023 \$'000	2022 \$'000
<b>Notes</b>		
<b>OPERATING ACTIVITIES</b>		
<b>Cash received</b>		
Fees	18,921	16,798
Superannuation contributions	1,405,426	1,466,679
Special Account receipts <sup>1</sup>	-	387,474
Other	55,814	5,010
<b>Total cash received</b>	<b>1,480,161</b>	<b>1,875,961</b>
<b>Cash used</b>		
Subsidies	(165,162)	(91,936)
Employees	(3,676,389)	(3,374,647)
Special Account payments <sup>1</sup>	-	(307,265)
<b>Total cash used</b>	<b>(3,841,551)</b>	<b>(3,773,848)</b>
<b>Net cash used by operating activities</b>	<b>(2,361,390)</b>	<b>(1,897,887)</b>
<b>INVESTING ACTIVITIES</b>		
<b>Cash received</b>		
Dividends	89,977	35,347
<b>Total cash received</b>	<b>89,977</b>	<b>35,347</b>
<b>Net cash received from investing activities</b>	<b>89,977</b>	<b>35,347</b>
<b>Net decrease in cash held</b>	<b>(2,271,413)</b>	<b>(1,862,540)</b>
<b>Cash from the Official Public Account for:</b>		
Appropriations	3,841,551	3,466,583
<b>Total cash from the Official Public Account</b>	<b>3,841,551</b>	<b>3,466,583</b>
<b>Cash to the Official Public Account for:</b>		
Appropriations	(1,570,138)	(1,523,834)
<b>Total cash to the Official Public Account</b>	<b>(1,570,138)</b>	<b>(1,523,834)</b>
Cash and cash equivalents at the beginning of the reporting period	357,357	277,148
Transfer to Departmental <sup>1</sup>	(357,357)	
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>-</b>	<b>357,357</b>
	4.1A	
The above statement should be read in conjunction with the accompanying notes.		
<sup>1</sup> The <i>Defence Endowments, Bequests and Other Trust Money Special Account</i> transferred from Administered to Departmental effective 1 July 2022 as agreed by the Minister for Finance in September 2022.		

**Department of Defence**  
**BUDGET VARIANCE COMMENTARY**

*For the period ended 30 June 2023*

**Administered Schedule of Comprehensive Income**

**Administered expenses**

The total administered expenses are higher by \$314.4 million (or 3.3%) compared to the Original Budget. This is largely attributed to higher than budget employee benefits of \$283.0 million (or 3.0%).

**Administered income**

The total administered income is lower than the Original Budget by \$42.6 million (or 3.4%), due to Defence Housing Australia declaring nil dividend payment for 2022–23 with the funds to be reinvested into delivering housing requirements to effectively support Defence capability.

**Administered other comprehensive income**

The total administered other comprehensive income is higher than the Original Budget by \$9,546.5 million due to actuarial gains on defined benefit plans of \$9,008.1 million. This primarily relates to actuarial gains driven by changes in discount rate in MSBS (3.9%) and DFRDB (4.4%) from MSBS (3.7%) and DFRDB (4.2%). Additionally, there was an actuarial gain on MSBS plan assets. This was partially offset by actuarial losses from liability experience as a result of higher pension rates in MSBS and DFRDB and changes in demographic assumptions for MSBS and DFRDB. 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 are higher than the Original Budget by \$493.5 million (or 15.0%). The major variances are related to the equity accounted investments which were \$559.2 million (or 18.0%) higher than budget, due to higher than expected revaluation increment for Defence Housing Australia, partially offset by a decrease in Trade and other receivables by \$77.4 million relating to DHA dividend.

**Administered liabilities**

The total administered liabilities are higher than Original Budget by \$19,827.3 million (or 16.8%). This is largely attributed to employee provisions which were \$19,817.3 million (or 16.8%) higher than the Original Budget. The Original Budget was developed using a long term discount rate of 5.0%, based on the 2020 Long Term Cost Report. However the 2022-23 balance is based on the spot rate of the Government bond matched to the expected term of the schemes weighted average liability duration at 30 June 2023. Revised invalidity assumptions for actuals reporting and higher than expected CPI also contribute to the variance to budget.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2023

#### OVERVIEW

The Department of (Defence) is a federal government entity domiciled in Australia. The nature of Defence's activities primarily relate to the defence of Australia and its national interests through the conduct of operations and to protect and advance Australia's strategic interests. Defence's principal registered place of business is:

Russell Offices  
Department of Defence  
Canberra ACT 2600

The entity conducts the following administered activities on behalf of the Government:

- Administering and report member and employer superannuation contributions paid during the year to the Defence Force Retirement and Death Benefits (DFRDB) scheme, the Military Superannuation and Benefits Scheme (MSBS) and Australian Defence Force Cover (ADF Cover). Defence accounts for the liability for these schemes plus the Defence Forces Retirement Benefits (DFRB) scheme and the statutory death and invalidity scheme, Australian Defence Force Cover (ADF Cover); and
- Administering the Defence Home Ownership Assistance Scheme (DHOAS) which supports the Government's retention and recruitment initiatives and influence ADF members' decision to stay beyond critical career points.

#### 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)*.

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 – including simplified disclosures for Tier 2 Entities (except for Note 4.4 - Administered Provisions and Note 4.5 - Administered - Defined Benefit Plans which are Tier 1 disclosures) under AASB 1060 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 and liabilities which are recorded 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.

#### New Accounting Standards

The following new accounting standards have been applied for the first time during 2022-23:

Standard/ Interpretation	Nature of change in accounting policy, transitional provisions, and adjustment to financial statements
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates (AASB 2021-2) and	AASB 2021-2 amends AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2. The amending standard requires the disclosure of material, rather than significant, accounting policies, and clarifies what is considered a change in accounting policy compared to a change in accounting estimate.
AASB 2021-6 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards (AASB 2021-6)	AASB 2021-6 amends the Tier 2 reporting requirements set out in AASB 1049, AASB 1054 and AASB 1060 to reflect the changes made by AASB 2021-2. The details of the changes in accounting policies and adjustments are disclosed below and in the relevant notes to the financial statements. This standard has already been applied and does not have a material impact on Defence's financial statements for the current reporting period or future reporting periods.

#### Comparative reclassifications

Minor changes were made to the comparatives in both the Departmental and Administered financial statements as a result of the reclassification or merging of some line items. There was no change to the comparative operating deficit or net assets reported.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2023

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#### Taxation

Defence is exempt from all forms of taxation except Fringe Benefits Tax (FBT), 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 (Section 83) provides that no money shall be drawn from the Treasury of the Commonwealth (the Treasury) except under an appropriation made by law. Money cannot be drawn from the Consolidated Revenue Fund without an appropriation Act.

Defence has identified a potential issue within two Defence home loan schemes, *Defence Force (Home Loans Assistance) Act 1990* (DHOS) and the *Defence Home Ownership Assistance Scheme Act 2008 (DHOAS Act)*, where overpayments have been made resulting in potential breaches of Section 83. Both schemes have provisions that allow for the recovery of an overpayment (s 31 of the *DHOS Act* and s 66-70 of the *DHOAS Act*). However the legislation did not authorise the appropriation of funds in relation to overpayments until 31 December 2022. On 1 January 2023, an amendment to the *DHOAS Act* commenced which inserted Subsection 84A and 84B, resolving the issue of overpaid subsidy payments being a potential breach of Section 83. Therefore, only overpaid subsidy payments made prior to 1 January 2023 (the commencement of the amendment) have been included in this return. Overpaid subsidy from January 2023 will be reported in accordance with new Section 84B of the *DHOAS Act* as section 83 is no longer applicable for these overpayments.

In 2022-23, Defence identified 4 overpayments totalling \$14,676.48 in relation to the *Defence Force (Home Loans Assistance) Act 1990*. Defence undertook recovery action and as at 30 June 2023 has been fully recovered.

In 2022-23, Defence identified 78 overpayments totalling \$58,018.20 in relation to the *Defence Home Ownership Assistance Scheme Act 2008*. Defence undertook recovery action and as at 30 June 2023, \$55,365.29 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 2022-23. 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 2023

### Defence Strategic Review

On 14 February 2023 the Defence Strategic Review (DSR) was provided to the Government.

The DSR holistically considers Australia's Defence force structure and posture by including force disposition, preparedness, strategy and associated investments, including all elements of Defence's Integrated Investment Program (IIP). The DSR has concluded with a number of recommendations aimed at enabling Defence and its priorities to operate in an environment that has growing strategic challenges.

The financial impact of the DSR is not quantifiable as at 30 June 2023. Defence will assess the financial impact on an annual basis as the DSR is implemented.

### 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

#### 1. Australian Submarine Agency

On 1 July 2023, the Australian Submarine Agency (ASA) was established.

The ASA is a non-corporate Commonwealth entity within the Defence portfolio and reports directly to the Minister for Defence.

This machinery of government change resulted in a transfer of appropriation from Defence to ASA of \$390.1 million on 1 July 2023 to fund ASA to manage and oversee the acquisition, construction, delivery, sustainment and disposal of nuclear-powered submarines.

Defence has determined that there is no material impact of the above on the valuation of the balances presented in the 2022-23 Defence financial statements.

#### 2. MRH - 90 Helicopter

In September 2023, the Government agreed to not pursue the return of the MRH-90 Taipans (MRH-90) helicopter fleet to flying operations.

In 2023-24 Defence will subsequently pursue disposal options for the MRH-90 fleet. The accurate impact of this decision on Defence's net asset holdings of \$122.5 billion is not fully known or able to be reliably measured as at 30 June 2023. The financial impact of this decision and any subsequent disposals will be reflected in the 2023-24 financial statements. The Defence net assets balance as at 30 June 2023 includes \$484.4 million relating to MRH-90 helicopters and associated spare components.

No other significant events have occurred after the reporting date that required the Annual Report to be adjusted as at 30 June 2023, nor have there been any significant non-adjusting events that have occurred after reporting date.

### Administered

No significant events have occurred after the reporting date that required the Annual Report to be adjusted as at 30 June 2023, nor have there been any significant non-adjusting events that have occurred after reporting date.

### Special Account Reclassification

The *Defence Endowments, Bequests and Other Trust Money Special Account* transferred from Administered to Departmental effective 1 July 2022 as agreed by the Minister for Finance in September 2022.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2023

**FINANCIAL PERFORMANCE**

This section analyses the financial performance of Defence for the year ended 30 June 2023

**1.1: Expenses**

	2023	2022
	\$'000	\$'000
<b>1.1A: Employee benefits</b>		
<b>Australian Public Service (APS) employee benefits</b>		
Wages and salaries	1,553,219	1,459,349
Superannuation:		
Defined contribution plans	182,652	161,050
Defined benefit plans	107,880	112,399
Leave and other entitlements	200,351	135,491
Fringe benefits tax	21,210	18,237
Separation and redundancies	4,558	9,896
Other allowances	54,942	35,359
Health expenses	3,894	4,028
Other employee expenses	1,773	1,608
<b>Total APS employee benefits</b>	<u>2,130,479</u>	<u>1,937,417</u>
<b>Australian Defence Force (ADF) employee benefits</b>		
Wages and salaries	5,719,575	5,678,409
Superannuation:		
Defined contribution plans	372,736	310,891
Defined benefit plans	1,294,513	1,379,513
Housing <sup>1,2</sup>	875,384	789,038
Leave and other entitlements	584,024	442,895
Fringe benefits tax	572,424	515,312
Overseas allowances	101,927	93,457
Separation and redundancies	9,901	10,847
Other allowances	346,681	373,926
Health expenses <sup>3</sup>	563,737	529,866
Other employee expenses	209,498	189,038
<b>Total ADF employee benefits</b>	<u>10,650,400</u>	<u>10,313,192</u>
<b>Total employee benefits</b>	<u>12,780,879</u>	<u>12,250,609</u>

<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.

<sup>2</sup> Minor changes were made to the comparatives as a result of the reclassification.

<sup>3</sup> The Department of Defence (Defence) is required under its legislative and regulatory framework to provide comprehensive health care to members of the Australian Defence Force (ADF) under The *Defence Regulation* 2016, section 49.

For the current financial period, sublease expenses were \$606.3 million (2021-22: \$535.2 million).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2023

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#### 1.1A: Employee benefits (continued)

##### Accounting Policy

Defence's workforce comprises of the 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.

##### (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. 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.

##### (b) Separation and Redundancy

Provision is made for separation and redundancy benefit payments. When Defence 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 2023 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 2023 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.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2023

**Accounting Policy (continued)**

*(f) Housing*

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, there is no right-of-use asset and lease liability recognised under AASB 16. Leases and payments are expensed through the Statement of Comprehensive Income.

**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.

	2023 \$'000	2022 \$'000
<b>1.1B: Supplier expenses</b>		
<b>Goods and services supplied or rendered</b>		
Administration <sup>1</sup>	933,879	744,872
Communications and information technology	2,401,410	2,337,654
Estate upkeep	2,353,671	2,698,672
Freight, storage and removal	680,880	703,426
Foreign government activities	19,101	118,245
Garrison support and mess operations	357,122	400,554
Inventory consumption	1,224,918	940,663
Other <sup>2</sup>	1,530,270	2,174,171
Professional services/technical advice <sup>3</sup>	1,375,776	1,058,962
Project management costs	691,275	464,156
Purchase of minor assets	489,700	289,143
Research and development	686,553	738,307
Sustainment (including repair and overhaul)	7,782,788	6,680,494
Training	628,164	521,678
Travel	391,455	305,466
Utilities	490,462	423,652
<b>Total goods and services supplied or rendered</b>	<b>22,037,424</b>	<b>20,600,115</b>
<b>Goods and services supplied or rendered are made up of:</b>		
Goods supplied	2,777,174	2,432,454
Services rendered	19,260,250	18,167,661
<b>Total goods and services supplied or rendered</b>	<b>22,037,424</b>	<b>20,600,115</b>
<b>Other supplier expenses</b>		
Short-term leases <sup>4</sup>	176,551	109,987
Low value leases	35,801	32,575
Variable lease payments	3,421	3,373
Workers compensation premiums	18,499	17,157
<b>Total other supplier expenses</b>	<b>234,272</b>	<b>163,092</b>
<b>Total supplier expenses</b>	<b>22,271,696</b>	<b>20,763,207</b>

<sup>1</sup> The increase is primarily driven by Recruitment Services of \$113.5 million for both the military and public service and Security services of \$25.7 million.

<sup>2</sup> The reduction is primarily driven by a decrease in termination costs. The 2021-22 balance was higher due to the cancellation of Future Submarine program costs of \$677.3 million, of which \$445.0 million related to the 'Other' category.

<sup>3</sup> Minor changes were made to the comparatives as a result of the reclassification between line items.

<sup>4</sup> The above lease disclosures should be read in conjunction with the accompanying notes 1.1D, 1.2B, 3.2A and 3.4A.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2023

#### 1.1B: Supplier expenses (continued)

##### 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.

	2023	2022
	\$'000	\$'000
<b>1.1C: Grants</b>		
State and Territory governments	170	6,119
Non-profit organisations	48,375	72,530
Overseas	23,514	24,142
<b>Total grants</b>	<u>72,059</u>	<u>102,791</u>
<b>1.1D: Finance costs</b>		
Interest on lease liabilities	112,885	104,999
Unwinding of discount - restoration, decontamination and decommissioning	35,150	14,496
<b>Total finance costs</b>	<u>148,035</u>	<u>119,495</u>

The above lease disclosures should be read in conjunction with the accompanying notes 1.1B, 1.2B, 3.2A and 3.4A.

##### Accounting Policy

All borrowing costs are expensed as incurred.

#### 1.1E: Write-down and impairment of assets

Land and buildings	81,981	82,478
Specialist military equipment <sup>1</sup>	728,091	2,641,304
Infrastructure	30,999	47,198
Plant and equipment	56,969	27,561
Heritage and cultural assets	349	10,016
Intangibles	38,058	69,315
Inventories	568,348	764,094
<b>Total write-down and impairment of assets</b>	<u>1,504,795</u>	<u>3,641,966</u>

<sup>1</sup> In 2021-22, the Future Submarines Asset Under Construction value of \$2,128.6 million was written off.

##### Accounting Policy

The relevant accounting policy for write-down and impairment of assets is detailed in Note 3.2A. The relevant accounting policy for inventory is detailed in Note 3.2B.

#### 1.1F: Foreign exchange

##### Foreign exchange gains

Non-speculative	(87,272)	(84,121)
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##### Foreign exchange losses

Non-speculative	105,684	95,739
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##### Total net foreign exchange losses/(gains)

	<u>18,412</u>	<u>11,618</u>
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##### 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.

#### 1.1G: Expenses in relation to Special Account

Expenses in relation to Special Account <sup>1</sup>	50,128	-
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##### Expenses in relation to Special Account

	<u>50,128</u>	<u>-</u>
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<sup>1</sup> The *Defence Endowments, Bequests and Other Trust Money Special Account* transferred from Administered to

Departmental effective 1 July 2022 as agreed by the Minister for Finance in September 2022.

#### 1.1H: Other expenses

Act of grace payments	468	1,893
Defective Administration Scheme payments	1,249	1,267
Restoration, decontamination and decommissioning costs	79,116	174,325
Other	30,559	1,345
<b>Total other expenses</b>	<u>111,392</u>	<u>178,830</u>

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2023*

**1.2: Own-Source Revenue and Gains**

<b>Own-Source Revenue</b>	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
<b>1.2A: Revenue from contracts with customers</b>		
<b>Provision of goods - Major product line</b>		
Rations and quarters - cost recovery	<b>64,166</b>	66,647
Provision of fuel - cost recovery	<b>63,684</b>	47,975
Foreign government activities	<b>45,086</b>	-
Other (including sale of obsolete and surplus inventory)	<b>18,807</b>	18,734
<b>Total provision of goods</b>	<b>191,743</b>	133,356
<b>Rendering of services - Major service line</b>		
Logistics support recovery	<b>59,035</b>	52,630
Other recoveries	<b>84,550</b>	72,259
Other governments/agencies	<b>75,978</b>	105,804
Other	<b>32,254</b>	27,902
<b>Total rendering of services</b>	<b>251,817</b>	258,595
<b>Total revenue from contracts with customers</b>	<b>443,560</b>	391,951
<b>Timing of transfer of goods and services:</b>		
Over time	<b>147,539</b>	131,413
Point in time	<b>296,021</b>	260,538
<b>Total revenue from contracts with customers</b>	<b>443,560</b>	391,951

**Accounting Policy**

Revenue from the provision of goods is recognised when control has been transferred to the buyer. Revenue from the rendering of services is recognised when the performance obligation is satisfied.

Revenue recognised at point in time primarily relates to sales of obsolete and surplus inventory and assets. Revenue recognised over time primarily relates to revenue relating to cost recovery of foreign government activities, services provided such as licences, rent and water services, project contributions, and rendering of other services.

Defence payment terms are 30 days from the date of invoice recognised recognised at the nominal amounts due less any impairment allowance. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

**1.2B: Rental income**

**Operating leases<sup>1</sup>**

Group rental scheme	<b>213,011</b>	206,878
Other	<b>34,761</b>	31,100
<b>Total operating leases</b>	<b>247,772</b>	237,978

**Finance leases**

Finance Income	<b>5,978</b>	5,655
<b>Total finance leases</b>	<b>5,978</b>	5,655
<b>Total rental income</b>	<b>253,750</b>	243,633

<sup>1</sup>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.

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
<b>Maturity analysis of operating lease income receivables:</b>		
Within one year	<b>44,654</b>	43,549
One to two years	<b>27,711</b>	27,035
Two to three years	<b>28,403</b>	27,711
Three to four years	<b>29,114</b>	28,403
Four to five years	<b>29,841</b>	29,114
More than five years	<b>-</b>	29,841
<b>Total undiscounted lease payments receivable</b>	<b>159,723</b>	185,653

**Department of Defence**  
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	2023	2022
	\$'000	\$'000
<b>1.2B: Rental income (continued)</b>		
<b>Maturity analysis of finance lease income receivables:</b>		
Within one year	23,549	23,776
One to two years	23,883	23,549
Two to three years	23,596	23,883
Three to four years	22,373	23,596
Four to five years	22,968	22,373
More than five years	289,395	312,363
<b>Total undiscounted lease payments receivable</b>	<u>405,764</u>	<u>429,540</u>
Unearned finance income	(14,162)	(54,162)
<b>Net investment in leases</b>	<u>391,602</u>	<u>375,378</u>

The above lease disclosures should be read in conjunction with the accompanying notes 1.1B, 1.1D, 3.2A and 3.4A.

**1.2C: Other revenue**

Excise refunds	653	415
Settlement of damages	3,245	285
Foreign military sales refunds	8,236	11,038
Foreign government activities	41,170	64,626
Interest revenue <sup>1</sup>	31,383	1,282
Other refunds	168,664	22,602
Other minor revenues	71,040	981
Resources received free of charge:		
Remuneration of auditors	3,890	3,890
Resources received free of charge - non government	83	-
Other resources received free of charge	4	-
<b>Total other revenue</b>	<u>328,368</u>	<u>105,119</u>

<sup>1</sup>Minor changes were made to the comparatives as a result of the reclassification of some line items.

**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(g).

**1.2D: Reversals of previous asset write-downs and impairment**

Buildings	152,186	2,836
Specialist military equipment	412,297	526,322
Infrastructure	43,618	21,900
Plant and equipment	74,521	13,973
Heritage and cultural assets	3,965	-
Software and intangibles	-	7,959
<b>Total property, plant and equipment and intangibles</b>	<u>686,587</u>	<u>572,990</u>
Receivables	3,617	598
Inventory	243,265	211,591
<b>Total reversal of previous asset write-downs and impairment</b>	<u>933,469</u>	<u>785,179</u>

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2023*

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
<b>1.2E: Other gains</b>		
Reversal/write back of provisions	<b>55,750</b>	207,501
Other gains - ASMTI Contribution	-	218,236
<b>Total other gains</b>	<b><u>55,750</u></b>	<u>425,737</u>

**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. Effective 1 July 2022, the funds received from Singapore and the assets being built under the ASMTI agreement are both within the Departmental Financial Statements, and as a result no 'Other gains' are recorded during 2022-23 for the contributions made by Singapore.

**1.2F: Revenue from Government**

Appropriations:

Departmental appropriations	<b>33,040,300</b>	29,299,407
Net supplementation	<b>(200,692)</b>	292,627
<b>Total revenue from Government</b>	<b><u>32,839,608</u></b>	<u>29,592,034</u>

**Accounting Policy**

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government 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 2023 are reflected as a receivable and are available to be drawn down to meet future obligations. Appropriations receivable are recognised at their nominal amounts.

**1.2G: Revenue in relation to Special Account**

Revenue in relation to Special Account <sup>1</sup>	<b>241,387</b>	-
<b>Total revenue in relation to Special Account</b>	<b><u>241,387</u></b>	<u>-</u>

<sup>1</sup> *The Defence Endowments, Bequests and Other Trust Money Special Account* transferred from Administered to Departmental effective 1 July 2022 as agreed by the Minister for Finance in September 2022.

**Department of Defence**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2023*

**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**

	2023	2022
	\$'000	\$'000
<b>2.1A: Employee benefits</b>		
Superannuation:		
Defined benefit plans		
Net service cost	4,194,100	6,402,000
Net interest cost	5,502,573	4,089,700
Retention benefits	52,326	77,398
<b>Total employee benefits</b>	<u>9,748,999</u>	<u>10,569,098</u>
<b>2.1B: Subsidies</b>		
Related parties:		
Defence Home Owner Scheme	-	88
Defence Home Ownership Assistance Scheme	171,643	94,830
<b>Total subsidies</b>	<u>171,643</u>	<u>94,918</u>
<b>2.1C: Impairment loss allowance on financial instruments</b>		
Impairment on trade and other receivables	-	10
<b>Total impairment loss allowance on financial instruments</b>	<u>-</u>	<u>10</u>
<b>2.1D: Supplier expenses</b>		
Foreign Government activities <sup>1</sup>	-	243,741
<b>Total supplier expense</b>	<u>-</u>	<u>243,741</u>
<b>2.2: Administered - Income</b>		
<b>Non-Taxation Revenue</b>		
<b>2.2A: Fees and fines</b>		
License fees	18,128	17,761
<b>Total fees and fines</b>	<u>18,128</u>	<u>17,761</u>

<sup>1</sup> The Defence Endowments, Bequests and Other Trust Money Special Account transferred from Administered to Departmental effective 1 July 2022 as agreed by the Minister for Finance in September 2022.

**Department of Defence**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2023*

	2023 \$'000	2022 \$'000
<b>2.2B: Dividends</b>		
Australian Government entities - Defence Housing Australia <sup>1</sup>	-	78,194
<b>Total dividends</b>	<u>-</u>	<u>78,194</u>
<b>2.2C: Military superannuation contributions</b>		
Military superannuation contributions	1,154,138	1,225,257
<b>Total military superannuation contributions</b>	<u>1,154,138</u>	<u>1,225,257</u>
<b>2.2D: Other revenue</b>		
Competitive neutrality revenue - Defence Housing Australia	41,906	35,592
Foreign Government activities <sup>2</sup>	-	292,738
Other	73	1,345
<b>Total other revenue</b>	<u>41,979</u>	<u>329,675</u>

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> Defence Housing Australia declared a nil dividend payment for 2022–23 with the funds to be reinvested into delivering housing requirements to effectively support Defence capability.

<sup>2</sup> The *Defence Endowments, Bequests and Other Trust Money Special Account* transferred from Administered to Departmental effective 1 July 2022 as agreed by the Minister for Finance in September 2022.

**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, 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 and Defence Home Owner 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.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2023

**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**

	2023	2022
	\$'000	\$'000
<b>3.1A: Cash and cash equivalents</b>		
Cash on hand	1,690	1,431
Cash at bank - at call	246,988	315,485
Cash held in OPA - Special Account	178,322	-
<b>Total cash and cash equivalents</b>	<u>427,000</u>	<u>316,916</u>

The closing balance of cash in the special account exclude amounts held in trust: [\$1.8 million in 2022-23 and \$0.0 million in 2021-22]. See note 8.1 Asset Held in Trust for more information.

The *Defence Endowments, Bequests and Other Trust Money Special Account* transferred from Administered to Departmental effective 1 July 2022 as agreed by the Minister for Finance in September 2022.

**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 known 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 using the applicable exchange rate at the reporting date.

**3.1B: Trade and other receivables**

**Goods and services receivables**

Goods and services	187,664	82,543
<b>Total goods and services receivables</b>	<u>187,664</u>	<u>82,543</u>

**Appropriations receivable**

Appropriations receivable	843,048	188,774
<b>Total appropriations receivable</b>	<u>843,048</u>	<u>188,774</u>

**Other receivables**

GST receivable from the Australian Taxation Office	413,952	392,066
Accrued revenue	43,807	95,399
Sub-Lease receivables	391,602	375,378
Other <sup>1</sup>	192,841	455,394
<b>Total other receivables</b>	<u>1,042,202</u>	<u>1,318,237</u>
<b>Total trade and other receivables (gross)</b>	<u>2,072,914</u>	<u>1,589,554</u>

**Less impairment allowance**

Goods and services	(7,302)	(10,909)
<b>Total impairment allowance</b>	<u>(7,302)</u>	<u>(10,909)</u>
<b>Total trade and other receivables (net)</b>	<u>2,065,612</u>	<u>1,578,645</u>

Credit terms for goods and services were within 30 days (2021-22: 30 days).

<sup>1</sup> The balance contains no win no loss receivables totalling \$63.7 million (2021-22: \$172.4 million).

**Accounting Policy**

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.

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**  
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For the period ended 30 June 2023

**3.2: Non-Financial Assets**

**3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (2022-2023)**

Item	Land <sup>3,4,5</sup> \$'000	Buildings <sup>3,4</sup> \$'000	Specialist Military Equipment <sup>3</sup> \$'000	Infra- structure <sup>3</sup> \$'000	Plant and Equipment <sup>3</sup> \$'000	Heritage and Cultural Assets <sup>1,2</sup> \$'000	Computer Software - Purchased \$'000	Computer Software - Internally Generated \$'000	Other Intangibles Purchased \$'000	Other Intangibles Internally Generated \$'000	Total \$'000
<b>As at 1 July 2022</b>											
Gross book value	6,112,529	17,150,763	81,216,306	7,682,254	1,980,523	445,325	1,501,109	779,941	1,094,935	192,786	118,156,471
Accumulated depreciation/amortisation and impairment	(903,119)	(903,119)	(258,111)	(335,236)	(339,885)	(14,557)	(727,028)	(560,030)	(61,865)	(116,073)	(3,320,904)
<b>Net book value 1 July 2022</b>	<b>6,112,529</b>	<b>16,242,644</b>	<b>80,958,195</b>	<b>7,347,018</b>	<b>1,640,638</b>	<b>430,768</b>	<b>774,081</b>	<b>219,911</b>	<b>1,033,070</b>	<b>76,713</b>	<b>114,835,567</b>
<b>Additions:</b>											
By purchase or internally developed	4,137	1,079,998	8,484,022	999,238	201,992	99	302,296	-	196,561	-	11,288,343
Right-of-use assets	-	371,819	-	-	19,068	-	-	-	-	-	390,887
By donation/gift	-	-	-	-	-	-	-	-	-	-	-
Adjustments to opening balance	-	-	-	-	-	-	-	-	-	-	-
Revaluations/impairments recognised in other comprehensive income <sup>2</sup>	77,128	966,213	(167,227)	676,090	32,610	24,889	-	-	-	-	1,609,703
Revaluations/impairments recognised in other comprehensive income for right-of-use assets <sup>2</sup>	-	(15,433)	-	(2,702)	-	-	-	-	-	-	(18,134)
Reclassification	2,027	148,945	(82,389)	(106,499)	35,912	97	(40,342)	25,611	(54,981)	71,619	-
Depreciation/amortisation expense	-	(652,538)	(4,666,525)	(614,053)	(204,574)	(23,571)	(14,681)	(73,796)	(1,365)	(32,593)	(6,283,696)
Depreciation/amortisation expense on right-of-use assets	-	(253,347)	(39,418)	(3,603)	(77,647)	-	-	-	-	-	(374,015)
Revaluations/write-downs and impairment recognised in net cost of services <sup>2</sup>	(849)	(81,132)	(728,091)	(30,999)	(56,969)	(349)	(34,860)	-	(3,199)	-	(936,448)
Other movements	-	-	-	-	-	-	-	-	-	-	-
Reversal of previous asset write-downs and impairment	(371)	152,186	412,297	43,618	74,521	3,965	-	-	-	-	686,587
Transfers in/out	41,142	1,767	61,862	(71)	(2,366)	-	-	-	-	1,121	61,921
Transfers (to)/from Assets Held for Sale	-	958	41,700	29	181	-	-	-	-	-	84,010
Remeasurement of right-of-use assets	-	25,311	-	-	(1,343)	-	-	-	-	-	23,968
Disposals:											
From disposal of entities or operations (including restructuring)	-	-	-	-	-	-	-	-	-	-	-
Other disposals	(4,039)	(5,459)	(2,459)	-	(4,403)	-	-	-	-	-	(16,359)
<b>Net book value 30 June 2023</b>	<b>6,231,704</b>	<b>17,951,933</b>	<b>84,271,967</b>	<b>8,308,066</b>	<b>1,657,600</b>	<b>435,998</b>	<b>986,494</b>	<b>171,726</b>	<b>1,170,086</b>	<b>116,860</b>	<b>121,332,334</b>
<b>Net book value as at 30 June 2023 represented by:</b>											
Gross book value	6,231,704	19,376,390	85,304,399	8,814,498	2,145,606	456,090	1,756,716	805,552	1,231,644	265,797	126,388,396
Accumulated depreciation/amortisation and impairment	(4,039)	(1,394,457)	(1,032,432)	(506,432)	(488,006)	(20,192)	(770,222)	(633,826)	(61,558)	(148,937)	(5,056,062)
<b>Closing net book value at 30 June 2023</b>	<b>6,231,704</b>	<b>17,981,933</b>	<b>84,271,967</b>	<b>8,308,066</b>	<b>1,657,600</b>	<b>435,898</b>	<b>986,494</b>	<b>171,726</b>	<b>1,170,086</b>	<b>116,860</b>	<b>121,332,334</b>
<b>Carrying amount of right-of-use assets as at 30 June 2023</b>	<b>56,338</b>	<b>2,009,127</b>	<b>246,361</b>	<b>84,958</b>	<b>191,064</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,587,848</b>

<sup>1</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>2</sup> All revaluations were conducted in accordance with the revaluation policy stated at Notes 3.2A(g).

<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.

<sup>4</sup> From time-to-time, Defence enters into operating leases (as lessor) for minor components of the Defence estate (land and/or buildings) where such arrangements support the achievement of Defence objectives. The value of non-current assets under operating lease are not significant to Defence in the aggregate and is included within the balance of non-current assets shown above.

<sup>5</sup> Included in the value of land in the financial statements is portions of land at Bullsbrook's and Damascus barracks that will be transferred to Department of Finance for National Resilience during 2023-24.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2023

**3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (continued)**

	2023	2022
	\$'000	\$'000
<b>Commitments payable relating to property, plant and equipment and intangibles</b>		
Land <sup>1</sup>	1,992	79
Buildings <sup>2</sup>	1,764,999	784,458
Specialist military equipment <sup>3</sup>	25,676,051	21,825,240
Infrastructure <sup>4</sup>	1,912,196	1,951,663
Plant and equipment <sup>4</sup>	127,761	891,142
Intangibles <sup>5</sup>	210,217	183,642
<b>Total capital commitments</b>	<b>29,693,215</b>	<b>25,636,224</b>

<sup>1</sup> Outstanding contractual payments for Land acquisitions.

<sup>2</sup> Outstanding contractual payments for buildings under construction.

<sup>3</sup> Outstanding contractual payments for specialist military equipment under construction.

<sup>4</sup> Infrastructure, plant and equipment capital commitments include outstanding contractual payments relating to the Major Capital Facilities (MCF) program.

<sup>5</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.

The capitalisation thresholds is equal to or exceeds thresholds as summarised in the table below, which remain unchanged since 2021-22.

<b>Non-Financial Assets</b>	<b>\$</b>
Specialist military equipment	-
Land	-
Plant and equipment	10,000
Buildings	100,000
Infrastructure	100,000
Heritage and cultural assets	100,000
Intangibles	1,000,000

*(b) 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.

*(c) Componentisation*

Major assets, such as specialist military equipment, are componentised at the point of capitalisation where 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.

*(d) 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 (except for land) and depreciated over the asset's useful life. The land decontamination provision is recorded directly in the income statement in the period in which the provision is created.

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.

*(e) Reversal of Previous Asset Write-Downs*

These are amounts relating to assets which have been previously written down in prior periods. In the current year, these items have been identified as an asset exceeding the capitalisation threshold.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2023*

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**3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (continued)**  
**Accounting Policy (continued)**

*(f) Assets under construction*

Assets under construction (AUC) include expenditure to date on major military capability and facilities projects which meets the definition for capitalisation under AASB 116. AUC projects are valued at current replacement cost and are reviewed annually for indicators of impairment.

*(g) Subsequent valuations*

All property, plant and equipment, excluding intangible and ROU assets, are measured and disclosed at fair value less subsequent accumulated depreciation and accumulated impairment losses.

To comply with Australian Accounting Standard 116 Property, Plant and Equipment following initial recognition at cost, valuations for Defence's non-financial assets are subject to a rolling fair value valuation programme whereby all assets are subject to a comprehensive valuation at least once every three years with desktop valuations performed on assets not subjected to comprehensive valuation.

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.

Valuation assessments for Defence's non-financial assets are performed by independent external valuers using inputs such as adjusted market transactions, sales prices of comparable assets, replacement cost of new assets, market indices, expected useful life and adjustments for impairment and obsolescence.

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.

Defence holds a 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 assets are specialised in nature. There is generally limited availability of observable market inputs such as readily available market prices from orderly transactions between market participants in any given reporting period. As such, it is often necessary to use professional judgement when estimating fair value.

Since 2021-22, Defence has engaged an external valuer, Jones Lang LaSalle Advisory Services Pty Ltd (JLL), to undertake fair value assessments for SME. The external valuer exercise professional judgement by utilising various inputs and information in determining the fair values of SME assets annually. The basis for determining fair value is by reference to the highest and best use that is physically possible, legally permissible and financially feasible.

In accordance with Australian Accounting Standard 13 Fair value measurements, SME assets are assessed for fair value using the Current Replacement Cost (CRC) approach or market approach.

In very limited instances, the market approach has been utilised to determine fair value measurement of SME assets. The market approach considers directly observable market transactions, with adjustments made for differences in characteristics between the transactions and the asset under consideration.

SME assets have largely been assessed for fair value using the cost approach, where an estimate is determined by establishing a replacement cost of a new asset and allowing for deductions for physical deterioration and obsolescence. 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.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2023

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#### 3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (continued) Accounting Policy (continued)

##### (g) Subsequent valuations (continued)

In determining the current replacement cost for SME assets, the external valuer considered multiple methods in order to determine an appropriate replacement cost for each Platform asset or Military support item. The methods that contributed significantly to the 2022-23 SME valuation outcomes include, but not limited to:

- *Current Year Acquisition Cost* – This method considers whether a subject asset has been purchased by Defence within the last financial year. This method adopts the actual purchase cost for the asset.
- *Off the Shelf Cost* – The off the shelf cost method can be applied when the relevant asset is readily available for purchase without any customisation or bespoke alterations.
- *Indexation of Original Cost* – This trending method involves applying an index or trend factor to an asset's historic cost to calculate an estimated current cost.
- *Indexation of Last Available Cost* – This trending method involves applying an index or trend factor to the last available cost to convert the known cost into an estimated current cost.

In addition to the above listed methods, the external valuer has also applied the following methods specifically to Defence's platform assets:

- *Parametric* – Parametric estimation utilises historical and statistical data to derive a cost estimate based on the relationship between physical and performance-based attributes of the assets under consideration.
- *Average Unit Cost Change* – The average unit cost change method estimates a replacement costs by analysing the available replacement costs for different variants of the same make and model and quantifying the change in cost between the different variants.
- *Cost Build Up* – The cost build up method estimates a replacement costs by taking into consideration current prices of raw materials, labour costs and other specialised costs to form an estimated replacement cost.

The primary inputs used in determining the replacement cost across for platforms and military support items include, but not limited to:

- Adjusted market transactions based on unique characteristics of SME assets and/or comparable assets. Fair value measurement has been determined using market transactions, with adjustments made with regard to the unique characteristics and/or military nature of assets within the asset class, resulting in limited directly observable market transactions. Significant judgement and estimates for assets utilising this approach have included the valuation/assessment of recent sales prices established from Memorandum of Sale between market participants.
- Depreciation - Includes the depreciation of assets, including considerations for physical deterioration and consumption of future economic benefits. Significant judgement and estimates used in calculating depreciation are derived from Defence's and the external valuers' useful life assessments.
- Market indices - The use of readily available market indices allows for consideration of underlying price inflation and cost escalation growth and is applied over the established Replacement Cost New (RCN). Market indices also allows for the movement in foreign exchange for assets manufactured or purchased in foreign countries. Where available, indices used are specific to the underlying nature of the asset being measured and are sourced from government and national databases. Professional judgements and estimates are used in the application of appropriate indices against the assets under assessment.

The external valuer also considers impairment indicators to estimate the fair values of platform assets. This includes a broad range of considerations outside of Defence's control that impact on the service potential of the assets, including supply chain networks, workforce constraints, and national or worldwide events (such as COVID-19 pandemic and the war in Ukraine).

JLL applies all valuation methods consistently across all Service Groups, namely, the Australian Army, the Royal Australian Air Force and the Royal Australian Navy, physical inspections are undertaken for one service group per year. For the 2022-23 valuation cycle, Navy Platform assets underwent a physical inspection process.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2023

#### 3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (continued) Accounting Policy (continued)

The table below summarises the results by each method and the related movement that contributes to the net revaluation increment included in Note 3.2A.

Valuation Method	Movement for Platform assets (\$'m)	Movement for military support items (\$'m)	Total fair value movement (\$'m)
Market Approach	150.6	-	150.6
Cost Approach			
Current Year Acquisition	(380.7)	38.9	(341.8)
Off the Shelf	(296.1)	625.0	328.9
Indexation of Original Cost	1,059.3	-	1,059.3
Indexation of Last Available Cost	130.2	731.1	861.3
Parametric	6.9	-	6.9
Cost Build Up	335.5	-	335.5
Average Unit Cost Change	(6.5)	-	(6.5)
<i>Sub-total of Valuation Methods</i>	<u>999.2</u>	<u>1,395.0</u>	<u>2,394.2</u>
Impairment and other adjustments	(0.9)	(2,560.5)	(2,561.4)
<b>Total</b>	<b><u>998.3</u></b>	<b><u>(1,165.5)</u></b>	<b><u>(167.2)</u></b>

The external valuers' assessment of SME fair value resulted in a \$2,394.2 million increase to the asset revaluation reserve. Defence also recognised reductions of \$2,560.5 million to account for Defence's internal assessment of impairment indicators for military support items and other adjustments that impact the reserve. Although these adjustments are recognised independently to the above fair value assessment activities, they contribute to the net reduction in the asset revaluation reserve of \$167.2 million.

Defence utilised a total of 160 indices in 2022-23 and 18 foreign currencies in fair value assessments for SME. National indices from Australia, the USA and France are the significant contributors for fair value movement in 2022-23. The Australian Dollar, US Dollar and the Euro are the primary currencies impacting prices applied during indexation.

The table below demonstrates the sensitivity of hypothetical movements in these valuation inputs and the magnitude of impact these have to the adopted fair value measurement of SME.

Description	Key Input	Range	Sensitivity
Specialist Military Equipment	(i) Hypothetical change in price indices	+/-1%	1.0% change would increase/(decrease) the total fair value by 0.5%/(0.6%) or \$354.5 million /(\$421.8) million.
	(ii) Hypothetical change in foreign currencies	+/-1.8%	1.8% change would increase/(decrease) the total fair value by 0.9%/(0.9%) or \$573.0 million /(\$612.4) million.

The adopted range to the above inputs has been determined based on an analysis of the aggregated range of historical movements between forecasts and observed outcomes for both key inputs.

#### (h) 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.

	2023	2022
Buildings	1 to 100 years	1 to 100 years
Infrastructure	3 to 99 years	4 to 99 years
Specialist military equipment	1 to 52 years	2 to 52 years
Software	2 to 24 years	2 to 24 years
Other intangibles	4 to 35 years	5 to 26 years
Other plant and equipment	2 to 76 years	2 to 79 years
Heritage and cultural	10 to Indefinite	10 to Indefinite

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2023*

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**3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (continued)**  
**Accounting Policy (continued)**

The depreciation rates for Right of Use (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.

*(i) 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>.

*(j) Intangible Assets*

Defence's intangibles comprise externally acquired and internally developed computer software for internal use and other externally acquired and internally developed intangibles. All intangibles are amortised on a straight-line basis over their anticipated useful lives. All intangible assets are assessed annually for 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's 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.

*(k) Impairment of Assets*

All 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.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2023

**3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (continued)**  
**Accounting Policy (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 ROU 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 are held at cost and measured after deducting accumulated depreciation and any accumulated impairment losses in Defence's financial statements.

**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.

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. Valuation of Defence's non-financial assets are performed by independent external valuers, using various key inputs and judgements as outlined previously.

• *Managing Uncertainties*

Defence manages uncertainty through robust and documented estimation process and thorough review and understanding of key inputs and drivers of valuations outcomes as provided by the external valuers. All reports and inputs received, such as estimates of replacement cost, physical depreciation and obsolescence adjustments are reviewed to ensure that they are appropriate and in line with accounting standards.

The external valuers periodically review forecasts and estimates of valuation inputs that are used to establish fair values at the reporting date as new information is made available. Given the time lag between the release of these data inputs and the reporting date, certain inputs will remain as forecast estimates. Defence manages the materiality of these forecast assessments by engaging the external valuer to perform a number of materiality assessments. The valuer assesses a range of key assumptions and judgements, as well as different valuation methodologies to determine the materiality of different inputs and then considers this when determining an asset's fair value.

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 or sustainment of Defence capabilities.

• *Impact of other external factors*

Defence has considered the impact of the crisis in Ukraine on valuation activities including the disruption of global supply chain on valuation. The crisis in Ukraine resulted in the volatility in global markets and consequences are anticipated in relation to the cost and availability of energy and natural resources. 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 2023, and application of the indices is appropriate in accordance with AASB 13.

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.

	2023 \$'000	2022 \$'000
<b>3.2B: Inventories</b>		
Inventories - General	2,801,913	2,566,153
Inventories - Explosive ordnance	5,746,832	5,259,421
Inventories - Fuel	109,299	61,594
<b>Total inventories</b>	<b>8,658,044</b>	<b>7,887,168</b>

No items of inventory were recognised at fair value less cost to sell.

Refer to Note 1.1B for inventory expenses recognised, Note 1.1E for inventory write-down and impairment of assets expense and 1.2E for the gain on the reversals of previous asset write-downs and impairment.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2023

#### 3.2B: Inventories (continued)

##### 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 as of the period in which they are acquired. Items of inventory are periodically evaluated with excess and obsolete inventory recorded as a reduction to inventory and an expense.

##### Accounting Judgements and Estimates

Accounting judgements and estimates 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.

	2023 \$'000	2022 \$'000
<b>3.2C: Prepayments</b>		
Capital prepayments	2,427,437	1,646,433
Non-capital prepayments	1,272,057	900,483
<b>Total prepayments</b>	<u>3,699,494</u>	<u>2,546,916</u>

##### 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	66,187	107,330
Buildings	3,075	4,032
Specialist military equipment	7,200	48,900
Infrastructure	136	164
Plant and equipment	-	180
<b>Total assets held for sale</b>	<u>76,598</u>	<u>160,606</u>

##### 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 Government-to-Commercial sales transfer basis. The transfer of ex-ADF equipment to foreign governments is subject to approval processes, independent from the Australian Defence Export Office.

#### 3.3: Payables

##### 3.3A: Supplier payables

Trade creditors and accruals	5,341,846	4,611,582
<b>Total suppliers payables</b>	<u>5,341,846</u>	<u>4,611,582</u>

##### Accounting Policy

Settlement is usually made within 20 days (2021-22: 20 days).

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2023*

	2023 \$'000	2022 \$'000
<b>3.3B: Employee payables</b>		
<b>Australian Public Service (APS) employee payables</b>		
Salaries and wages	63,990	51,924
Superannuation	8,316	6,369
<b>Australian Defence Force (ADF) employee payables</b>		
Salaries and wages	174,848	191,371
Superannuation	43,876	40,995
<b>Total employee payables</b>	<u>291,030</u>	<u>290,659</u>

**3.3C: Other payables**

Statutory payable	255,839	196,311
Other	193,246	197,369
<b>Total other payables</b>	<u>449,085</u>	<u>393,680</u>

**3.4: Interest Bearing Liabilities**

**3.4A: Leases**

Lease Liabilities	3,097,868	2,929,655
<b>Total leases</b>	<u>3,097,868</u>	<u>2,929,655</u>

**Maturity analysis - contractual undiscounted cash flows**

Within 1 year	518,085	382,663
Between 1 to 5 years	1,546,587	1,200,607
More than 5 years	2,428,866	2,875,743
<b>Total leases</b>	<u>4,493,538</u>	<u>4,459,013</u>

**Accounting Policy**

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.

For all new contracts entered into, Defence considers whether the contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

Once it has been determined that a contract is, or contains a lease, the lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily determinable, or Defence's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification to the lease. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss depending on the nature of the reassessment or modification.

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 2021-22 or 2022-23 financial years. Defence in its capacity as lessee does not have significant leasing arrangements with below market terms.

The above lease disclosures should be read in conjunction with the accompanying notes 1.1B, 1.1D, 1.2B and 3.2A.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2023

	2023	2022
	\$'000	\$'000
<b>3.5: Provisions</b>		
<b>3.5A: Employee provisions</b>		
<b>Australian Public Service (APS) employee provisions</b>		
Leave	720,402	701,681
<b>Total APS employee provisions</b>	<u>720,402</u>	<u>701,681</u>
<b>Australian Defence Force (ADF) employee provisions</b>		
Leave	2,378,327	2,402,456
Other provisions	36,893	17,188
<b>Total ADF employee provisions</b>	<u>2,415,220</u>	<u>2,419,644</u>
<b>Total employee provisions</b>	<u>3,135,622</u>	<u>3,121,325</u>

The relevant accounting policy for employee provisions is detailed in Note 1.1A Employee Benefits.

**3.5B: Restoration, decontamination and decommissioning provisions**

Restoration	136,676	113,556
Decommissioning	316,880	321,987
Decontamination	633,652	573,506
<b>Total restoration, decontamination and decommissioning provisions</b>	<u>1,087,208</u>	<u>1,009,049</u>

**Accounting Policy**

Where a legal or constructive obligation arises on acquisition or as a consequence of having used the asset 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. The only exception is the land decontamination which does not get capitalised, but instead is recorded in the income statement in the period in which the provision is created or changed.

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 225 (2021-22: 209) 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.

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 applicable government bond rate.

Refer to Note 3.5D for a reconciliation of this balance.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2023

	2023	2022
	\$'000	\$'000
<b>3.5C: Other provisions</b>		
Other provisions	305,933	284,175
<b>Total other provisions</b>	<b>305,933</b>	<b>284,175</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 2023**

	Decontamination provisions \$'000	Decommissioning provisions \$'000	Restoration provisions \$'000	Other provisions \$'000	Total \$'000
<b>Carrying amount 1 July 2022</b>	573,506	321,987	113,556	284,175	<b>1,293,224</b>
Additional provisions made	79,100	2,410	41,957	30,393	<b>153,860</b>
Amounts used	(14,647)	-	-	(45,306)	<b>(59,953)</b>
Amounts reversed	(24,672)	-	(22,017)	(2,203)	<b>(48,892)</b>
Unwinding of discount rate	20,365	11,599	3,180	-	<b>35,144</b>
Parameter changes	-	(19,116)	-	38,874	<b>19,758</b>
<b>Closing balance 30 June 2023</b>	<b>633,652</b>	<b>316,880</b>	<b>136,676</b>	<b>305,933</b>	<b>1,393,141</b>

The above reconciliation should be read in conjunction with the accompanying notes 3.5B and 3.5C.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2023

#### 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

	2023	2022
	\$'000	\$'000
<b>4.1A: Cash and cash equivalents</b>		
Cash held in the OPA - Special Account	-	357,357
<b>Total cash and cash equivalents</b>	<u>-</u>	<u>357,357</u>

The *Defence Endowments, Bequests and Other Trust Money Special Account* transferred from administered to departmental effective 1 July 2022 as agreed by the Minister for Finance in September 2022.

#### 4.1B: Trade and other receivables

##### Goods and services:

In connection with - external parties	34,736	41,821
<b>Total goods and services receivable</b>	<u>34,736</u>	<u>41,821</u>

##### Other receivables:

Dividends <sup>1</sup>	-	78,194
Competitive neutrality - Defence Housing Australia	21,695	35,592
<b>Total other receivables</b>	<u>21,695</u>	<u>113,786</u>
<b>Total trade and other receivables (gross)</b>	<u>56,431</u>	<u>155,607</u>

##### Less impairment allowance:

Goods and services	(76)	(276)
<b>Total impairment allowance</b>	<u>(76)</u>	<u>(276)</u>
<b>Total trade and other receivables (net)</b>	<u>56,355</u>	<u>155,331</u>

#### 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.

Credit terms for goods and services were within 30 days (2021-22: 30 days).

<sup>1</sup> Defence Housing Australia (DHA) and shareholders have an agreement on a dividend moratorium in respect to the 2022-23 financial year. As such, DHA declared nil dividend payment for 2022-23 with the funds to be reinvested into delivering housing requirements to effectively support Defence capability.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2023

	2023	2022
	\$'000	\$'000
<b>4.1C: Equity accounted investments</b>		
Investments in Defence Housing Australia	3,533,613	3,000,591
Investments in other small portfolio entities	130,695	125,334
<b>Total equity accounted investments</b>	<u>3,664,308</u>	<u>3,125,925</u>

#### Accounting Policy

Defence reports the Australian Government's capital investment in Defence Housing Australia (DHA). 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 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 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.

- **Royal Australian Navy Relief Trust Fund**

The Fund provides welfare assistance to serving and ex-serving members of the Royal Australian Navy (RAN) and their families.

#### 4.2: Administered - Non-Financial Assets

##### 4.2A: Other non-financial assets

Prepayments - retention benefits	58,220	110,487
<b>Total other non-financial assets</b>	<u>58,220</u>	<u>110,487</u>

#### 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	10,004	3,524
Special accounts liability <sup>1</sup>	-	308,360
<b>Total other payables</b>	<u>10,004</u>	<u>311,884</u>

<sup>1</sup> The *Defence Endowments, Bequests and Other Trust Money Special Account* transferred from Administered to Departmental effective 1 July 2022 as agreed by the Minister for Finance in September 2022.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2023

#### 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 eligible to enter ADF Super which is a defined contribution (accumulation) plan managed by the Commonwealth Superannuation Corporation (CSC) and fully funded by employer contributions of 16.4% of member's full ordinary time earnings. As an addition to the ADF Super arrangements, all new ADF members are entitled to an insurance cover for death and invalidity benefits under the provisions of an unfunded superannuation arrangement, ADF Cover, administered by Defence. 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 the calculation of the net defined benefit liability (unfunded) for DFRB, DFRDB, MSBS and ADF Cover as at 30 June 2023.

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 also choose to join an industry superannuation scheme of their choice to receive employer contributions.

	2023 \$'000	2022 \$'000
<b>4.4A: Employee provisions</b>		
Superannuation - DFRB	278,700	306,200
Superannuation - DFRDB	33,474,000	35,797,000
Superannuation - MSBS	100,122,000	101,602,000
Insurance cover - ADF Cover	4,003,000	3,068,900
<b>Total employee provisions</b>	<b>137,877,700</b>	<b>140,774,100</b>
<b>Employee provisions are expected to be settled in:</b>		
No more than 12 months	3,753,300	3,511,000
More than 12 months	134,124,400	137,263,100
<b>Total employee provisions</b>	<b>137,877,700</b>	<b>140,774,100</b>

**Department of Defence**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2023

**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 MSBS 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 MSBS Fund. The balance of superannuation benefits payable, after allowing for any funded part of the benefit, under the <i>Military Superannuation and Benefits Act 1991</i> , 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 and the ADF Cover arrangement are as follows:

Scheme	Benefits Paid
DFRB <sup>1</sup>	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).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2023

#### 4.5: Administered - Defined Benefit Plans

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.
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<sup>1</sup>These pensions have an attached lifetime reversionary pension payable to a surviving spouse following the death of the member.

#### 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 and the 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 separated from Defence.

#### Risks

The scheme specific risks, as detailed below, apply to all four schemes and arrangement, 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.

**Department of Defence**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2023

**4.5: Administered - Defined Benefit Plans (continued)**

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.

**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 2022 was used to calculate liabilities in the AASB 119 update. These liabilities were then projected forward to 30 June 2023, 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 2023 actuarial estimate of DFRB, DFRDB, MSBS and ADF Cover are based on the assumptions used in the 30 June 2020 LTCR.

	2023	2022
<b>DFRB</b>		
Discount rate at 30 June	4.0%	3.7%
Expected pension increase rate <sup>1</sup>	-	-
Expected pension increase rate (aged 55 or more) <sup>2</sup>	3.7%	4.0%
Expected pension increase rate (aged less than 55)	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 3.7% for 2023-24, 3.2% for 2024-25, and 2.7% for 2025-26 to 2032-33 before reverting to the long term assumed rate of 3.7% per annum from 2033-34.

**DFRDB**

Discount rate at 30 June	4.2%	3.9%
Expected salary increase rate <sup>3</sup>	3.7%	4.0%
Expected pension increase rate (aged 55 or more) <sup>4</sup>	3.7%	4.0%
Expected pension increase rate (aged less than 55) <sup>5</sup>	2.5%	2.5%

<sup>3</sup> Assumed salary growth is 4.0% per annum for 2023-24 to 2025-26 before reverting to the long term assumed rate of 3.7% per annum from 2026-27.

<sup>4</sup> Short term Age Pension methodology increases for those age 55 or more are assumed to be 3.7% for 2023-24, 3.2% for 2024-25 and 2.7% for 2025-26 to 2032-33 before reverting to the long term assumed rate of 3.7% per annum from 2033-34.

<sup>5</sup> Short term CPI increases for those under age 55 are assumed to be 3.5% for 2023-24 and 3.0% for 2024-25 before reverting to long term pension increases of 2.5% per annum from 2025-26.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2023

#### 4.5: Administered - Defined Benefit Plans (continued)

	2023	2022
<b>MSBS</b>		
Discount rate at 30 June (active members and pensioners)	4.4%	3.9%
Expected rate of return on plan assets	4.4%	3.9%
Expected salary increase rate <sup>1</sup>	3.7%	4.0%
Expected pension increase rate <sup>2</sup>	2.5%	2.5%
Invalidity exits - new <sup>3</sup> (approximate)	1200 p.a.	960 p.a.
Invalidity exits - retrospective <sup>3</sup>	600 p.a.	750 p.a.
Pension take-up rate for direct retirements (officers/other ranks) <sup>4</sup>	100%/95%	100%/95%
Pension take-up rate for current preserved members (officers/other ranks) <sup>4</sup>	90%/85%	90%/85%
Pension take-up rate for current serving members projected to exit with a preserved benefit and retire some time later (officers/other ranks) <sup>4</sup>	90%/85%	90%/85%

<sup>1</sup> Assumed salary growth is 4.0% per annum for 2023-24 to 2025-26 before reverting to the long term assumed rate of 3.7% per annum from 2026-27.

<sup>2</sup> Pension increase rate is determined using short term pension increases. For 2023-24, assumed salary growth is 3.5%, 3.0% for 2024-25 before reverting to the long term pension increases of 2.5% based on CPI from 2025-26.

<sup>3</sup> In the 2020 Long Term Cost Report approximately 2,150 new invalidity pension commencements were assumed for MSBS and ADF cover combined with this trending down over time towards an underlying 1,700 as 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. Taking account of recent experience and trends for new MSBS invalidity pension commencements, revised assumptions for new invalidity exits and invalidity pension commencements have been adopted. These assume an increase of 25 per cent for new invalidity exits and 600 pension commencements per annum.

<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	4.4%	3.9%
Expected pension increase rate <sup>5</sup>	2.5%	2.5%
Invalidity exits - new <sup>6</sup>	620	580

<sup>5</sup> Pension increase rate is determined using short term pension increases. For 2023-24, assumed salary growth is 3.5% per annum, 3.0% for 2023-24 before reverting to the long term pension increases 2.5% based on CPI from 2025-26.

<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 2023. This represents approximately 2.16% of the current membership base of about 28,700. The number of new invalidity pensions commencing in 2023-24 arising from incidents in 2022-23 and earlier years is expected to be around 350.

#### 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 8.1 years (2021-22: 8.3 years).
DFRDB	The interest rate and probability weighted mean term of the liabilities is 13.2 years (2021-22: 14.4 years).
MSBS	The interest rate and probability weighted mean term of the liabilities is 23.4 years (2021-22: 24.4 years).
ADF Cover	The interest rate and probability weighted mean term of the liabilities is 21.5 years (2021-22: 25.5 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 2023-24 is \$30.3m (2022-23 actual: \$34.1m).
DFRDB	The expected contribution (including 3% productivity contributions) for 2023-24 is \$1,835.0m (2022-23 actual: \$1,747.0m). Note that member contributions paid to consolidated revenue would be an offset to this.
MSBS	The expected contribution for 2023-24 is \$1,916.0m (2022-23 actual: \$1,724.0m). This includes expected employer contributions to meet unfunded benefit payments and funding via the MSBS Fund.
ADF Cover	The expected contribution for 2023-24 is \$115.0m (2022-23 actual: \$79.5m).

**Department of Defence**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2023

**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 2023 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>\$278.7m</b>		
Discount rate	+/- 0.5%	(9.9)	10.8
Pension increase rate	+/- 0.5%	10.5	(9.7)
<b>DFRDB</b>			
<b>Reported</b>	<b>\$33,474m</b>		
Discount rate	+/- 0.5%	(2,021.0)	2,237.0
Salary and Age Pension methodology	+/- 0.5%	981.0	(909.0)
CPI increase rate (aged under 55)	+/- 0.5%	578.0	(358.0)
<b>MSBS</b>			
<b>Reported</b>	<b>\$112,974m</b>		
Discount rate	+/- 0.5%	(9,972.0)	12,851.0
Salary increase rate	+/- 0.5%	1,979.0	(499.0)
CPI increase rate	+/- 0.5%	11,424.0	(6,666.0)
Invalidity exits - new	+/- 40%	6,680.0	(4,611.0)
Pension take-up rate	+/-10%	2,708.0	(1,590.0)
<b>ADF Cover</b>			
<b>Reported</b>	<b>\$ 4,003m</b>		
Discount rate	+/- 0.5%	(382.0)	446.0
Pension increase rate	+/- 0.5%	446.0	(382.0)
Invalidity exits	+/- 40%	387.0	(387.0)

<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.

Sensitivity analysis of the invalidity assumptions (new invalidity pensions) for MSBS is included as the experience has not been stable. Given the uncertainty around new invalidity pension commencements, the sensitivity analysis allows for invalidity pension commencements to be 40 per cent higher than assumed for both direct ADF exits and new retrospective invalidity pension commencements (based on the revised assumptions).

Sensitivity analysis of the pension take-up rate assumption for MSBS is based on the sensitivity analysis included in the 2020 LTCR which shows the impact of a 100 per cent pension take-up rate. The factor of 100 per cent provides a theoretical upper bound on the cost impact from this process as the actuarial value of the pension is much greater than the value of the lump sum benefit from the member's perspective. In practice, there will be individuals who will prefer the lump sum over the alternative pension. Sensitivity analysis of pension increase rate (based on CPI) and invalidity exits for ADF Cover are based on the assumptions used for the MSBS sensitivity analysis, using the ADF Cover member data.

Department of Defence

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2023

**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 2023. 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.

	2023	2023	2023	2023	2023
	\$'000	\$'000	\$'000	\$'000	\$'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	-	-	12,852,000	-	12,852,000
Fair Value of plan assets	-	-	(12,852,000)	-	(12,852,000)
Present value of unfunded obligations	278,700	33,474,000	100,122,000	4,003,000	137,877,700
<b>Net liability recorded:</b>	<u>278,700</u>	<u>33,474,000</u>	<u>100,122,000</u>	<u>4,003,000</u>	<u>137,877,700</u>
<b>The amount recognised in the Administered Schedule of Comprehensive Income are as follows:</b>					
Current service cost	-	45,000	2,525,000	1,624,100	4,194,100
Interest on obligation	10,738	1,363,387	4,438,000	150,448	5,962,573
Expected return on plan assets	-	-	(460,000)	-	(460,000)
<b>Total expense recognised:</b>	<u>10,738</u>	<u>1,408,387</u>	<u>6,503,000</u>	<u>1,774,548</u>	<u>9,696,673</u>
Actuarial losses/(gains) on liabilities recognised	(4,100)	(1,984,000)	(5,630,000)	(761,000)	(8,379,100)
Expected return on plan assets	-	-	460,000	-	460,000
Actual return on plan assets (interest income)	-	-	(1,089,000)	-	(1,089,000)
Actuarial (gains)/losses on plan assets recognised	-	-	(629,000)	-	(629,000)
<b>Other Comprehensive Income recorded:</b>	<u>(4,100)</u>	<u>(1,984,000)</u>	<u>(6,259,000)</u>	<u>(761,000)</u>	<u>(9,008,100)</u>
<b>2022</b>					
	\$'000	\$'000	\$'000	\$'000	\$'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	-	-	11,813,000	-	11,813,000
Fair Value of plan assets	-	-	(11,813,000)	-	(11,813,000)
Present value of unfunded obligations	306,200	35,797,000	101,602,000	3,068,900	140,774,100
<b>Net liability recorded:</b>	<u>306,200</u>	<u>35,797,000</u>	<u>101,602,000</u>	<u>3,068,900</u>	<u>140,774,100</u>
<b>The amount recognised in the Administered Schedule of Comprehensive Income are as follows:</b>					
Current service cost	-	56,000	4,353,000	1,993,000	6,402,000
Interest on obligation	5,700	937,000	3,343,000	85,000	4,370,700
Expected return on plan assets	-	-	(281,000)	-	(281,000)
<b>Total expense recognised:</b>	<u>5,700</u>	<u>993,000</u>	<u>7,415,000</u>	<u>2,078,000</u>	<u>10,491,700</u>
Actuarial losses/(gains) on liabilities recognised	(39,800)	(8,889,000)	(36,682,000)	(1,672,000)	(47,282,800)
Expected return on plan assets	-	-	281,000	-	281,000
Actual return on plan assets (interest income)	-	-	419,000	-	419,000
Actuarial (gains)/losses on plan assets recognised	-	-	700,000	-	700,000
<b>Other Comprehensive Income recorded:</b>	<u>(39,800)</u>	<u>(8,889,000)</u>	<u>(35,982,000)</u>	<u>(1,672,000)</u>	<u>(46,582,800)</u>

Department of Defence

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2023

**4.5: Administered - Defined Benefit Plans (continued)**

	2023	2023	2023	2023	2023
	\$'000	\$'000	\$'000	\$'000	\$'000
	DFRB	DFRDB	MSBS	ADF Cover	Total
<b>Reconciliation of the net defined benefit liability</b>					
Opening value at 1 July	306,200	35,797,000	101,602,000	3,068,900	140,774,100
Current Service cost	-	45,000	2,525,000	1,624,100	4,194,100
Interest cost	10,738	1,363,387	4,438,000	150,448	5,962,573
Expected return on plan assets (interest income)	-	-	(460,000)	-	(460,000)
Losses/(gains) on curtailments and settlements	-	-	-	-	-
Total expense	10,738	1,408,387	6,503,000	1,774,548	9,696,673
Actuarial losses/(gains) in plan assets recognised in other comprehensive income	-	-	(629,000)	-	(629,000)
Actuarial losses /(gains) in liabilities arising from:					
Changes in liability experience	13,500	1,156,000	3,236,000	(357,000)	4,048,500
Changes in financial assumptions	(17,600)	(3,690,000)	(11,871,000)	(404,000)	(15,982,600)
Changes in demographic assumptions*	-	550,000	3,005,000	-	3,555,000
Contributions	(34,138)	(1,747,387)	(1,724,000)	(79,448)	(3,584,973)
<b>Net defined benefit liability as at 30 June</b>	<b>278,700</b>	<b>33,474,000</b>	<b>100,122,000</b>	<b>4,003,000</b>	<b>137,877,700</b>

**Reconciliation of the present value of the defined benefit obligation**

Opening present value at 1 July	306,200	35,797,000	113,415,000	3,068,900	152,587,100
Current Service cost	-	45,000	2,525,000	1,624,100	4,194,100
Interest cost	10,738	1,363,387	4,438,000	150,448	5,962,573
Losses/(gains) on curtailments and settlements	-	-	-	-	-
Funded contributions by plan participants	-	-	209,000	-	209,000
Actuarial losses /(gains) in liabilities arising from:					
Changes in liability experience	13,500	1,156,000	3,236,000	(357,000)	4,048,500
Changes in financial assumptions	(17,600)	(3,690,000)	(11,871,000)	(404,000)	(15,982,600)
Changes in demographic assumptions*	-	550,000	3,005,000	-	3,555,000
Benefits paid	(34,138)	(1,747,387)	(1,983,000)	(79,448)	(3,843,973)
<b>Defined benefit obligation as at 30 June</b>	<b>278,700</b>	<b>33,474,000</b>	<b>112,974,000</b>	<b>4,003,000</b>	<b>150,729,700</b>

\* The demographic assumptions used for the 30 June 2023 actuarial estimate are based on the 30 June 2020 LTCR, however DFRDB and MSBS retrospective invalidates assumptions were refined in 2022-23.

**Reconciliation of the fair value of plan assets**

Opening fair value at 1 July	-	-	11,813,000	-	11,813,000
Expected return on plan assets (interest income)	-	-	460,000	-	460,000
Experience actuarial gains/(losses)	-	-	629,000	-	629,000
Contributions	34,138	1,747,387	1,724,000	79,448	3,584,973
Funded contributions by plan participants	-	-	209,000	-	209,000
Benefits paid	(34,138)	(1,747,387)	(1,983,000)	(79,448)	(3,843,973)
<b>Fair value of plan assets at 30 June</b>	<b>-</b>	<b>-</b>	<b>12,852,000</b>	<b>-</b>	<b>12,852,000</b>

The major categories of plan assets at the end of the reporting period for each category, as follows:

Australian equities	-	-	3,084,480	-	3,084,480
Overseas equities	-	-	2,827,440	-	2,827,440
Property and infrastructure	-	-	1,799,280	-	1,799,280
Private equity	-	-	1,670,760	-	1,670,760
Cash, debt instruments	-	-	2,056,320	-	2,056,320
Other liabilities	-	-	1,413,720	-	1,413,720
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>12,852,000</b>	<b>-</b>	<b>12,852,000</b>

The actual return on plan assets was a gain of \$1,089.0 million (2021-22: loss of \$419.0 million). The fair value of scheme assets relates to the value of 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 2023

4.5: Administered - Defined Benefit Plans (continued)

	2022 \$'000	2022 \$'000	2022 \$'000	2022 \$'000	2022 \$'000
	DFRB	DFRDB	MSBS	ADF Cover	Total
<b>Reconciliation of the net defined benefit liability</b>					
Opening value at 1 July	375,800	45,397,000	131,734,000	2,712,900	180,219,700
Current Service cost	-	56,000	4,353,000	1,993,000	6,402,000
Interest cost	5,700	937,000	3,343,000	85,000	4,370,700
Expected return on plan assets (interest income)	-	-	(281,000)	-	(281,000)
Total expense	5,700	993,000	7,415,000	2,078,000	10,491,700
Actuarial losses/(gains) in plan assets recognised in other comprehensive income	-	-	700,000	-	700,000
Actuarial losses/(gains) in liabilities arising from:					
Changes in liability experience	16,100	1,516,000	3,450,000	(177,000)	4,805,100
Changes in financial assumptions	(55,900)	(10,405,000)	(47,219,000)	(1,495,000)	(59,174,900)
Changes in demographic assumptions*	-	-	7,087,000	-	7,087,000
Contributions	(35,500)	(1,704,000)	(1,565,000)	(50,000)	(3,354,500)
<b>Net defined benefit liability as at 30 June</b>	<b>306,200</b>	<b>35,797,000</b>	<b>101,602,000</b>	<b>3,068,900</b>	<b>140,774,100</b>
<b>Reconciliation of the present value of the defined benefit obligation</b>					
Opening present value at 1 July	377,100	45,457,000	143,953,000	2,713,900	192,501,000
Current Service cost	-	56,000	4,353,000	1,993,000	6,402,000
Interest cost	5,700	937,000	3,343,000	85,000	4,370,700
Funded contributions by plan participants	-	-	232,000	-	232,000
Actuarial losses/(gains) in liabilities arising from:					
Changes in liability experience	16,100	1,516,000	3,450,000	(177,000)	4,805,100
Changes in financial assumptions	(55,900)	(10,405,000)	(47,219,000)	(1,495,000)	(59,174,900)
Changes in demographic assumptions*	-	-	7,087,000	-	7,087,000
Benefits paid	(36,800)	(1,764,000)	(1,784,000)	(51,000)	(3,635,800)
<b>Defined benefit obligation as at 30 June</b>	<b>306,200</b>	<b>35,797,000</b>	<b>113,415,000</b>	<b>3,068,900</b>	<b>152,587,100</b>
* The demographic assumptions used for the 30 June 2022 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	1,300	60,000	12,219,000	1,000	12,281,300
Expected return on plan assets (interest income)	-	-	281,000	-	281,000
Experience actuarial gains/(losses)	-	-	(700,000)	-	(700,000)
Contributions	35,500	1,704,000	1,565,000	50,000	3,354,500
Funded contributions by plan participants	-	-	232,000	-	232,000
Benefits paid	(36,800)	(1,764,000)	(1,784,000)	(51,000)	(3,635,800)
<b>Fair value of plan assets at 30 June</b>	<b>-</b>	<b>-</b>	<b>11,813,000</b>	<b>-</b>	<b>11,813,000</b>
The major categories of plan assets at the end of the reporting period for each category, as follows:					
Australian equities	-	-	2,835,120	-	2,835,120
Overseas equities	-	-	2,598,860	-	2,598,860
Property and infrastructure	-	-	1,535,690	-	1,535,690
Private equity	-	-	1,417,560	-	1,417,560
Cash, debt instruments	-	-	2,126,340	-	2,126,340
Other liabilities	-	-	1,299,430	-	1,299,430
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>11,813,000</b>	<b>-</b>	<b>11,813,000</b>

The actual return on plan assets was a loss of \$419.0 million (2020-21: gain of \$1,900.0 million). The fair value of scheme assets relates to the value of 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 2023

**FUNDING**

This section identifies Defence's funding structure.

**5.1: Appropriations**

**5.1A: Annual appropriations ('Recoverable GST exclusive')**

**Annual Appropriations for 2022-23**

	Annual Appropriation <sup>1</sup> \$'000	Adjustments to appropriation <sup>2</sup> \$'000	Total Appropriation \$'000	Appropriation applied in 2023 (Current and prior years) \$'000	Variance <sup>3</sup> \$'000
<b>DEPARTMENTAL</b>					
Ordinary annual services	33,311,415	1,092,292	34,403,707	33,585,114	818,593
Capital budget <sup>4</sup>	3,045,041	-	3,045,041	2,730,776	314,265
Other services					
Equity injection	12,933,085	-	12,933,085	11,710,464	1,222,621
<b>Total departmental</b>	<b>49,289,541</b>	<b>1,092,292</b>	<b>50,381,833</b>	<b>48,026,354</b>	<b>2,355,480</b>

Details of quarantined appropriations are as follows:

**\$'000**

*Amounts withheld under section 51 determinations:*

2022-23 Supply Act 3 - Operating	271,115
2022-23 Supply Act 3 - DCB	211,197
2022-23 Supply Act 4 - Equity Injections	1,100,694
<b>Total Quarantined</b>	<b>1,583,006</b>

<sup>1</sup> The annual appropriations excludes the impact of \$1,583.0 million withheld under Section 51 of the PGPA Act in 2022-23.

<sup>2</sup> Adjustment to appropriations include adjustments to current year annual appropriations including PGPA Section 74 receipts.

<sup>3</sup> The departmental variance relates to the movement in cash, GST receivable, departmental appropriations under Section 51 quarantine and appropriation receivable between the current and prior financial years including drawdowns of prior year appropriation and timing differences between expenses and cash outflows. \$75.9 million were drawn down from non-lapsed appropriations from 2021-22 to fund operating expenditure incurred in the current financial year. Please refer to budget variances for reasons for underspend.

<sup>4</sup> Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3). 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 2023

**5.1: Appropriations (continued)**

**5.1A: Annual appropriations ('Recoverable GST exclusive') (continued)**

**Annual Appropriations for 2021-22**

	<b>Annual Appropriation<sup>1</sup> \$'000</b>	<b>Adjustments to appropriation<sup>2</sup> \$'000</b>	<b>Total Appropriation \$'000</b>	<b>Appropriation applied in 2022 (Current and prior years) \$'000</b>	<b>Variance<sup>3</sup> \$'000</b>
<b>DEPARTMENTAL</b>					
Ordinary annual services	29,299,407	1,014,139	30,313,546	31,103,232	(789,686)
Capital Budget <sup>4</sup>	2,795,283	-	2,795,283	2,795,283	-
Other services					
Equity injection	12,747,991	-	12,747,991	12,949,911	(201,920)
<b>Total departmental</b>	<b>44,842,681</b>	<b>1,014,139</b>	<b>45,856,820</b>	<b>46,848,426</b>	<b>(991,606)</b>

<sup>1</sup> Details of quarantined appropriations are as follows:

**\$'000**

**Quarantined appropriations**

Amounts withheld under section 51 determinations:

Appropriation Act (No.2) 2021-2022 - Equity Injections

81,750

**Total Quarantined**

**81,750**

In 2021-22, departmental appropriations of \$81.8 million were withheld (Section 51 of the PGPA Act) in accordance with budget measures taken by the Government.

<sup>2</sup> Adjustment to appropriations include adjustments to current year annual appropriations which include PGPA Section 74 receipts.

<sup>3</sup> 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. \$1,049.9 million and \$283.7 million were drawn down from non-lapsed appropriations to fund operating and capital expenditure incurred in the current financial year respectively. Please refer to Budget variance commentary for drivers of the underspend.

<sup>4</sup> Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3). 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 2023

	2023	2022
	\$'000	\$'000
<b>5.1B: Unspent annual appropriations ('Recoverable GST exclusive')</b>		
<b>DEPARTMENTAL</b>		
<b>Operating</b>		
Appropriation Act (No.3) 2022-23	382,856	-
Supply Act (No.1) 2022-23 <sup>1,3</sup>	235,196	-
Supply Act (No.3) 2022-23 <sup>2</sup>	271,115	-
Appropriation Act (No. 3) 2021-22 <sup>2</sup>	112,879	188,744
Appropriation Act (No. 1) 2020-21 <sup>2</sup>	242,914	242,914
<b>Total Operating</b>	<b>1,244,960</b>	<b>431,658</b>
<b>Equity</b>		
Appropriation Act (No.3) 2022-23- Departmental Capital Budget	11,591	-
Supply Act (No.3) 2022-23 (Departmental Capital Budget) <sup>1</sup>	302,674	-
Supply Act (No.4) 2022-23 <sup>2</sup>	1,222,621	-
Appropriation Act (No. 2) 2021-22 <sup>2</sup>	81,750	81,750
Appropriation Act (No. 1) 2020-21 - Departmental Capital Budget <sup>2</sup>	27,282	27,282
Appropriation Act (No. 2) 2020-21 <sup>2</sup>	1,289,360	1,289,360
<b>Total Equity</b>	<b>2,935,279</b>	<b>1,398,392</b>
<b>Total</b>	<b>4,180,239</b>	<b>1,830,050</b>
Cash and cash equivalents <sup>4</sup>	249,692	316,916
<b>Total unspent annual appropriations<sup>5</sup></b>	<b>4,429,931</b>	<b>2,146,966</b>

#### Notes

<sup>1</sup> Unspent annual appropriations relating to 2021-22 have been formally reduced by the Department of Finance in 2022-23.

<sup>2</sup> Unspent annual appropriations have been formally reduced by the Department of Finance.

<sup>3</sup> Unspent annual appropriations relating to Supply Act 2022-23 includes \$9.3 million temporarily reduced by the Department of Finance in 2022-23.

<sup>4</sup> Cash and Cash Equivalents exclude cash balances relating to the special account which are disclosed separately in Note 5.2- Special Account.

<sup>5</sup> The unspent annual appropriations are \$4,429.9 million, allocated as follows:

- a) \$3,337.2 million has been formally reduced by Department of Finance;
- b) \$1,083.4 million of unspent annual appropriations (including cash and cash equivalents) available to the Department; and
- c) \$9.3 million has been temporarily quarantined by Department of Finance.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2023

**5.1: Appropriations (continued)**

**5.1C: Special appropriations ('Recoverable GST exclusive')**

Authority	Nature	Type	Purpose	Appropriation Applied	
				2023 \$'000	2022 \$'000
<i>Defence Force Retirement Benefits Act 1948</i> <sup>1</sup>	Administered	Unlimited Amount	To provide Retirement Benefits for Members of the Defence Force who enlisted before 1 October 1972, and for other purposes.	34,138	35,475
<i>Defence Force Retirement and Death Benefits Act 1973</i> <sup>1</sup>	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.	1,729,781	1,684,993
<i>Military Superannuation and Benefits Act 1991</i> <sup>1</sup>	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.	1,833,022	1,603,210
<i>Military Superannuation and Benefits Act 1991</i>	Administered	Unlimited Amount	To make provision for and in relation to retention benefits for ADF personnel.	-	1,470
<i>Defence Force (Home Loans Assistance) Act 1990</i> <sup>2</sup>	Administered	Unlimited Amount	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.	72	88
<i>Defence Home Ownership Assistance Scheme Act 2008</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.	165,091	91,848
<i>Australian Defence Force Cover Act 2015</i> <sup>1</sup>	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.	79,448	49,499
<b>Total</b>				<b>3,841,552</b>	<b>3,466,583</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 2023 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*

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 2023

**5.2: Special Account**

	Defence Endowments, Bequests and Other Trust Money Special Account <sup>3</sup>	
	2023 \$'000	2022 \$'000
<b>Balance brought forward from previous period</b>	<b>359,091</b>	<b>264,018</b>
<b>Opening balance adjustment</b>	<b>239</b>	<b>-</b>
<b>Reclassification<sup>1</sup></b>		
Departmental	<b>359,091</b>	<b>-</b>
Administered	<b>(359,091)</b>	<b>-</b>
<b>Total</b>	<b>359,330</b>	<b>264,018</b>
<b>Increases:</b>		
Departmental	<b>97,523</b>	<b>-</b>
Administered	<b>-</b>	<b>378,594</b>
<b>Total Increases</b>	<b>97,523</b>	<b>378,594</b>
<b>Available for payments</b>	<b>456,853</b>	<b>642,612</b>
<b>Decreases:</b>		
Departmental	<b>(276,797)</b>	<b>-</b>
Administered	<b>-</b>	<b>(283,521)</b>
<b>Total Decreases</b>	<b>(276,797)</b>	<b>(283,521)</b>
<b>Total balance to be carried forward to next period</b>		
Departmental	<b>180,056</b>	<b>-</b>
Administered	<b>-</b>	<b>359,091</b>
<b>Balance represented by:</b>		
Cash held in entity bank accounts	<b>-</b>	<b>-</b>
Cash held in the Official Public Account <sup>2</sup>	<b>180,056</b>	<b>359,091</b>
<b>Total balance carried to the next period</b>	<b>180,056</b>	<b>359,091</b>

<sup>1</sup> Reclassification of *Defence Endowments, Bequests and Other Trust Money Special Account* Activities from Administered to Departmental effective 1 July 2022 as agreed by the Minister for Finance in September 2022. The net impact of this reclassification in special account for opening balances is Nil.

<sup>2</sup> Cash held in OPA has been adjusted to include Net GST of \$40.3 million and assets held in trust of \$1.8 million.

<sup>3</sup> Money held in the trust:  
The *Defence Endowments, Bequests and Other Trust Money Special Account* contains monetary assets held in trust.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2023*

	Notes	2023 \$'000	2022 \$'000
<b>5.3: Net Cash Appropriation Arrangements</b>			
<b>Defence Net Cash Result - surplus / (deficit)<sup>1</sup></b>		<b>670,624</b>	(535,114)
<b>Less: Items included in Total comprehensive (loss)/income</b>			
<i>Not included in Net Cash:</i>			
Depreciation and amortisation <sup>2</sup>	3.2A	<b>(6,657,711)</b>	(5,770,444)
Inventory consumption <sup>2</sup>	1.1B	<b>(1,224,918)</b>	(940,663)
Net write-down and net impairment of assets <sup>2,3</sup>		<b>(573,672)</b>	(2,858,660)
<b>Plus: Items included in Net Cash but not included in Total comprehensive (Loss)/Income</b>			
<i>Not included in Net Cash:</i>			
Repayment of lease liabilities funded through revenue appropriations		<b>308,795</b>	204,362
Net Capital (surplus) / deficit <sup>4</sup>		<b>(1,027,949)</b>	(1,391,607)
<b>(Deficit)/Surplus attributable to the Australian Government</b>		<b>(8,504,831)</b>	(11,292,126)
<b>Plus: Other comprehensive income/(loss)</b>			
<i>Items not subject to subsequent reclassification to net cost of services:</i>			
Changes in asset revaluation reserves	3.2A	<b>1,591,569</b>	5,255,741
<b>Total comprehensive (loss)/income attributable to the Australian Government</b>		<b>(6,913,262)</b>	(6,036,385)

<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 appropriations. Capital budgets are to be appropriated in the period when capital expenditure is to be recognised.

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 appropriation for the purchase of major assets under the Capability Acquisition Program. The net cash funding presentation provides a clearer line of sight between appropriation funding from Government and planned expenditure. The operating loss is reported as the operating revenue does not include 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 appropriations to fund capital and inventory additions. Defence presents the information in a consistent format that corresponds to relevant tables in the Portfolio Budget Statements 2022-23 (October).

<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 appropriation) 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**

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**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 Security and Estate;
- xx. Deputy Secretary Defence People;
- xxi. Deputy Secretary National Naval Shipbuilding and Sustainment;
- xxii. Chief of Defence Intelligence;
- xxiii. Chief of Nuclear Powered Submarine Task Force;
- xxiv. Chief of the Guided Weapons and Explosive Ordnance Enterprise (GWEO); <sup>1</sup>
- xxv. Deputy Secretary Defence Strategic Review Implementation; <sup>1</sup>
- xxvi. Senior Advisor "AUKUS" - (Australia, the United Kingdom, and the United States); <sup>1</sup>
- xxvii. Chief of Personnel <sup>1</sup>

Key management personnel remuneration is reported in the table below.

	<b>2023</b>	2022
	<b>\$</b>	\$
Short-term employee benefits <sup>2</sup>	<b>11,248,404</b>	10,274,262
Post-employment benefits	<b>2,136,190</b>	1,970,179
Long-term benefits	<b>251,716</b>	225,185
<b>Total key management personnel remuneration expenses<sup>3</sup></b>	<b><u>13,636,310</u></b>	<u>12,469,626</u>

**Notes**

<sup>1</sup> The Chief of GWEO, Chief of Personnel, Deputy Secretary Defence Strategic Review Implementation and Senior Advisor AUKUS were newly created positions during the year.

<sup>2</sup> 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>3</sup> The total number of key management personnel that are included in the above table is 34 (2021-22: 23). Acting Key Management personnels included in the above figure are seven (2021-22: three).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*For the period ended 30 June 2023*

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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 (2021-22: 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.

The 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 2023

**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**

	2023 \$'000	2022 \$'000
<b>Contingent Assets</b>		
Balance from previous period	40,035	-
New	-	-
Re-measurement	(39,935)	40,035
Assets realised	-	-
Rights expired	-	-
<b>Total contingent assets</b>	<b>100</b>	<b>40,035</b>
<b>Contingent Liabilities</b>		
Balance from previous period	31,340	45,844
New	-	-
Re-measurement	143,514	(6,218)
Liabilities realised	(157,646)	(1,966)
Obligations expired	(9,300)	(6,320)
<b>Total Contingent liabilities</b>	<b>7,908</b>	<b>31,340</b>
<b>Net contingent assets (liabilities)</b>	<b>(7,808)</b>	<b>8,695</b>

**Quantifiable Contingencies**

*Contingent Assets*

At 30 June 2023, there is 1 instance (2021-22: 2) of non-remote, quantifiable contingent assets in respect of claims by Defence value at \$0.1 million (2021-22: \$40.0 million).

*Contingent Liabilities*

At 30 June 2023, there are 7 (2021-22: 38) instances of non-remote, quantifiable contingent liabilities in respect of claims on Defence valued at \$7.9 million (2021-22: \$31.3 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. Defence is defending the claims or is trying to resolve them by recourse to alternative dispute resolution measures.

**Unquantifiable Contingencies**

*Contingent Assets*

At 30 June 2023 Defence had 4 (2021-22: 2) instances of unquantifiable non-remote contingent assets.

*Contingent Liabilities*

At 30 June 2023 Defence had 104 (2021-22: 21) 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 are 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.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2023

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#### 7.1: Contingent Liabilities and Assets (continued)

##### **Quantifiable Remote Contingencies**

###### *Remote Contingent Assets*

At 30 June 2023 Defence had 6 (2021-22: 2) instances of quantifiable remote contingent assets valued at \$14.9 million (2021-22: \$0.8 million).

###### *Remote Contingent Liabilities*

At 30 June 2023 Defence had 273 (2021-22: 157) instances of quantifiable remote contingent liabilities valued at \$3,920.2 million (2021-22: \$3,712.2 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.

##### **Unquantifiable Remote Contingencies**

###### *Remote Contingent Assets*

At 30 June 2023, Defence had 1 instance of an unquantifiable remote contingent asset (2021-22: 10).

###### *Remote Contingent Liabilities*

At 30 June 2023, Defence had 1,413 instances of unquantifiable remote contingent liabilities (2021-22: 1,553).

##### **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.

#### 7.1B: Administered contingent liabilities and contingent assets

##### **Quantifiable Contingencies**

There are no quantifiable contingencies (assets and liabilities) to report in the current or prior year.

##### **Unquantifiable Contingencies**

There are no unquantifiable contingencies (assets and liabilities) to report in the current or prior year.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2023

		Notes	
<b>7.2: Financial Instruments</b>		<b>2023</b>	2022
		<b>\$'000</b>	\$'000
<b>7.2A: Categories of financial instruments</b>			
<b>Financial assets at amortised cost</b>			
Cash and cash equivalents	3.1A	<b>427,000</b>	316,916
Loans and receivables:			
Trade and other receivables		<b>808,612</b>	997,805
<b>Total financial assets at amortised cost</b>		<b>1,235,612</b>	1,314,721
<b>Carrying amount of financial assets</b>		<b>1,235,612</b>	1,314,721
<b>Financial Liabilities</b>			
Financial liabilities measured at amortised cost:			
Suppliers	3.3A	<b>5,341,846</b>	4,611,582
Employee payables	3.3B	<b>291,030</b>	290,659
Other payables		<b>449,085</b>	393,680
<b>Total financial liabilities at amortised cost</b>		<b>6,081,961</b>	5,295,921
<b>Carrying amount of financial liabilities</b>		<b>6,081,961</b>	5,295,921

**Accounting Policy**

*Financial Assets*

Defence classifies its financial assets in the following categories:

- a) financial assets at fair value through profit or loss;
- b) financial assets at fair value through other comprehensive income; and
- c) 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:

1. the financial asset is held in order to collect the contractual cash flows; and
2. 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) Financial Assets at fair value through other comprehensive income*

Financial assets measured at fair value through other comprehensive income are held with the objective of both collecting contractual cash flows and selling the financial assets and the cash flows meet the Solely Payment of Principal and Interest (SPPI) test.

Any gains or losses as a result of fair value measurement or the recognition of an impairment loss allowance is recognised

*(c) 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.

*(d) 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.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2023

#### 7.2: Financial Instruments (continued)

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.

#### 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 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).

##### (b) 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.

	2023 \$'000	2022 \$'000
<b>7.2B: Net gains or losses on financial assets</b>		
<b>Financial assets at amortised cost</b>		
Exchange (loss)/gain	(18,412)	(2,444)
Impairment reversal / (loss)	1,271	(677)
<b>Net (loss)/gain on financial assets at amortised cost</b>	<u>(17,141)</u>	<u>(3,121)</u>
<b>Net (loss)/gain on financial assets</b>	<u>(17,141)</u>	<u>(3,121)</u>

There is no interest income from financial assets not at fair value through the net cost of services.

#### 7.2C: Net gains or losses on financial liabilities

##### Financial liabilities measured at amortised cost

Exchange gain/(loss)	-	(9,174)
Interest expense	(112,885)	(104,999)
<b>Net (loss)/gain on financial liabilities measured at amortised cost</b>	<u>(112,885)</u>	<u>(114,173)</u>
<b>Net (loss)/gain on financial liabilities</b>	<u>(112,885)</u>	<u>(114,173)</u>

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2023

**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	2023 \$'000	2022 \$'000
<b>7.3A: Categories of financial instruments</b>			
<b>Financial assets at amortised cost</b>			
Cash and cash equivalents <sup>1</sup>	4.1A	-	357,357
Loans and receivables:			
Trade and other receivables	4.1B	<u>56,355</u>	<u>155,331</u>
<b>Total financial assets at amortised cost</b>		<u><b>56,355</b></u>	<u><b>512,688</b></u>
<b>Financial assets at fair value through other comprehensive income (investments in equity instruments)</b>			
Investment - Defence Housing Australia	4.1C	<b>3,533,613</b>	3,000,591
Investment - Small Portfolio bodies	4.1C	<b>130,695</b>	125,334
<b>Total financial assets at fair value through other comprehensive income (investments in equity instruments)</b>		<u><b>3,664,308</b></u>	<u><b>3,125,925</b></u>
<b>Carrying amount of financial assets</b>		<u><b>3,720,663</b></u>	<u><b>3,638,613</b></u>
<b>Financial Liabilities</b>			
Financial liabilities measured at amortised cost:			
Other payables	4.3A	<b>10,004</b>	3,524
Special account <sup>1</sup>	4.3A	<u>-</u>	<u>308,360</u>
<b>Total financial liabilities measured at amortised cost</b>		<u><b>10,004</b></u>	<u><b>311,884</b></u>
<b>Carrying amount of financial liabilities</b>		<u><b>10,004</b></u>	<u><b>311,884</b></u>
<b>7.3B: Net gains or losses on financial assets</b>			
<b>Financial assets at amortised cost</b>			
Impairment (loss)/reversal	2.1C	<u>-</u>	<u>(10)</u>
<b>Net gains on financial assets at amortised cost</b>		<u>-</u>	<u>(10)</u>
<b>Investments in equity instruments at fair value through other comprehensive income (designated)</b>			
Dividend revenue	2.2B	-	78,194
<b>Net gains on investments in equity instruments at fair value through other comprehensive income (designated)</b>		<u>-</u>	<u>78,194</u>
<b>Net gain on financial assets</b>		<u><u>-</u></u>	<u><u>78,184</u></u>

The net interest income from financial assets not at fair value through net cost of service is nil (2021-22: nil).

**7.3C: Net gains or losses on financial liabilities**

There was no net gain/(loss) from financial liabilities.

<sup>1</sup>The *Defence Endowments, Bequests and Other Trust Money Special Account* transferred from Administered to Departmental effective 1 July 2022 as agreed by the Minister for Finance in September 2022.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2023

#### 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 are not subject to valuation under AASB 13.

##### 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*.

Defence 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	
		2023	2022
		\$'000	\$'000
<b>7.4A: Fair Value Measurements</b>			
<b>Non-financial assets</b>			
Land	3.2A	6,231,704	6,112,529
Buildings	3.2A	17,981,933	16,242,644
Specialist military equipment	3.2A	84,271,967	80,958,195
Infrastructure	3.2A	8,308,066	7,347,018
Plant and equipment	3.2A	1,657,600	1,640,638
Heritage and cultural	3.2A	435,898	430,768
Assets held for sale <sup>1</sup>	3.2D	76,598	160,606
<b>Total Non-financial assets</b>		<b>118,963,766</b>	<b>112,892,398</b>

<sup>1</sup> Assets held for sale are measured at fair value in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

		2023	2022
		\$'000	\$'000
<b>Liabilities not measured at fair value in the statement of financial position<sup>1</sup></b>			
<b>Payables</b>			
Suppliers	3.3A	5,341,846	4,611,582
Employee payables	3.3B	291,030	290,659
Other payables	3.3C	449,085	393,680
<b>Interest bearing liabilities</b>			
Finance lease payables	3.4A	3,097,868	2,929,655
<b>Provisions</b>			
Employee provisions	3.5A	3,135,622	3,121,325
Restoration, decontamination and decommissioning	3.5B	1,087,208	1,009,049
Other provisions	3.5C	305,933	284,175
<b>Total liabilities not measured at fair value in the statement of financial position</b>		<b>13,708,592</b>	<b>12,640,125</b>

<sup>1</sup> The carrying amounts equate to their approximate fair value of respective items.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2023*

**7.5: Administered - Fair Value Measurements**

		Fair value measurements at the end of the reporting period	
		2023	2022
		\$'000	\$'000
<b>7.5A: Administered Fair value measurements</b>			
<b>Financial assets</b>			
Administered Investment	4.1C	<u>3,664,308</u>	<u>3,125,925</u>
<b>Total Financial Assets</b>		<u><b>3,664,308</b></u>	<u><b>3,125,925</b></u>

**Accounting Policy**

Administered investments are valued using the net assets valuation approach.

**Department of Defence**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2023*

**OTHER INFORMATION**

**8.1: Assets Held in Trust**

	2023 \$'000	2022 \$'000
<b>Young Endeavour Youth Program Public Fund (Trust)</b>		
As at 30 June 2023, 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	1,564	1,563
Other receipts	1	1
<b>Total credits</b>	<b>1,565</b>	<b>1,564</b>
Payment made to suppliers	-	-
<b>Total debits</b>	<b>-</b>	<b>-</b>
<b>Total amount held at the end of the reporting period</b>	<b>1,565</b>	<b>1,564</b>
<b>Peter Mitchell Trust Fund (Trust)</b>		
As at 30 June 2023, 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	3
Other receipts	-	-
<b>Total credits</b>	<b>3</b>	<b>3</b>
Payment made to suppliers	-	0
<b>Total debits</b>	<b>-</b>	<b>0</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 2023, 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	166	165
Other receipts	-	1
<b>Total credits</b>	<b>166</b>	<b>166</b>
Payment made to suppliers	-	-
<b>Total debits</b>	<b>-</b>	<b>-</b>
<b>Total amount held at the end of the reporting period</b>	<b>166</b>	<b>166</b>

**Department of Defence**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

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**8.2: Current/non-current distinction for assets and liabilities**

**8.2A: Current/non-current distinction for assets and liabilities**

	2023	2022
	\$'000	\$'000
<b>Assets expected to be recovered in</b>		
<b>No more than 12 months</b>		
Cash and cash equivalents	428,734	316,916
Trade and other receivables	2,059,314	1,525,826
Assets held for sale	76,598	160,606
Inventories	753,342	1,547,934
Prepayments	2,934,632	1,868,025
<b>Total no more than 12 months</b>	<b>6,252,620</b>	<b>5,419,307</b>
<b>More than 12 months</b>		
Trade and other receivables	6,298	52,819
Land	6,231,704	6,112,529
Buildings	17,981,933	16,242,644
Specialist military equipment	84,271,967	80,958,195
Infrastructure	8,308,066	7,347,018
Plant and equipment	1,657,600	1,640,638
Heritage and cultural assets	435,898	430,768
Intangibles	2,445,166	2,103,775
Inventories	7,904,702	6,339,234
Prepayments	764,862	678,891
<b>Total more than 12 months</b>	<b>130,008,196</b>	<b>121,906,511</b>
<b>Total assets</b>	<b>136,260,816</b>	<b>127,325,818</b>
<b>Liabilities expected to be settled in</b>		
<b>No more than 12 months</b>		
Suppliers payables	5,290,857	4,096,776
Employee payables	291,030	290,659
Other payables	445,226	241,562
Finance leases	51,636	65,755
Employee provisions	1,029,274	1,327,158
Restoration, decontamination and decommissioning	33,322	37,355
Other provisions	184,608	114,919
<b>Total no more than 12 months</b>	<b>7,325,953</b>	<b>6,174,184</b>
<b>More than 12 months</b>		
Suppliers payables	50,989	514,806
Other payables	3,859	152,118
Finance leases	3,046,232	2,863,900
Employee provisions	2,106,348	1,794,167
Restoration, decontamination and decommissioning	1,053,886	971,694
Other provisions	121,325	169,256
<b>Total more than 12 months</b>	<b>6,382,639</b>	<b>6,465,941</b>
<b>Total liabilities</b>	<b>13,708,592</b>	<b>12,640,125</b>

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2023*

**8.2: Current/non-current distinction for assets and liabilities (continued)**

<b>8.2B: Administered - Current/non-current distinction for assets and liabilities</b>		
	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
<b>Assets expected to be recovered in</b>		
<b>No more than 12 months</b>		
Cash and cash equivalents	-	357,357
Trade and other receivables	<b>56,355</b>	155,331
Prepayments	<b>58,220</b>	7,277
<b>Total no more than 12 months</b>	<b>114,575</b>	519,965
<b>More than 12 months</b>		
Equity accounted investments	<b>3,664,308</b>	3,125,925
Prepayments	-	103,210
<b>Total more than 12 months</b>	<b>3,664,308</b>	3,229,135
<b>Total assets</b>	<b>3,778,883</b>	3,749,100
<b>Liabilities expected to be settled in</b>		
<b>No more than 12 months</b>		
Other payables	<b>10,004</b>	311,884
Employee provisions	<b>3,753,300</b>	3,511,000
<b>Total no more than 12 months</b>	<b>3,763,304</b>	3,822,884
<b>More than 12 months</b>		
Employee provisions	<b>134,124,400</b>	137,263,100
<b>Total more than 12 months</b>	<b>134,124,400</b>	137,263,100
<b>Total liabilities</b>	<b>137,887,704</b>	141,085,984

## Appendix B: Expenses by outcomes

**Table B.1: Total funded expenditure of Defence outcomes and programs, 2022–23**

		2022–23 Estimated actuals <sup>1</sup> (\$'000)	2022–23 Actual result (\$'000)	Variation (\$'000)	Variation (%)
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>Program 1.1 Operations contributing to the security of the immediate neighbourhood</b>					
Net cash expenditure					
Expenses funded by appropriation and own source revenue					
Employees		3,557	1,297	(2,260)	(64)
Suppliers		25,881	34,626	8,745	34
Net losses from sale of assets		-	-	-	0
Other expenses		-	-	-	0
<b>Total a funded by appropriation and own source revenue (A)</b>		<b>29,438</b>	<b>35,923</b>	<b>6,485</b>	<b>22</b>
Expenses not requiring appropriation					
Depreciation and amortisation		-	-	-	0
Inventory consumption		-	90	90	100
Net write-down and net impairment of assets		-	-	-	0
<b>Total expenses not requiring appropriation (B)</b>		<b>-</b>	<b>90</b>	<b>90</b>	<b>100</b>
<b>Total operating expenses (A) + (B) = (C)</b>		<b>29,438</b>	<b>36,012</b>	<b>6,574</b>	<b>100</b>
Purchases of non-financial assets		-	-	-	0
Purchases of inventory		16,543	11,707	(4,836)	(29)
Principal repayments of lease liabilities		-	-	-	0
<b>Total capital expenditure (D)</b>		<b>16,543</b>	<b>11,707</b>	<b>(4,836)</b>	<b>(29)</b>
<b>Total funded expenditure for Program 1.1 (A+D)</b>		<b>45,981</b>	<b>47,630</b>	<b>1,649</b>	<b>4</b>

**Note:**

- As published in the *Portfolio Budget Statements 2023–24*.

(Table B.1 continued)

	2022-23 Estimated actuals <sup>1</sup> (\$'000)	2022-23 Actual result (\$'000)	Variation (\$'000)	Variation (%)
<b>Program 1.2 Operations supporting wider interests</b>				
<b>Net cash expenditure</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees	2,959	8,248	5,289	179
Suppliers	125,380	124,284	(1,096)	(1)
Net losses from sale of assets	-	-	-	0
Other expenses	-	-	-	0
<b>Total expenses funded by appropriation and own source revenue (A)</b>	<b>128,339</b>	<b>132,532</b>	<b>4,193</b>	<b>3</b>
<b>Expenses not requiring appropriation</b>				
Depreciation and amortisation	-	-	-	0
Inventory consumption	-	203	203	100
Net write-down and net impairment of assets	-	-	-	0
<b>Total expenses not requiring appropriation (B)</b>	<b>-</b>	<b>203</b>	<b>203</b>	<b>100</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>128,339</b>	<b>132,734</b>	<b>4,396</b>	<b>3</b>
Purchases of non-financial assets	-	-	-	0
Purchases of inventory	8,536	787	(7,749)	(91)
Principal repayments of lease liabilities	-	-	-	0
<b>Total capital expenditure (D)</b>	<b>8,536</b>	<b>787</b>	<b>(7,749)</b>	<b>(91)</b>
<b>Total funded expenditure for Program 1.2 (A+D)</b>	<b>136,875</b>	<b>133,319</b>	<b>(3,556)</b>	<b>(3)</b>
<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	11,596	1,929	(9,667)	(83)
Suppliers	55,250	120,587	65,337	118
Net losses from sale of assets	-	-	-	0
Other expenses	-	-	-	0
<b>Total expenses funded by appropriation and own source revenue (A)</b>	<b>66,846</b>	<b>122,516</b>	<b>55,670</b>	<b>83</b>
<b>Expenses not requiring appropriation</b>				
Depreciation and amortisation	-	-	-	0
Inventory consumption	-	85	85	100
Net write-down and net impairment of assets	-	-	-	0
<b>Total expenses not requiring appropriation (B)</b>	<b>-</b>	<b>85</b>	<b>85</b>	<b>100</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>66,846</b>	<b>122,601</b>	<b>55,755</b>	<b>83</b>
Purchases of non-financial assets	-	-	-	0
Purchases of inventory	31,197	2,254	(28,943)	(93)
Principal repayments of lease liabilities	-	-	-	0
<b>Total capital expenditure (D)</b>	<b>31,197</b>	<b>2,254</b>	<b>(28,943)</b>	<b>(93)</b>
<b>Total funded expenditure for Program 1.3 (A+D)</b>	<b>98,043</b>	<b>124,770</b>	<b>26,727</b>	<b>27</b>
<b>Total funded expenditure for Outcome 1</b>	<b>280,899</b>	<b>305,719</b>	<b>24,820</b>	<b>9</b>

(Table B.1 continued)

	2022-23 Estimated actuals <sup>1</sup> (\$'000)	2022-23 Actual result (\$'000)	Variation (\$'000)	Variation (%)
<b>Outcome 2:</b>	<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>			
<b>Program 2.1 Strategy, Policy and Industry</b>				
<b>Net cash expenditure</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees	88,646	84,640	(4,006)	(5)
Suppliers	534,925	632,518	97,593	18
Net losses from sale of assets	-	-	-	0
Other expenses	33,095	46,608	13,513	41
<b>Total expenses funded by appropriation and own source revenue (A)</b>	<b>656,666</b>	<b>763,766</b>	<b>107,100</b>	<b>16</b>
<b>Expenses not requiring appropriation</b>				
Depreciation and amortisation	31,171	9,669	(21,502)	(69)
Inventory consumption	-	10,645	10,645	100
Net write-down and net impairment of assets	533	1,542	1,009	189
<b>Total expenses not requiring appropriation (B)</b>	<b>31,704</b>	<b>21,855</b>	<b>(9,849)</b>	<b>(31)</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>688,370</b>	<b>785,621</b>	<b>97,251</b>	<b>14</b>
Purchases of non-financial assets	98,978	6,427	(92,551)	(94)
Purchases of inventory	-	5,980	5,980	100
Principal repayments of lease liabilities	9,016	-	(9,016)	(100)
<b>Total capital expenditure (D)</b>	<b>107,994</b>	<b>12,407</b>	<b>(95,587)</b>	<b>(89)</b>
<b>Total funded expenditure for Program 2.1 (A+D)</b>	<b>764,660</b>	<b>776,173</b>	<b>11,513</b>	<b>2</b>

(Table B.1 continued)

	2022-23 Estimated actuals <sup>1</sup> (\$'000)	2022-23 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	90,523	94,078	3,555	4
Suppliers <sup>2</sup>	284,397	561,677	277,280	97
Net losses from sale of assets	-	-	-	0
Other expenses	2,754	1,670	(1,084)	(39)
<b>Total expenses funded by appropriation and own source revenue (A)</b>	<b>377,674</b>	<b>657,425</b>	<b>279,751</b>	<b>74</b>
<b>Expenses not requiring appropriation</b>				
Depreciation and amortisation	6,998	478	(6,520)	(93)
Inventory consumption	-	-	-	0
Net write-down and net impairment of assets	12,156	178	(11,978)	(99)
<b>Total expenses not requiring appropriation (B)</b>	<b>19,154</b>	<b>656</b>	<b>(18,498)</b>	<b>(97)</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>396,828</b>	<b>658,081</b>	<b>261,253</b>	<b>66</b>
Purchases of non-financial assets	192,941	169,945	(22,996)	(12)
Purchases of inventory	-	-	-	0
Principal repayments of lease liabilities	16	-	(16)	(100)
<b>Total capital expenditure (D)</b>	<b>192,957</b>	<b>169,945</b>	<b>(23,012)</b>	<b>(12)</b>
<b>Total funded expenditure for Program 2.2 (A+D)</b>	<b>570,631</b>	<b>827,370</b>	<b>256,739</b>	<b>45</b>
<b>Program 2.3 Defence Finance</b>				
<b>Net cash expenditure</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees <sup>3</sup>	43,444	5,210	(38,234)	(88)
Suppliers	95,104	87,844	(7,260)	(8)
Net losses from sale of assets	-	-	-	0
Other expenses	3,588	30,538	26,950	751
<b>Total expenses funded by appropriation and own source revenue (A)</b>	<b>142,136</b>	<b>123,592</b>	<b>(18,544)</b>	<b>(13)</b>
<b>Expenses not requiring appropriation</b>				
Depreciation and amortisation	-	-	-	0
Inventory consumption	-	-	-	0
Net write-down and net impairment of assets <sup>3</sup>	-	63,174	63,174	100
<b>Total expenses not requiring appropriation (B)</b>	<b>-</b>	<b>63,174</b>	<b>63,174</b>	<b>100</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>142,136</b>	<b>186,766</b>	<b>44,630</b>	<b>31</b>
Purchases of non-financial assets	-	-	-	0
Purchases of inventory	-	-	-	0
Principal repayments of lease liabilities	48	-	(48)	(100)
<b>Total capital expenditure (D)</b>	<b>48</b>	<b>-</b>	<b>(48)</b>	<b>(100)</b>
<b>Total funded expenditure for Program 2.3 (A+D)</b>	<b>142,184</b>	<b>123,592</b>	<b>(18,592)</b>	<b>(13)</b>

**Notes:**

- Suppliers balance for Program 2.2 Defence Executive Support 2022-23 is predominantly made up of payments for remediation of per- and poly-fluoroalkyl substances (PFAS), common law payments and adjustments for provisions in 2022-23.
- Employees and net write down and impairment of assets for Program 2.3 — Defence Finance includes adjustments made on behalf whole of Defence.

(Table B.1 continued)

	2022-23 Estimated actuals <sup>1</sup> (\$'000)	2022-23 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	747,105	731,020	(16,085)	(2)
Suppliers	1,255,311	1,312,461	57,150	5
Net losses from sale of assets	-	-	-	0
Other expenses	21	25	4	21
<b>Total expenses funded by appropriation and own source revenue (A)</b>	<b>2,002,437</b>	<b>2,043,506</b>	<b>41,069</b>	<b>2</b>
<b>Expenses not requiring appropriation</b>				
Depreciation and amortisation	44,925	22,240	(22,685)	(50)
Inventory consumption	25,319	186,210	160,891	> 500
Net write-down and net impairment of assets	290,096	362,300	72,204	25
<b>Total expenses not requiring appropriation (B)</b>	<b>360,340</b>	<b>570,750</b>	<b>210,410</b>	<b>58</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>2,362,777</b>	<b>2,614,256</b>	<b>251,479</b>	<b>11</b>
Purchases of non-financial assets	575,451	636,802	61,351	11
Purchases of inventory	57,616	13,184	(44,432)	(77)
Principal repayments of lease liabilities	63	-	(63)	(100)
<b>Total capital expenditure (D)</b>	<b>633,130</b>	<b>649,986</b>	<b>16,856</b>	<b>3</b>
<b>Total funded expenditure for Program 2.4 (A+D)</b>	<b>2,635,567</b>	<b>2,693,492</b>	<b>57,925</b>	<b>2</b>
<b>Program 2.5 Navy Capabilities</b>				
<b>Net cash expenditure</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees	2,487,879	2,608,941	121,062	5
Suppliers	3,703,166	3,478,292	(224,874)	(6)
Net losses from sale of assets	-	-	-	0
Other expenses	6,921	15,363	8,442	122
<b>Total expenses funded by appropriation and own source revenue (A)</b>	<b>6,197,966</b>	<b>6,102,596</b>	<b>(95,370)</b>	<b>(2)</b>
<b>Expenses not requiring appropriation</b>				
Depreciation and amortisation	1,345,112	1,353,491	8,379	1
Inventory consumption	295,204	224,479	(70,725)	(24)
Net write-down and net impairment of assets <sup>4</sup>	17,765	(134,890)	(152,655)	> (500)
<b>Total expenses not requiring appropriation (B)</b>	<b>1,658,081</b>	<b>1,443,080</b>	<b>(215,001)</b>	<b>(13)</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>7,856,047</b>	<b>7,545,676</b>	<b>(310,371)</b>	<b>(4)</b>
Purchases of non-financial assets	3,226,416	3,139,072	(87,344)	(3)
Purchases of inventory	669,092	695,424	26,332	4
Principal repayments of lease liabilities <sup>5</sup>	25,549	10,490	(15,059)	(59)
<b>Total capital expenditure (D)</b>	<b>3,921,057</b>	<b>3,844,986</b>	<b>(76,071)</b>	<b>(2)</b>
<b>Total funded expenditure for Program 2.5 (A+D)</b>	<b>10,119,023</b>	<b>9,947,582</b>	<b>(171,441)</b>	<b>(2)</b>

**Notes:**

- Defence is in a net write-down and impairment of assets position. However, the position of this individual program is a net write-on of assets position. As such, the 2022-23 actual result is a negative value.
- Budget for lease payments has assumed the payments to be split across multiple programs whereas the actuals were recorded in two programs including Program 2.5 Navy Capabilities and Program 2.10 Security and Estate in 2022-23.

(Table B.1 continued)

	2022-23 Estimated actuals <sup>1</sup> (\$'000)	2022-23 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	4,504,569	4,399,215	(105,354)	(2)
Suppliers	2,095,823	2,481,732	385,909	18
Net losses from sale of assets	-	-	-	0
Other expenses	13	1,554	1,541	> 500
<b>Total expenses funded by appropriation and own source revenue (A)</b>	<b>6,600,405</b>	<b>6,882,501</b>	<b>282,096</b>	<b>4</b>
<b>Expenses not requiring appropriation</b>				
Depreciation and amortisation	1,290,363	1,683,684	393,321	30
Inventory consumption	415,976	320,950	(95,026)	(23)
Net write-down and net impairment of assets <sup>4</sup>	36,356	220,274	183,918	> 500
<b>Total expenses not requiring appropriation (B)</b>	<b>1,742,695</b>	<b>2,224,908</b>	<b>482,213</b>	<b>28</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>8,343,100</b>	<b>9,107,408</b>	<b>764,308</b>	<b>9</b>
Purchases of non-financial assets	3,519,180	2,702,638	(816,542)	(23)
Purchases of inventory	940,928	941,364	436	0
Principal repayments of lease liabilities	5,303	-	(5,303)	(100)
<b>Total capital expenditure (D)</b>	<b>4,465,411</b>	<b>3,644,002</b>	<b>(821,409)</b>	<b>(18)</b>
<b>Total funded expenditure for Program 2.6 (A+D)</b>	<b>11,065,816</b>	<b>10,526,503</b>	<b>(539,313)</b>	<b>(5)</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	2,492,338	2,496,617	4,279	0
Suppliers	4,290,690	4,084,147	(206,543)	(5)
Net losses from sale of assets	-	-	-	0
Other expenses	2,435	8,245	5,810	239
<b>Total expenses funded by appropriation and own source revenue (A)</b>	<b>6,785,463</b>	<b>6,589,009</b>	<b>(196,454)</b>	<b>(3)</b>
<b>Expenses not requiring appropriation</b>				
Depreciation and amortisation	1,779,423	1,720,286	(59,137)	(3)
Inventory consumption	275,052	480,862	205,810	75
Net write-down and net impairment of assets	21,825	129,109	107,284	492
<b>Total expenses not requiring appropriation (B)</b>	<b>2,076,300</b>	<b>2,330,257</b>	<b>253,957</b>	<b>12</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>8,861,763</b>	<b>8,919,266</b>	<b>57,503</b>	<b>1</b>
Purchases of non-financial assets	2,968,914	3,160,968	192,054	6
Purchases of inventory	609,526	696,843	87,317	14
Principal repayments of lease liabilities	31,535	-	(31,535)	(100)
<b>Total capital expenditure (D)</b>	<b>3,609,975</b>	<b>3,857,811</b>	<b>247,836</b>	<b>7</b>
<b>Total funded expenditure for Program 2.7 (A+D)</b>	<b>10,395,438</b>	<b>10,446,820</b>	<b>51,382</b>	<b>0</b>

(Table B.1 continued)

	2022-23 Estimated actuals <sup>1</sup> (\$'000)	2022-23 Actual result (\$'000)	Variation (\$'000)	Variation (%)
<b>Program 2.8 ADF Headquarters</b>				
<b>Net cash expenditure</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees	42,361	26,698	(15,663)	(37)
Suppliers	275,934	317,243	41,309	15
Net losses from sale of assets	-	-	-	0
Other expenses	15	14	(1)	(5)
<b>Total expenses funded by appropriation and own source revenue (A)</b>	<b>318,310</b>	<b>343,955</b>	<b>25,645</b>	<b>8</b>
<b>Expenses not requiring appropriation</b>				
Depreciation and amortisation	9,943	8,859	(1,084)	(11)
Inventory consumption	-	1,335	1,335	100
Net write-down and net impairment of assets	583	829	246	42
<b>Total expenses not requiring appropriation (B)</b>	<b>10,526</b>	<b>11,023</b>	<b>497</b>	<b>5</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>328,836</b>	<b>354,978</b>	<b>26,142</b>	<b>8</b>
Purchases of non-financial assets	8,834	832	(8,002)	(91)
Purchases of inventory	-	7,423	7,423	100
Principal repayments of lease liabilities	472	-	(472)	(100)
<b>Total capital expenditure (D)</b>	<b>9,306</b>	<b>8,255</b>	<b>(1,051)</b>	<b>(11)</b>
<b>Total funded expenditure for Program 2.8 (A+D)</b>	<b>327,616</b>	<b>352,210</b>	<b>24,594</b>	<b>8</b>
<b>Program 2.9 Capability Acquisition and Sustainment</b>				
<b>Net cash expenditure</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees	368,456	357,601	(10,855)	(3)
Suppliers	290,961	382,795	91,834	32
Net losses from sale of assets	-	-	-	0
Other expenses	11	11	-	(0)
<b>Total expenses funded by appropriation and own source revenue (A)</b>	<b>659,428</b>	<b>740,407</b>	<b>80,979</b>	<b>12</b>
<b>Expenses not requiring appropriation</b>				
Depreciation and amortisation	447	576	129	29
Inventory consumption	-	-	-	0
Net write-down and net impairment of assets	(172)	1	173	(100)
<b>Total expenses not requiring appropriation (B)</b>	<b>275</b>	<b>577</b>	<b>302</b>	<b>110</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>659,703</b>	<b>740,984</b>	<b>81,281</b>	<b>12</b>
Purchases of non-financial assets	-	-	-	0
Purchases of inventory	-	-	-	0
Principal repayments of lease liabilities	101	-	(101)	(100)
<b>Total capital expenditure (D)</b>	<b>101</b>	<b>-</b>	<b>(101)</b>	<b>(100)</b>
<b>Total funded expenditure for Program 2.9 (A+D)</b>	<b>659,529</b>	<b>740,407</b>	<b>80,878</b>	<b>12</b>

(Table B.1 continued)

	2022-23 Estimated actuals <sup>1</sup> (\$'000)	2022-23 Actual result (\$'000)	Variation (\$'000)	Variation (%)
<b>Program 2.10 Estate and Infrastructure</b>				
<b>Net cash expenditure</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees	1,230,108	1,105,853	(124,255)	(10)
Suppliers	3,921,298	4,165,292	243,994	6
Net losses from sale of assets	-	-	-	0
Other expenses	93,035	201,546	108,511	117
<b>Total expenses funded by appropriation and own source revenue (A)</b>	<b>5,244,441</b>	<b>5,472,691</b>	<b>228,250</b>	<b>4</b>
<b>Expenses not requiring appropriation</b>				
Depreciation and amortisation	1,494,976	1,552,053	57,077	4
Inventory consumption	-	-	-	0
Net write-down and net impairment of assets <sup>4</sup>	2,828	(69,193)	(72,021)	> (500)
<b>Total expenses not requiring appropriation (B)</b>	<b>1,497,804</b>	<b>1,482,860</b>	<b>(14,944)</b>	<b>(1)</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>6,742,245</b>	<b>6,955,551</b>	<b>213,306</b>	<b>3</b>
Purchases of non-financial assets	1,887,216	887,046	(1,000,170)	(53)
Purchases of inventory	-	-	-	0
Principal repayments of lease liabilities <sup>7</sup>	224,461	298,305	73,844	33
<b>Total capital expenditure (D)</b>	<b>2,111,677</b>	<b>1,185,351</b>	<b>(926,326)</b>	<b>(44)</b>
<b>Total funded expenditure for Program 2.10 (A+D)</b>	<b>7,356,118</b>	<b>6,658,042</b>	<b>(698,076)</b>	<b>(9)</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	130,689	109,414	(21,275)	(16)
Suppliers	1,770,162	1,897,688	127,526	7
Net losses from sale of assets	-	-	-	0
Other expenses	33	3,207	3,174	> 500
<b>Total expenses funded by appropriation and own source revenue (A)</b>	<b>1,900,884</b>	<b>2,010,309</b>	<b>109,425</b>	<b>6</b>
<b>Expenses not requiring appropriation</b>				
Depreciation and amortisation	263,403	236,592	(26,811)	(10)
Inventory consumption	-	-	-	0
Net write-down and net impairment of assets <sup>8</sup>	31,733	(22,846)	(54,579)	(172)
<b>Total expenses not requiring appropriation (B)</b>	<b>295,136</b>	<b>213,746</b>	<b>(81,390)</b>	<b>(28)</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>2,196,020</b>	<b>2,224,055</b>	<b>28,035</b>	<b>1</b>
Purchases of non-financial assets	26,799	127,480	100,681	376
Purchases of inventory	-	-	-	0
Principal repayments of lease liabilities	3,089	-	(3,089)	(100)
<b>Total capital expenditure (D)</b>	<b>29,888</b>	<b>127,480</b>	<b>97,592</b>	<b>327</b>
<b>Total funded expenditure for Program 2.11 (A+D)</b>	<b>1,930,772</b>	<b>2,137,789</b>	<b>207,017</b>	<b>11</b>

**Notes:**

6. Defence is in a net write-down and impairment of assets position. However, the position of this individual program is a net write-on of assets position. As such, the 2022-23 actual result is a negative value.
7. Budget for lease payments has assumed the payments to be split across multiple programs whereas the actuals were recorded in two programs including Program 2.5 Navy Capabilities and Program 2.10 Security and Estate in 2022-23.
8. Defence is in a net write-down and impairment of assets position. However, the position of this individual program is a net write-on of assets position. As such, the 2022-23 actual result is a negative value.

(Table B.1 continued)

	2022-23 Estimated actuals <sup>1</sup> (\$'000)	2022-23 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	175,868	181,244	5,376	3
Suppliers	490,992	518,407	27,415	6
Net losses from sale of assets	-	-	-	0
Other expenses	4,832	7,546	2,714	56
<b>Total expenses funded by appropriation and own source revenue (A)</b>	<b>671,692</b>	<b>707,197</b>	<b>35,505</b>	<b>5</b>
<b>Expenses not requiring appropriation</b>				
Depreciation and amortisation	13,152	11,999	(1,153)	(9)
Inventory consumption	-	-	-	0
Net write-down and net impairment of assets	1,127	110	(1,017)	(90)
<b>Total expenses not requiring appropriation (B)</b>	<b>14,279</b>	<b>12,109</b>	<b>(2,170)</b>	<b>(15)</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>685,971</b>	<b>719,306</b>	<b>33,335</b>	<b>5</b>
Purchases of non-financial assets	-	-	-	0
Purchases of inventory	-	-	-	0
Principal repayments of lease liabilities	11,747	-	(11,747)	(100)
<b>Total capital expenditure (D)</b>	<b>11,747</b>	<b>-</b>	<b>(11,747)</b>	<b>(100)</b>
<b>Total funded expenditure for Program 2.12 (A+D)</b>	<b>683,439</b>	<b>707,197</b>	<b>23,758</b>	<b>3</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	315,533	330,165	14,632	5
Suppliers	320,355	354,442	34,087	11
Net losses from sale of assets	-	-	-	0
Other expenses	17	15,147	15,130	> 500
<b>Total expenses funded by appropriation and own source revenue (A)</b>	<b>635,905</b>	<b>699,754</b>	<b>63,849</b>	<b>10</b>
<b>Expenses not requiring appropriation</b>				
Depreciation and amortisation	25,369	27,729	2,360	9
Inventory consumption	147	61	(86)	(58)
Net write-down and net impairment of assets	3,947	2,411	(1,536)	(39)
<b>Total expenses not requiring appropriation (B)</b>	<b>29,463</b>	<b>30,201</b>	<b>738</b>	<b>3</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>665,368</b>	<b>729,955</b>	<b>64,587</b>	<b>10</b>
Purchases of non-financial assets	29,752	12,975	(16,777)	(56)
Purchases of inventory	147	-	(147)	(100)
Principal repayments of lease liabilities	196	-	(196)	(100)
<b>Total capital expenditure (D)</b>	<b>30,095</b>	<b>12,975</b>	<b>(17,120)</b>	<b>(57)</b>
<b>Total funded expenditure for Program 2.13 (A+D)</b>	<b>666,000</b>	<b>712,729</b>	<b>46,729</b>	<b>7</b>

(Table B.1 continued)

	2022-23 Estimated actuals <sup>1</sup> (\$'000)	2022-23 Actual result (\$'000)	Variation (\$'000)	Variation (%)
<b>Program 2.14 Defence Intelligence</b>				
<b>Net cash expenditure</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees	112,426	112,649	223	0
Suppliers	513,900	385,670	(128,230)	(25)
Net losses from sale of assets	-	-	-	0
Other expenses	11	12	1	10
<b>Total expenses funded by appropriation and own source revenue (A)</b>	<b>626,337</b>	<b>498,331</b>	<b>(128,006)</b>	<b>(20)</b>
<b>Expenses not requiring appropriation</b>				
Depreciation and amortisation	27,985	29,992	2,007	7
Inventory consumption	-	-	-	0
Net write-down and net impairment of assets	27,698	24,289	(3,409)	(12)
<b>Total expenses not requiring appropriation (B)</b>	<b>55,683</b>	<b>54,281</b>	<b>(1,402)</b>	<b>(3)</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>682,020</b>	<b>552,612</b>	<b>(129,408)</b>	<b>(19)</b>
Purchases of non-financial assets	151,469	191,053	39,584	26
Purchases of inventory	-	-	-	0
Principal repayments of lease liabilities	160	1	(159)	(99)
<b>Total capital expenditure (D)</b>	<b>151,629</b>	<b>191,054</b>	<b>39,425</b>	<b>26</b>
<b>Total funded expenditure for Program 2.14 (A+D)</b>	<b>777,966</b>	<b>689,385</b>	<b>(88,581)</b>	<b>(11)</b>
<b>Program 2.15 Naval Shipbuilding and Sustainment</b>				
<b>Net cash expenditure</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees	138,300	126,060	(12,240)	(9)
Suppliers	161,709	107,054	(54,655)	(34)
Net Losses from sale of assets	-	-	-	0
Other expenses	-	0	0	100
<b>Total Expenses funded by appropriation and own source revenue (A)</b>	<b>300,009</b>	<b>233,114</b>	<b>(66,895)</b>	<b>(22)</b>
<b>Expenses not requiring appropriation</b>				
Depreciation and amortisation	5	61	56	> 500
Inventory consumption	-	-	-	0
Net write-down and net impairment of assets	-	4	4	100
<b>Total Expenses not requiring appropriation (B)</b>	<b>5</b>	<b>64</b>	<b>59</b>	<b>&gt; 500</b>
<b>Total operating expenses (A) + (B) = (C)</b>	<b>300,014</b>	<b>233,178</b>	<b>(66,836)</b>	<b>(22)</b>
Purchases of non-financial assets	-	38	38	100
Purchases of inventory	-	-	-	0
Principal repayments of lease liabilities	5	-	(5)	(100)
<b>Total capital expenditure (D)</b>	<b>5</b>	<b>38</b>	<b>33</b>	<b>&gt; 500</b>
<b>Total funded expenditure for Program 2.15 (A+D)</b>	<b>300,014</b>	<b>233,152</b>	<b>(66,862)</b>	<b>(22)</b>

(Table B.1 continued)

	2022-23 Estimated actuals <sup>1</sup> (\$'000)	2022-23 Actual result (\$'000)	Variation (\$'000)	Variation (%)
<b>Program 2.19 Defence Trust and Joint Accounts</b>				
<b>Expenses funded by appropriation and own source revenue</b>				
Employees	-	-	-	0
Suppliers	-	19	19	100
Net Losses from sale of assets	-	-	-	0
Other Expenses <sup>9</sup>	304,822	50,126	(254,696)	(84)
<b>Total expenses funded by appropriation and own source revenue (A)</b>	<b>304,822</b>	<b>50,145</b>	<b>(254,677)</b>	<b>(84)</b>
<b>Expenses not requiring appropriation</b>				
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>304,822</b>	<b>50,145</b>	<b>(254,677)</b>	<b>(84)</b>
Purchases of non-financial assets <sup>10</sup>	-	222,889	222,889	0
Purchases of inventory	-	-	-	0
Principal repayments of lease liabilities	-	-	-	0
<b>Total capital expenditure (D)</b>	<b>-</b>	<b>222,889</b>	<b>222,889</b>	<b>100</b>
<b>Total funded expenditure for Program 2.19 (A+D)</b>	<b>304,822</b>	<b>273,034</b>	<b>(31,788)</b>	<b>(10)</b>
<b>Program 2.20 Defence Force Superannuation Benefits and Program 2.21 Defence Force Superannuation Nominal Interest</b>				
<b>Expenses</b>				
Net foreign exchange losses	-	-	-	0
Military retention benefits	63,929	52,326	(11,603)	(18)
Military superannuation	-	-	-	0
- Benefits	3,868,388	4,194,100	325,712	8
- Interest	5,498,625	5,502,573	3,948	0
<b>Total expenses</b>	<b>9,430,942</b>	<b>9,748,999</b>	<b>318,057</b>	<b>3</b>
<b>Expenses not requiring appropriation</b>	<b>5,920,330</b>	<b>5,905,026</b>	<b>(15,304)</b>	<b>(0)</b>
<b>Income</b>				
<b>Revenues</b>				
- Interest	-	-	-	0
- Net foreign exchange gains	-	-	-	0
- Military superannuation contribution	1,123,864	1,154,138	30,274	3
<b>Total income</b>	<b>1,123,864</b>	<b>1,154,138</b>	<b>30,274</b>	<b>3</b>
<b>Total Programs 2.20 and 2.21</b>	<b>8,307,078</b>	<b>8,594,861</b>	<b>287,783</b>	<b>3</b>

**Notes:**

- The budget for Program 2.19 — Defence Trust and Joint Accounts assumed total operating expenses of \$304.8 million offset by operating revenue of \$304.8 million and nil capital budget in 2022–23. Purchases of non-financial assets in Program 2.19 Defence Trust and Joint Accounts relates to capital additions for Australian Singapore Military Training Initiative (ASMTI) agreement.
- The budget for Program 2.19 — Defence Trust and Joint Accounts assumed total operating expenses of \$304.8 million offset by operating revenue of \$304.8 million and nil capital budget in 2022–23. Purchases of non-financial assets in Program 2.19 Defence Trust and Joint Accounts relates to capital additions for Australian Singapore Military Training Initiative (ASMTI) agreement.

(Table B.1 continued)

	2022-23 Estimated actuals <sup>1</sup> (\$'000)	2022-23 Actual result (\$'000)	Variation (\$'000)	Variation (%)
<b>Program 2.22 Housing Assistance</b>				
<b>Expenses</b>				
Net foreign exchange losses	-	-	-	0
Housing subsidies	160,753	171,643	10,890	7
<b>Total expenses</b>	<b>160,753</b>	<b>171,643</b>	<b>10,890</b>	<b>7</b>
<b>Income</b>				
<b>Revenues</b>				
- Interest	-	-	-	0
- Net foreign exchange gains	-	-	-	0
- Dividends	-	-	-	0
- License fees	19,235	18,128	(1,107)	(6)
<b>Total income</b>	<b>19,235</b>	<b>18,128</b>	<b>(1,107)</b>	<b>(6)</b>
<b>Total Program 2.22</b>	<b>141,518</b>	<b>153,515</b>	<b>11,997</b>	<b>8</b>
<b>Program 2.23 Other Administered</b>				
<b>Expenses</b>				
Impairment on trade and other receivables	-	-	-	0
Suppliers	-	-	-	0
<b>Total expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>
<b>Income</b>				
<b>Revenues</b>				
- Interest	-	-	-	0
- Dividends <sup>11</sup>	63,559	-	(63,559)	(100)
- Other	40,200	41,979	1,779	4
<b>Total income</b>	<b>103,759</b>	<b>41,979</b>	<b>(61,780)</b>	<b>(60)</b>
<b>Total Program 2.23</b>	<b>(103,759)</b>	<b>(41,979)</b>	<b>61,780</b>	<b>(60)</b>
<b>Departmental total for Outcome 2</b>	<b>48,699,595</b>	<b>47,845,477</b>	<b>(854,118)</b>	<b>(2)</b>
<b>Administered total for Outcome 2</b>	<b>4,918,223</b>	<b>5,229,860</b>	<b>311,637</b>	<b>6</b>
<b>Total funded expenditure/resources</b>	<b>53,617,818</b>	<b>53,075,337</b>	<b>(542,481)</b>	<b>(1)</b>

**Note:**

11. Defence Housing Australia (DHA) and shareholders have an agreement on a dividend moratorium in respect to the 2022-23 financial year. As such, DHA declared nil dividend payment for 2022-23 with the funds to be reinvested into delivering housing requirements to effectively support Defence capability.

## Appendix C: Additional workforce tables

**Table C.1: All ongoing Australian Public Service employees by location, 2022–23**

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total	Full-time	Part-time	Total	Full-time	Part-time	Total	
NSW	1,238	23	1,261	913	141	1,054	3	–	3	2,318
QLD	583	12	595	586	57	643	2	–	2	1,240
SA	1,406	36	1,442	558	72	630	3	1	4	2,076
TAS	30	2	32	41	16	57	1	–	1	90
VIC <sup>1</sup>	1,983	36	2,019	1,117	132	1,249	6	–	6	3,274
WA	282	6	288	200	30	230	3	–	3	521
ACT <sup>2</sup>	3,380	83	3,463	3,998	436	4,434	13	–	13	7,910
NT	86	2	88	118	7	125	1	–	1	214
External Territories	–	–	–	–	–	–	–	–	–	–
Overseas	75	–	75	55	–	55	–	–	–	130
<b>Total</b>	<b>9,063</b>	<b>200</b>	<b>9,263</b>	<b>7,586</b>	<b>891</b>	<b>8,477</b>	<b>32</b>	<b>1</b>	<b>33</b>	<b>17,773</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 (New South Wales).
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (New South Wales) and Bungendore (New South Wales).

**Table C.2: All ongoing Australian Public Service employees by location, 2021–22**

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total	Full-time	Part-time	Total	Full-time	Part-time	Total	
NSW	1,201	18	1,219	881	140	1,021	1	–	1	2,241
QLD	588	6	594	514	50	564	2	–	2	1,160
SA	1,367	32	1,399	493	71	564	3	1	4	1,967
TAS	26	1	27	30	7	37	1	–	1	65
VIC <sup>1</sup>	1,865	32	1,897	1,041	129	1,170	2	–	2	3,069
WA	270	4	274	180	20	200	1	–	1	475
ACT <sup>2</sup>	3,190	89	3,279	3,594	444	4,038	11	–	11	7,328
NT	82	1	83	114	4	118	–	–	–	201
External Territories	–	–	–	–	–	–	–	–	–	–
Overseas	73	–	73	53	–	53	–	–	–	126
<b>Total</b>	<b>8,662</b>	<b>183</b>	<b>8,845</b>	<b>6,900</b>	<b>865</b>	<b>7,765</b>	<b>21</b>	<b>1</b>	<b>22</b>	<b>16,632</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 2021–22* to account for retrospective transactions.

1. Victorian figures include individuals located in Albury (New South Wales).
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (New South Wales) and Bungendore (New South Wales).

**Table C.3: All non-ongoing Australian Public Service employees by location, 2022–23**

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total	Full-time	Part-time	Total	Full-time	Part-time	Total	
NSW	4	–	4	8	3	11	–	–	–	15
QLD	6	1	7	5	1	6	–	–	–	13
SA	9	11	20	13	3	16	–	–	–	36
TAS	1	–	1	–	–	–	–	–	–	1
VIC <sup>1</sup>	62	16	78	21	7	28	–	–	–	106
WA	1	–	1	4	1	5	–	–	–	6
ACT <sup>2</sup>	56	7	63	82	26	108	–	–	–	171
NT	2	–	2	3	–	3	–	–	–	5
External Territories	–	–	–	–	–	–	–	–	–	–
Overseas	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>141</b>	<b>35</b>	<b>176</b>	<b>136</b>	<b>41</b>	<b>177</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>353</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 (New South Wales).
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (New South Wales) and Bungendore (New South Wales).

**Table C.4: All non-ongoing Australian Public Service employees by location, 2021–22**

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total	Full-time	Part-time	Total	Full-time	Part-time	Total	
NSW	4	–	4	7	2	9	–	–	–	13
QLD	8	–	8	10	–	10	–	–	–	18
SA	5	16	21	11	2	13	1	–	1	35
TAS	–	–	–	–	–	–	–	–	–	–
VIC <sup>1</sup>	42	6	48	20	3	23	–	–	–	71
WA	–	–	–	8	2	10	–	–	–	10
ACT <sup>2</sup>	41	7	48	62	19	81	1	1	2	131
NT	2	–	2	2	–	2	–	–	–	4
External Territories	–	–	–	–	–	–	–	–	–	–
Overseas	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>102</b>	<b>29</b>	<b>131</b>	<b>120</b>	<b>28</b>	<b>148</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>282</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 2021–22* to account for retrospective transactions.

1. Victorian figures include individuals located in Albury (New South Wales).
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (New South Wales) and Bungendore (New South Wales).

**Table C.5: Australian Public Service Act ongoing employees, 2022–23**

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total	Full-time	Part-time	Total	Full-time	Part-time	Total	
Secretary	1	–	1	–	–	–	–	–	–	1
SES 3	5	–	5	3	–	3	–	–	–	8
SES 2	26	–	26	12	–	12	–	–	–	38
SES 1	48	–	48	70	1	71	–	–	–	119
EL 2	1,257	21	1,278	672	39	711	1	–	1	1,990
EL 1	2,268	48	2,316	1,662	169	1,831	3	1	4	4,151
APS 6	2,763	55	2,818	2,181	315	2,496	6	–	6	5,320
APS 5	1,291	32	1,323	1,325	135	1,460	9	–	9	2,792
APS 4	563	8	571	915	112	1,027	8	–	8	1,606
APS 3	326	12	338	460	88	548	2	–	2	888
APS 2	357	15	372	212	25	237	2	–	2	611
APS 1	158	9	167	74	7	81	1	–	1	249
Other	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>9,063</b>	<b>200</b>	<b>9,263</b>	<b>7,586</b>	<b>891</b>	<b>8,477</b>	<b>32</b>	<b>1</b>	<b>33</b>	<b>17,773</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 C.6: Australian Public Service Act ongoing employees, 2021–22**

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total	Full-time	Part-time	Total	Full-time	Part-time	Total	
Secretary	1	–	1	–	–	–	–	–	–	1
SES 3	3	–	3	3	–	3	–	–	–	6
SES 2	27	–	27	17	–	17	–	–	–	44
SES 1	47	1	48	67	1	68	–	–	–	116
EL 2	1,189	18	1,207	581	33	614	1	–	1	1,822
EL 1	2,159	42	2,201	1,447	163	1,610	3	1	4	3,815
APS 6	2,635	59	2,694	1,922	278	2,200	2	–	2	4,896
APS 5	1,298	31	1,329	1,227	135	1,362	9	–	9	2,700
APS 4	494	7	501	809	102	911	4	–	4	1,416
APS 3	376	9	385	541	109	650	1	–	1	1,036
APS 2	320	7	327	234	33	267	1	–	1	595
APS 1	113	9	122	54	9	63	–	–	–	185
Other	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>8,662</b>	<b>183</b>	<b>8,845</b>	<b>6,902</b>	<b>863</b>	<b>7,765</b>	<b>21</b>	<b>1</b>	<b>22</b>	<b>16,632</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 2021–22* to account for retrospective transactions.

**Table C.7: Australian Public Service Act non-ongoing employees, 2022–23**

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total	Full-time	Part-time	Total	Full-time	Part-time	Total	
Secretary	-	-	-	-	-	-	-	-	-	-
SES 3	-	-	-	1	-	1	-	-	-	1
SES 2	1	-	1	-	-	-	-	-	-	1
SES 1	2	-	2	-	-	-	-	-	-	2
EL 2	6	8	14	11	1	12	-	-	-	26
EL 1	17	3	20	20	7	27	-	-	-	47
APS 6	25	2	27	24	17	41	-	-	-	68
APS 5	17	3	20	17	5	22	-	-	-	42
APS 4	16	2	18	33	3	36	-	-	-	54
APS 3	3	1	4	11	2	13	-	-	-	17
APS 2	39	16	55	12	6	18	-	-	-	73
APS 1	15	-	15	7	-	7	-	-	-	22
Other	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>141</b>	<b>35</b>	<b>176</b>	<b>136</b>	<b>41</b>	<b>177</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>353</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 C.8: Australian Public Service Act non-ongoing employees, 2021–22**

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total	Full-time	Part-time	Total	Full-time	Part-time	Total	
Secretary	-	-	-	-	-	-	-	-	-	-
SES 3	2	-	2	-	-	-	-	-	-	2
SES 2	1	-	1	-	-	-	-	-	-	1
SES 1	1	-	1	-	-	-	-	-	-	1
EL 2	7	8	15	5	2	7	-	-	-	22
EL 1	9	9	18	16	3	19	-	-	-	37
APS 6	12	-	12	13	8	21	-	1	1	34
APS 5	15	4	19	27	4	31	1	-	1	51
APS 4	12	1	13	28	4	32	1	-	1	46
APS 3	7	3	10	16	1	17	-	-	-	27
APS 2	23	4	27	8	5	13	-	-	-	40
APS 1	13	-	13	8	-	8	-	-	-	21
Other	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>102</b>	<b>29</b>	<b>131</b>	<b>121</b>	<b>27</b>	<b>148</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>282</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 2021–22* to account for retrospective transactions.

**Table C.9: Australian Public Service Act employees by full-time and part-time status, 2022–23**

	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	1	–	1	9
SES 2	38	–	38	1	–	1	39
SES 1	118	1	119	2	–	2	121
EL 2	1,930	60	1,990	17	9	26	2,016
EL 1	3,933	218	4,151	37	10	47	4,198
APS 6	4,950	370	5,320	49	19	68	5,388
APS 5	2,625	167	2,792	34	8	42	2,834
APS 4	1,486	120	1,606	49	5	54	1,660
APS 3	788	100	888	14	3	17	905
APS 2	571	40	611	51	22	73	684
APS 1	233	16	249	22	–	22	271
Other	–	–	–	–	–	–	–
<b>Total</b>	<b>16,681</b>	<b>1,092</b>	<b>17,773</b>	<b>277</b>	<b>76</b>	<b>353</b>	<b>18,126</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 C.10: Australian Public Service Act employees by full-time and part-time status, 2021–22**

	Ongoing			Non-ongoing			Total
	Full-time	Part-time	Total ongoing	Full-time	Part-time	Total non-ongoing	
Secretary	1	–	1	–	–	–	1
SES 3	6	–	6	2	–	2	8
SES 2	44	–	44	1	–	1	45
SES 1	114	2	116	1	–	1	117
EL 2	1,771	51	1,822	12	10	22	1,844
EL 1	3,609	206	3,815	25	12	37	3,852
APS 6	4,559	337	4,896	25	9	34	4,930
APS 5	2,534	166	2,700	43	8	51	2,751
APS 4	1,307	109	1,416	41	5	46	1,462
APS 3	918	118	1,036	23	4	27	1,063
APS 2	555	40	595	31	9	40	635
APS 1	167	18	185	21	–	21	206
Other	–	–	–	–	–	–	–
<b>Total</b>	<b>15,585</b>	<b>1,047</b>	<b>16,632</b>	<b>225</b>	<b>57</b>	<b>282</b>	<b>16,914</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 2021–22* to account for retrospective transactions.

**Table C.11: Permanent Australian Defence Force members by location, 2022–23**

	Male			Female			Indeterminate			Total						
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF				
NSW	5,163	4,420	3,296	12,879	1,389	711	1,074	3,174	3	1	-	4	6,555	5,132	4,370	16,057
QLD	510	9,313	2,455	12,278	225	1,701	1,014	2,940	-	1	3	4	735	11,015	3,472	15,222
SA	90	1,533	1,450	3,073	20	234	440	694	-	-	1	1	110	1,767	1,891	3,768
TAS	5	40	9	54	4	9	5	18	-	-	-	-	9	49	14	72
VIC <sup>1</sup>	1,034	2,512	906	4,452	400	418	244	1,062	1	-	-	1	1,435	2,930	1,150	5,515
WA	2,232	775	223	3,230	627	95	83	805	2	1	-	3	2,861	871	306	4,038
ACT <sup>2</sup>	1,469	2,460	1,632	5,561	675	613	773	2,061	1	2	1	4	2,145	3,075	2,406	7,626
NT	499	2,153	690	3,342	160	422	256	838	-	1	-	1	659	2,576	946	4,181
Overseas <sup>3</sup>	203	284	263	750	33	25	59	117	-	-	-	-	236	309	322	867
<b>Total</b>	<b>11,205</b>	<b>23,490</b>	<b>10,924</b>	<b>45,619</b>	<b>3,533</b>	<b>4,228</b>	<b>3,948</b>	<b>11,709</b>	<b>7</b>	<b>6</b>	<b>5</b>	<b>18</b>	<b>14,745</b>	<b>27,724</b>	<b>14,877</b>	<b>57,346</b>

**Notes:**

Figures are for permanent members (Service Categories 6 and 7) and do not include Reserves, (Service Categories 2, 3, 4 and 5), 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 (New South Wales).
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (New South Wales) and Bungendore (New South Wales).
3. Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.

**Table C.12: Permanent Australian Defence Force members by location, 2021–22**

	Male			Female			Indeterminate			Total		
	Navy	Army	Air Force	Navy	Army	Air Force	Navy	Army	Air Force	Navy	Army	Air Force
NSW	5,213	4,527	3,272	1,389	717	1,058	5	1	–	6,607	5,245	4,330
QLD	557	9,691	2,473	232	1,754	960	–	–	2	789	11,445	3,435
SA	148	1,638	1,549	24	213	456	–	–	1	172	1,851	2,006
TAS	13	42	9	3	9	4	–	–	–	16	51	13
VIC <sup>1</sup>	1,159	2,569	861	414	461	268	–	–	1	1,573	3,030	1,130
WA	2,249	789	231	613	110	80	1	1	–	2,863	900	311
ACT <sup>2</sup>	1,389	2,372	1,591	647	586	774	2	1	1	2,038	2,959	2,366
NT	508	2,229	711	168	416	232	–	2	–	676	2,647	943
Overseas <sup>3</sup>	201	244	265	23	23	54	–	–	–	224	267	319
<b>Total</b>	<b>11,437</b>	<b>24,101</b>	<b>10,962</b>	<b>3,513</b>	<b>4,289</b>	<b>3,886</b>	<b>8</b>	<b>5</b>	<b>5</b>	<b>14,958</b>	<b>28,395</b>	<b>14,853</b>
												<b>58,206</b>

**Notes:**

Figures are for permanent members (Service Categories 6 and 7) and do not include Reserves, (Service Categories 2, 3, 4 and 5), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G). Some 30 June 2021 figures have been adjusted from what was reported in the *Defence Annual Report 2021–22* to account for retrospective transactions. Figures in this table are based on substantive location for the ADF.

- Victorian figures include individuals located in Albury (New South Wales).
- Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (New South Wales) and Bungendore (New South Wales).
- Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.

**Table C.13: Reserve members by location, 2022–23**

	Male			Female			Indeterminate			Total						
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF				
NSW	1,116	4,922	1,465	7,503	310	814	389	1,513	-	-	-	-	1,426	5,736	1,854	9,016
QLD	462	4,622	1,232	6,316	128	1,003	374	1,505	-	-	-	-	590	5,625	1,606	7,821
SA	96	1,234	676	2,006	35	252	175	462	-	-	-	-	131	1,486	851	2,468
TAS	58	398	34	490	13	78	15	106	-	-	-	-	71	476	49	596
VIC <sup>1</sup>	268	3,018	365	3,651	101	503	91	695	-	1	-	1	369	3,522	456	4,347
WA	415	1,744	227	2,386	98	375	59	532	-	-	-	-	513	2,119	286	2,918
ACT <sup>2</sup>	1,027	1,084	883	2,994	366	248	303	917	1	-	-	1	1,394	1,332	1,186	3,912
NT	82	608	88	778	21	135	24	180	-	-	-	-	103	743	112	958
Overseas <sup>3</sup>	9	3	-	12	1	-	-	1	-	-	-	-	10	3	-	13
<b>Total</b>	<b>3,533</b>	<b>17,633</b>	<b>4,970</b>	<b>26,136</b>	<b>1,073</b>	<b>3,408</b>	<b>1,430</b>	<b>5,911</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>2</b>	<b>4,607</b>	<b>21,042</b>	<b>6,400</b>	<b>32,049</b>

**Note:**

Figures in this table are headcount. Reserves include all members who render Reserve service in Service Categories 3, 4 and 5, 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 (New South Wales).
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (New South Wales) and Bungendore (New South Wales).
3. Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.

**Table C.14: Reserve members by location, 2021–22**

	Male			Female			Indeterminate			Total						
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF				
NSW	1,075	4,902	1,371	7,348	287	811	368	1,466	-	-	-	-	1,362	5,713	1,739	8,814
QLD	410	4,507	1,175	6,092	115	958	370	1,443	-	-	-	-	525	5,465	1,545	7,535
SA	76	1,253	622	1,951	26	267	163	456	-	-	-	-	102	1,520	785	2,407
TAS	58	426	32	516	14	81	14	109	-	-	-	-	72	507	46	625
VIC <sup>1</sup>	250	3,029	339	3,618	90	481	86	657	-	1	-	1	340	3,511	425	4,276
WA	333	1,752	184	2,269	74	348	51	473	-	-	-	-	407	2,100	235	2,742
ACT <sup>2</sup>	992	995	840	2,827	337	227	264	828	-	-	-	-	1,329	1,222	1,104	3,655
NT	79	586	86	751	21	122	25	168	-	-	-	-	100	708	111	919
Overseas <sup>3</sup>	4	4	-	8	-	-	-	-	-	-	-	-	4	4	-	8
<b>Total</b>	<b>3,277</b>	<b>17,454</b>	<b>4,649</b>	<b>25,380</b>	<b>964</b>	<b>3,295</b>	<b>1,341</b>	<b>5,600</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>4,241</b>	<b>20,750</b>	<b>5,990</b>	<b>30,981</b>

**Note:**

Figures in this table are headcount. Reserves include all members who render Reserve service in Service Categories 3, 4 and 5, and Reserves undertaking continuous full-time service (Service Option C). Some 30 June 2021 figures have been adjusted from what was reported in the *Defence Annual Report 2021–22* 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.

- Victorian figures include individuals located in Albury (New South Wales).
- Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (New South Wales) and Bungendore (New South Wales).
- Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.

**Table C.15: Australian Defence Force permanent members, 2022–23**

Officer	Male			Female			Indeterminate			Total			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	
General (E)	-	1	-	1	-	-	-	-	-	-	1	-	1
Lieutenant General (E)	3	4	3	10	-	1	-	-	-	3	5	3	11
Major General (E)	11	18	11	40	4	4	3	11	-	15	22	14	51
Brigadier (E)	42	50	38	130	8	8	12	28	-	50	58	50	158
Colonel (E)	153	160	153	466	34	32	31	97	-	187	192	184	563
Lieutenant Colonel (E)	425	628	410	1,463	104	113	125	342	-	529	741	535	1,805
Major (E)	638	1,523	882	3,043	209	257	253	719	-	847	1,780	1,135	3,762
Captain (E)	1,020	1,427	1,463	3,910	329	379	483	1,191	2	1	-	3	1,351
Lieutenant (E)	391	881	552	1,824	165	271	287	723	1	1	1	3	557
2nd Lieutenant (E)	96	-	371	467	23	-	121	144	-	119	-	-	492
Officer Cadet (E)	368	542	329	1,239	153	120	134	407	1	2	2	5	522
<b>Officer total</b>	<b>3,147</b>	<b>5,234</b>	<b>4,212</b>	<b>12,593</b>	<b>1,029</b>	<b>1,185</b>	<b>1,449</b>	<b>3,663</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>11</b>	<b>4,180</b>
<b>Other ranks</b>													
Regimental Sergeant Major (E)	1	-	1	2	-	1	-	1	-	-	-	-	1
Warrant Officer Class 1 (E)	249	655	434	1,338	34	70	76	180	-	283	725	510	1,518
Warrant Officer Class 2 (E)	861	1,599	651	3,111	143	186	125	454	-	1,004	1,785	776	3,565
Staff Sergeant (E)	-	-	-	-	-	-	-	-	-	-	-	-	-
Sergeant (E)	1,200	1,860	1,123	4,183	276	285	244	805	-	1,476	2,146	1,367	4,989
Corporal (E)	1,858	3,522	1,543	6,923	661	710	533	1,904	2	2,521	4,233	2,076	8,830
Lance Corporal (E)	-	1,232	-	1,232	-	213	-	213	-	-	-	-	1,445
Private Proficient (E)	2,684	5,844	1,788	10,316	965	983	1,051	2,999	-	3,649	6,827	2,840	13,316
Private (E)	583	1,529	482	2,594	216	303	248	767	1	800	1,832	731	3,363
Private Trainee (E)	527	1,513	558	2,598	188	205	157	550	-	715	1,718	715	3,148
Recruit (E)	95	502	132	729	21	87	65	173	-	116	589	197	902
<b>Other ranks total</b>	<b>8,058</b>	<b>18,256</b>	<b>6,712</b>	<b>33,026</b>	<b>2,504</b>	<b>3,043</b>	<b>2,499</b>	<b>8,046</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>7</b>	<b>10,565</b>
<b>Total ADF</b>	<b>11,205</b>	<b>23,490</b>	<b>10,924</b>	<b>45,619</b>	<b>3,533</b>	<b>4,228</b>	<b>3,948</b>	<b>11,709</b>	<b>7</b>	<b>6</b>	<b>5</b>	<b>18</b>	<b>14,745</b>

**Note:** Figures in this table are headcount for permanent members (Service Categories 6 and 7) and do not include Reserves (Service Categories 2, 3, 4 and 5), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).

**Table C.16: Australian Defence Force permanent members, 2021–22**

	Male			Female			Indeterminate			Total		
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
<b>Officer</b>												
General (E)	-	1	-	1	-	-	-	-	-	-	-	1
Lieutenant General (E)	3	4	1	8	-	-	-	-	-	3	4	1
Major General (E)	9	19	12	40	3	4	2	9	-	12	23	14
Brigadier (E)	39	52	33	124	4	6	13	23	-	43	58	147
Colonel (E)	155	160	147	462	33	33	28	94	-	188	193	175
Lieutenant Colonel (E)	415	627	414	1,456	107	108	122	337	1	523	735	536
Major (E)	678	1,555	882	3,115	213	274	267	754	-	891	1,829	1,149
Captain (E)	957	1,482	1,520	3,959	306	334	467	1,107	2	1,265	1,817	1,987
Lieutenant (E)	357	854	522	1,733	125	290	259	674	1	483	1,145	782
2nd Lieutenant (E)	92	1	356	449	28	-	126	154	-	120	1	482
Officer Cadet (E)	398	503	298	1,199	170	121	138	429	1	569	625	438
<b>Officer total</b>	<b>3,103</b>	<b>5,258</b>	<b>4,185</b>	<b>12,546</b>	<b>989</b>	<b>1,170</b>	<b>1,422</b>	<b>3,581</b>	<b>5</b>	<b>4,097</b>	<b>6,431</b>	<b>5,610</b>
<b>Other ranks</b>												
Regimental Sergeant Major (E)	-	1	-	1	1	-	1	2	-	-	1	1
Warrant Officer Class 1 (E)	233	646	447	1,326	31	67	76	174	-	264	713	523
Warrant Officer Class 2 (E)	893	1,675	663	3,231	126	182	129	437	-	1,019	1,857	792
Staff Sergeant (E)	-	-	-	-	-	-	-	-	-	-	-	-
Sergeant (E)	1,251	1,988	1,192	4,431	286	271	253	810	-	1,537	2,260	1,445
Corporal (E)	1,939	3,416	1,650	7,005	624	667	476	1,767	1	2,564	4,084	2,126
Lance Corporal (E)	-	1,219	-	1,219	-	197	-	197	-	-	1,416	-
Private Proficient (E)	2,662	6,428	1,760	10,850	982	1,095	1,019	3,096	1	3,645	7,523	2,779
Private (E)	641	1,525	455	2,621	245	305	246	796	-	886	1,830	702
Private Trainee (E)	587	1,320	479	2,386	189	229	211	629	1	777	1,549	691
Recruit (E)	128	625	131	884	40	106	53	199	-	168	731	184
<b>Other ranks total</b>	<b>8,334</b>	<b>18,843</b>	<b>6,777</b>	<b>33,954</b>	<b>2,524</b>	<b>3,119</b>	<b>2,464</b>	<b>8,107</b>	<b>3</b>	<b>10,861</b>	<b>21,964</b>	<b>9,243</b>
<b>Total ADF</b>	<b>11,437</b>	<b>24,101</b>	<b>10,962</b>	<b>46,500</b>	<b>3,513</b>	<b>4,289</b>	<b>3,886</b>	<b>11,688</b>	<b>8</b>	<b>14,958</b>	<b>28,395</b>	<b>14,853</b>

**Note:** Figures in this table are headcount for permanent members (Service Categories 6 and 7) and do not include Reserves (Service Categories 2, 3, 4 and 5). Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G). Some 30 June 2021 figures have been adjusted from what was reported in the *Defence Annual Report 2021–22* to account for retrospective transactions.

**Table C.17: Australian Defence Force Reserve members, 2022–23**

Officer	Male			Female			Indeterminate			Total		
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
General (E)	-	-	1	1	-	-	-	-	-	-	-	1
Lieutenant General (E)	4	2	4	10	-	-	-	-	4	2	4	10
Major General (E)	22	27	24	73	2	3	2	40	-	24	30	80
Brigadier (E)	58	91	63	212	6	10	10	130	-	64	101	238
Colonel (E)	137	269	157	563	18	31	25	466	-	155	300	637
Lieutenant Colonel (E)	337	573	369	1,279	61	94	78	1,463	1	399	667	1,513
Major (E)	452	1,310	741	2,503	109	237	186	3,043	-	561	1,547	927
Captain (E)	450	1,264	664	2,378	185	309	267	3,910	-	635	1,573	931
Lieutenant (E)	9	534	36	579	8	207	28	1,824	-	17	741	64
2nd Lieutenant (E)	1	-	-	1	-	1	-	467	-	1	1	-
Officer Cadet (E)	-	339	-	339	2	69	-	1,239	-	2	408	-
<b>Officer total</b>	<b>1,470</b>	<b>4,409</b>	<b>2,059</b>	<b>7,938</b>	<b>391</b>	<b>961</b>	<b>596</b>	<b>12,593</b>	<b>1</b>	<b>1,862</b>	<b>5,370</b>	<b>2,655</b>
<b>Other ranks</b>												
Regimental Sergeant Major (E)	-	2	-	2	-	-	-	-	-	-	2	-
Warrant Officer Class 1 (E)	131	465	379	975	9	70	50	129	-	140	535	429
Warrant Officer Class 2 (E)	359	704	265	1,328	69	92	71	232	-	428	796	336
Staff Sergeant (E)	-	7	-	7	-	1	-	1	-	-	8	-
Sergeant (E)	388	1,059	463	1,910	134	194	152	480	-	522	1,253	615
Corporal (E)	646	2,309	849	3,804	235	434	214	883	-	881	2,743	1,063
Lance Corporal (E)	-	1,070	-	1,070	-	134	-	134	-	-	1,204	-
Private Proficient (E)	518	4,981	823	6,322	202	944	282	1,428	-	720	5,925	1,105
Private (E)	19	1,138	116	1,273	30	268	51	349	-	49	1,407	167
Private Trainee (E)	1	835	5	841	3	173	2	178	-	4	1,008	7
Recruit (E)	1	654	11	666	-	137	12	149	-	1	791	23
<b>Other ranks total</b>	<b>2,063</b>	<b>13,224</b>	<b>2,911</b>	<b>18,198</b>	<b>682</b>	<b>2,447</b>	<b>834</b>	<b>3,963</b>	<b>-</b>	<b>2,745</b>	<b>15,672</b>	<b>3,745</b>
<b>Total ADF</b>	<b>3,533</b>	<b>17,633</b>	<b>4,970</b>	<b>26,136</b>	<b>1,073</b>	<b>3,408</b>	<b>1,430</b>	<b>16,556</b>	<b>1</b>	<b>4,607</b>	<b>21,042</b>	<b>6,400</b>

**Note:** Figures in this table are headcount. Reserves include all members who render Reserve service in Service Categories 3, 4 and 5 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 C.18: Australian Defence Force Reserve members, 2021–22**

Officer	Male			Female			Indeterminate			Total		
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
General (E)	-	-	1	1	-	-	-	-	-	-	-	1
Lieutenant General (E)	4	1	3	8	-	-	-	-	4	1	3	8
Major General (E)	23	23	23	69	2	2	2	6	25	25	25	75
Brigadier (E)	59	82	65	206	6	10	8	24	65	92	73	230
Colonel (E)	126	263	157	546	16	31	24	71	142	294	181	617
Lieutenant Colonel (E)	311	559	331	1,201	49	83	67	199	360	642	398	1,400
Major (E)	435	1,252	720	2,407	104	229	173	506	539	1,481	893	2,913
Captain (E)	428	1,166	625	2,219	159	275	258	692	587	1,441	883	2,911
Lieutenant (E)	12	515	30	557	5	211	27	243	17	726	57	800
2nd Lieutenant (E)	1	2	-	3	-	1	-	1	1	3	-	4
Officer Cadet (E)	-	407	-	407	2	78	-	80	-	485	-	487
<b>Officer total</b>	<b>1,399</b>	<b>4,270</b>	<b>1,955</b>	<b>7,624</b>	<b>343</b>	<b>920</b>	<b>559</b>	<b>1,822</b>	<b>-</b>	<b>1,742</b>	<b>5,190</b>	<b>9,446</b>
<b>Other ranks</b>												
Regimental Sergeant Major (E)	-	2	-	2	-	-	-	-	-	2	-	2
Warrant Officer Class 1 (E)	113	466	371	950	8	71	43	122	121	537	414	1,072
Warrant Officer Class 2 (E)	352	670	246	1,268	66	86	56	208	418	756	302	1,476
Staff Sergeant (E)	-	9	-	9	-	1	-	1	-	10	-	10
Sergeant (E)	339	1,050	421	1,810	127	198	142	467	466	1,248	563	2,277
Corporal (E)	589	2,216	762	3,567	216	411	225	852	805	2,627	987	4,419
Lance Corporal (E)	-	1,065	-	1,065	-	131	-	131	-	1,196	-	1,196
Private Proficient (E)	475	5,188	746	6,409	182	934	248	1,364	657	6,122	994	7,773
Private (E)	9	1,144	100	1,253	21	252	46	319	30	1,396	146	1,572
Private Trainee (E)	1	712	22	735	1	171	8	180	2	883	30	915
Recruit (E)	-	662	26	688	-	120	14	134	-	783	40	823
<b>Other ranks total</b>	<b>1,878</b>	<b>13,184</b>	<b>2,694</b>	<b>17,756</b>	<b>621</b>	<b>2,375</b>	<b>782</b>	<b>3,778</b>	<b>-</b>	<b>2,499</b>	<b>15,560</b>	<b>21,535</b>
<b>Total ADF</b>	<b>3,277</b>	<b>17,454</b>	<b>4,649</b>	<b>25,380</b>	<b>964</b>	<b>3,295</b>	<b>1,341</b>	<b>5,600</b>	<b>-</b>	<b>4,241</b>	<b>20,750</b>	<b>30,981</b>

**Note:** Figures in this table are headcount. Reserves include all members who render Reserve service in Service Categories 3, 4 and 5 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 2021 figures have been adjusted from what was reported in the *Defence Annual Report 2021–22* to account for retrospective transactions.

**Table C.19: Australian Defence Force permanent and Reserve members, 2022–23**

	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	5	3	11	4	2	4	10
Major General (E)	15	22	14	51	24	30	26	80
Brigadier (E)	50	58	50	158	64	101	73	238
Colonel (E)	187	192	184	563	155	300	182	637
Lieutenant Colonel (E)	529	741	535	1,805	399	667	447	1,513
Major (E)	847	1,780	1,135	3,762	561	1,547	927	3,035
Captain (E)	1,351	1,807	1,946	5,104	635	1,573	931	3,139
Lieutenant (E)	557	1,153	840	2,550	17	741	64	822
2nd Lieutenant (E)	119	–	492	611	1	1	–	2
Officer Cadet (E)	522	664	465	1,651	2	408	–	410
<b>Officer total</b>	<b>4,180</b>	<b>6,423</b>	<b>5,664</b>	<b>16,267</b>	<b>1,862</b>	<b>5,370</b>	<b>2,655</b>	<b>9,887</b>
<b>Other ranks</b>								
Regimental Sergeant Major (E)	1	1	1	3	–	2	–	2
Warrant Officer Class 1 (E)	283	725	510	1,518	140	535	429	1,104
Warrant Officer Class 2 (E)	1,004	1,785	776	3,565	428	796	336	1,560
Staff Sergeant (E)	–	–	–	–	–	8	–	8
Sergeant (E)	1,476	2,146	1,367	4,989	522	1,253	615	2,390
Corporal (E)	2,521	4,233	2,076	8,830	881	2,743	1,063	4,687
Lance Corporal (E)	–	1,445	–	1,445	–	1,204	–	1,204
Private Proficient (E)	3,649	6,827	2,840	13,316	720	5,925	1,105	7,750
Private(E)	800	1,832	731	3,363	49	1,407	167	1,623
Private Trainee (E)	715	1,718	715	3,148	4	1,008	7	1,019
Recruit (E)	116	589	197	902	1	791	23	815
<b>Other ranks total</b>	<b>10,565</b>	<b>21,301</b>	<b>9,213</b>	<b>41,079</b>	<b>2,745</b>	<b>15,672</b>	<b>3,745</b>	<b>22,162</b>
<b>Total ADF</b>	<b>14,745</b>	<b>27,724</b>	<b>14,877</b>	<b>57,346</b>	<b>4,607</b>	<b>21,042</b>	<b>6,400</b>	<b>32,049</b>

**Notes:**

1. Figures are for permanent members (Service Categories 6 and 7) and do not include Reserves (Service Categories 2, 3, 4 and 5), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
2. Reserves include all members rendering service in Service Categories 3, 4 and 5 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 C.20: Australian Defence Force permanent and Reserve members, 2021–22**

	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	4	1	8	4	1	3	8
Major General (E)	12	23	14	49	25	25	25	75
Brigadier (E)	43	58	46	147	65	92	73	230
Colonel (E)	188	193	175	556	142	294	181	617
Lieutenant Colonel (E)	523	735	536	1,794	360	642	398	1,400
Major (E)	891	1,829	1,149	3,869	539	1,481	893	2,913
Captain (E)	1,265	1,817	1,987	5,069	587	1,441	883	2,911
Lieutenant (E)	483	1,145	782	2,410	17	726	57	800
2nd Lieutenant (E)	120	1	482	603	1	3	–	4
Officer Cadet (E)	569	625	438	1,632	2	485	–	487
<b>Officer total</b>	<b>4,097</b>	<b>6,431</b>	<b>5,610</b>	<b>16,138</b>	<b>1,742</b>	<b>5,190</b>	<b>2,514</b>	<b>9,446</b>
<b>Other ranks</b>								
Regimental Sergeant Major (E)	1	1	1	3	–	2	–	2
Warrant Officer Class 1 (E)	264	713	523	1,500	121	537	414	1,072
Warrant Officer Class 2 (E)	1,019	1,857	792	3,668	418	756	302	1,476
Staff Sergeant (E)	–	–	–	–	–	10	–	10
Sergeant (E)	1,537	2,260	1,445	5,242	466	1,248	563	2,277
Corporal (E)	2,564	4,084	2,126	8,774	805	2,627	987	4,419
Lance Corporal (E)	–	1,416	–	1,416	–	1,196	–	1,196
Private Proficient (E)	3,645	7,523	2,779	13,947	657	6,122	994	7,773
Private (E)	886	1,830	702	3,418	30	1,396	146	1,572
Private Trainee (E)	777	1,549	691	3,017	2	883	30	915
Recruit (E)	168	731	184	1,083	–	783	40	823
<b>Other ranks total</b>	<b>10,861</b>	<b>21,964</b>	<b>9,243</b>	<b>42,068</b>	<b>2,499</b>	<b>15,560</b>	<b>3,476</b>	<b>21,535</b>
<b>Total ADF</b>	<b>14,958</b>	<b>28,395</b>	<b>14,853</b>	<b>58,206</b>	<b>4,241</b>	<b>20,750</b>	<b>5,990</b>	<b>30,981</b>

**Notes:**

Some 30 June 2022 figures have been adjusted from what was reported in the *Defence Annual Report 2021–22* to account for retrospective transactions.

1. Figures are for permanent members (Service Categories 6 and 7) and do not include Reserves (Service Categories 3, 4, 5 and 2), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
2. Reserves include all members rendering service in Service Categories 3, 4 and 5 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 C.21: Australian Public Service Act employment type by location, 2022–23**

	Ongoing	Non-ongoing	Total
NSW	2,318	15	2,333
QLD	1,240	13	1,253
SA	2,076	36	2,112
TAS	90	1	91
VIC <sup>1</sup>	3,274	106	3,380
WA	521	6	527
ACT <sup>2</sup>	7,910	171	8,081
NT	214	5	219
External Territories	–	–	–
Overseas	130	–	130
<b>Total</b>	<b>17,773</b>	<b>353</b>	<b>18,126</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 (New South Wales).
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (New South Wales) and Bungendore (New South Wales).

**Table C.22: Australian Public Service Act employment type by location, 2021–22**

	Ongoing	Non-ongoing	Total
NSW	2,241	13	2,254
QLD	1,160	18	1,178
SA	1,967	35	2,002
TAS	65	–	65
VIC <sup>1</sup>	3,069	71	3,140
WA	475	10	485
ACT <sup>2</sup>	7,328	131	7,459
NT	201	4	205
External Territories	–	–	–
Overseas	126	–	126
<b>Total</b>	<b>16,632</b>	<b>282</b>	<b>16,914</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 (New South Wales).
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (New South Wales) and Bungendore (New South Wales).

**Table C.23: Australian Defence Force permanent and Reserve members by location, 2022–23**

	Permanent <sup>1</sup>	Reserve <sup>2</sup>	Total
NSW	16,057	9,016	25,073
QLD	15,222	7,821	23,043
SA	3,768	2,468	6,236
TAS	72	596	668
VIC <sup>3</sup>	5,515	4,347	9,862
WA	4,038	2,918	6,956
ACT <sup>4</sup>	7,626	3,912	11,538
NT	4,181	958	5,139
Overseas <sup>5</sup>	867	13	880
<b>Total</b>	<b>57,346</b>	<b>32,049</b>	<b>89,395</b>

**Notes:**

Figures in this table show headcount, based on substantive location.

1. Figures are for permanent members (Service Categories 6 and 7) and do not include Reserves (Service Categories 2, 3, 4 and 5), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
2. Reserves include all members rendering service in Service Categories 3, 4 and 5 and Reserves undertaking continuous full-time service (Service Option C). This does not include members in Service Category 2, who do not render service.
3. Victorian figures include individuals located in Albury (New South Wales).
4. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (New South Wales) and Bungendore (New South Wales).
5. Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.

**Table C.24: Australian Defence Force permanent and Reserve members by location, 2021–22**

	Permanent <sup>1</sup>	Reserve <sup>2</sup>	Total
NSW	16,182	8,814	24,996
QLD	15,669	7,535	23,204
SA	4,029	2,407	6,436
TAS	80	625	705
VIC <sup>3</sup>	5,733	4,276	10,009
WA	4,074	2,742	6,816
ACT <sup>4</sup>	7,363	3,655	11,018
NT	4,266	919	5,185
Overseas <sup>5</sup>	810	8	818
<b>Total</b>	<b>58,206</b>	<b>30,981</b>	<b>89,187</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 2021–22* to account for retrospective transactions.

1. Figures are for permanent members (Service Categories 6 and 7) and do not include Reserves (Service Categories 3, 4 and 5), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
2. Reserves include all members rendering service in Service Categories 3, 4 and 5 and Reserves undertaking continuous full-time service (Service Option C). This does not include members in Service Category 2, who do not render service.
3. Victorian figures include individuals located in Albury (New South Wales).
4. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (New South Wales) and Bungendore (New South Wales).
5. Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.

**Table C.25: Australian Public Service Act Indigenous employment, 2022–23**

	Total
Ongoing	372
Non-ongoing	4
<b>Total</b>	<b>376</b>

**Notes:**

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 C.26: Australian Public Service Act Indigenous employment, 2021–22**

	Total
Ongoing	374
Non-ongoing	1
<b>Total</b>	<b>375</b>

**Notes:**

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 2021–22* to account for retrospective transactions.

**Table C.27: Australian Defence Force Indigenous members, 2022–23**

	Navy	Army	Air Force	ADF
Permanent <sup>1</sup>	556	1,084	463	2,103
Reserves <sup>2</sup>	92	809	102	1,003
<b>Total</b>	<b>648</b>	<b>1,893</b>	<b>565</b>	<b>3,106</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 6 and 7) and do not include Reserves (Service Categories 3, 4 and 5), 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 3, 4 and 5 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 C.28: Australian Defence Force Indigenous members, 2021–22**

	Navy	Army	Air Force	ADF
Permanent <sup>1</sup>	554	1,063	449	2,066
Reserves <sup>2</sup>	76	757	89	922
<b>Total</b>	<b>630</b>	<b>1,820</b>	<b>538</b>	<b>2,988</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 2021–22* to account for retrospective transactions.

- Figures are for permanent members (Service Categories 6 and 7) and do not include Reserves (Service Categories 3, 4 and 5), 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 3, 4 and 5 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 C.29: Key management personnel remuneration, 2022–23**

Name	Position <sup>1</sup>	Base salary (\$)	Bonuses (\$)	Other benefits and allowances <sup>2</sup> (\$)	Post-employment benefits Superannuation contributions (\$)	Long service leave (\$)	Other long-term benefits term benefits (\$)	Termination benefits (\$)	Total remuneration (\$)
Mr Greg Moriarty	Secretary of Defence	872,682	–	–	111,493	22,299	–	–	1,006,474
General Angus Campbell AO DSC, Australian Army	Chief of the Defence Force	808,044	–	13,780	224,320	16,558	–	–	1,062,702
Vice Admiral David Johnston AC, Royal Australian Navy	Vice Chief of the Defence Force	573,059	–	840	157,417	11,729	–	–	743,045
Mr Matt Yannopoulos PSM	Associate Secretary	535,876	–	–	81,815	12,199	–	–	629,890
Vice Admiral Mark Hammond AO, Royal Australian Navy	Chief of Navy	529,763	–	1,353	124,330	10,284	–	–	665,730
Vice Admiral Michael Noonan AO, Royal Australian Navy	Chief of Navy	9,298	–	747	2,470	–	–	–	12,515
Lieutenant General Simon Stuart AO DSC, Australian Army	Chief of Army	549,659	–	10,491	149,443	11,092	–	–	720,685
Lieutenant General Rick Burr AO DSC, Australian Army	Chief of Army	3,098	–	146	823	–	–	–	4,067
Air Marshal Robert Chipman AM CSC, Royal Australian Air Force	Chief of Air Force	545,815	–	27,425	125,369	11,720	–	–	710,329
Air Marshal Mel Hupfeld AO DSC, Royal Australian Air Force	Chief of Air Force	4,648	–	274	1,039	–	–	–	5,961
Ms Kathryn Campbell	Senior Advisor AUKUS	698,644	–	–	115,027	22,299	–	–	835,970
Lieutenant General Gregory Bilton AO CSC, Australian Army	Chief Joint Operations	502,261	–	69,767	153,718	11,349	–	–	737,095
Vice Admiral Jonathan Mead AO, Royal Australian Navy	Chief of Nuclear Powered Submarine Task Force	526,670	–	38,036	129,312	13,804	–	–	707,822
Lieutenant General Gavan Reynolds AO, Australian Army	Chief of Defence Intelligence	444,345	–	8,038	153,718	11,349	–	–	617,450

(Table C.29 continued)

Name	Position <sup>1</sup>	Short-term benefits		Post-employment benefits		Other long-term benefits		Termination benefits	Total remuneration
		Base salary (\$)	Bonuses (\$)	Other benefits and allowances <sup>2</sup> (\$)	Superannuation contributions (\$)	Long service leave (\$)	Other long-term benefits (\$)	(\$)	(\$)
Lieutenant General John Frewen AO DSC, Australian Army	Chief of Joint Capabilities	431,528	-	15,740	153,718	11,349	-	-	612,335
Mr Chris Deeble AO CSC	Deputy Secretary Capability Acquisition and Sustainment	546,549	-	-	24,010	6,953	-	-	577,512
Mr Steven Groves	Chief Finance Officer	439,368	-	13,179	71,371	12,181	-	-	536,099
Professor Tanya Monro	Chief Defence Scientist	468,647	-	-	44,238	8,546	-	-	521,431
Ms Justine Greig	Deputy Secretary Defence People	389,407	-	13,618	66,924	11,057	-	-	481,006
Ms Celia Perkins	Deputy Secretary Security and Estate	386,421	-	13,618	64,009	10,441	-	-	474,489
Mr Tony Dalton	Deputy Secretary Naval Shipbuilding and Sustainment	396,851	-	28,087	19,730	7,159	-	-	451,827
Mr Hugh Jeffrey	Deputy Secretary Strategy, Policy and Industry	287,036	-	9,424	40,381	7,530	-	-	344,371
Mr Stephen Pearson	Chief Information Officer	274,431	-	41,229	13,385	5,635	-	-	334,680
Mr Tom Hamilton	Deputy Secretary Defence Strategic Review Implementation	143,018	-	-	19,163	3,532	-	-	165,713
Air Marshal Leon Phillips OAM, Royal Australian Air Force	Chief of the Guided Weaponse and Explosive Ordnance	68,291	-	1,271	19,164	2,001	-	-	90,727
Mr Peter Tesch	Deputy Secretary Strategy, Policy and Industry	42,843	-	3,954	8,154	830	-	-	55,781
Lieutenant General Natasha Fox AM CSC, Australian Army	Chief of Personnel	27,006	-	600	9,227	948	-	-	37,781
Mr Justin Keefe	Acting Chief Information Officer	147,251	-	1,445	18,720	3,776	-	-	171,192

(Table C.29 continued)

Name	Position <sup>1</sup>	Short-term benefits		Post-employment benefits		Other long-term benefits		Termination benefits	Total remuneration
		Base salary (\$)	Bonuses (\$)	Other benefits and allowances <sup>2</sup> (\$)	Superannuation contributions (\$)	Long service leave (\$)	Other long-term benefits (\$)	(\$)	(\$)
Mr Shane Fairweather	Acting Deputy Secretary Capability Acquisition and Sustainment	74,169	-	10,729	8,194	1,534	-	-	94,626
Rear Admiral Wendy Malcolm AM CSM, Royal Australian Navy	Acting Deputy Secretary Naval Shipbuilding and Sustainment	49,120	-	5,019	8,867	1,284	-	-	64,290
Mr Stephen Moore	Acting Deputy Secretary Strategy, Policy and Industry	57,370	-	4,720	7,518	588	-	-	70,196
Mr Graham Weber	Acting Chief Finance Officer	28,638	-	1,032	4,456	669	-	-	34,795
Professor Emily Hilder	Acting Chief Defence Scientist	26,692	-	2,207	2,115	445	-	-	31,459
Ms Teresa Blair	Acting Deputy Secretary Strategy, Policy and Industry	23,138	-	-	2,552	576	-	-	26,266
		<b>10,911,636</b>	<b>-</b>	<b>336,768</b>	<b>2,136,190</b>	<b>251,716</b>	<b>-</b>	<b>-</b>	<b>13,636,310</b>

**Notes:**

- Those staff who were permanently appointed to a key management personnel position or acted in a key management personnel position for a period of 12 or more continuous weeks were included in the key management personnel disclosures. Those staff who acted in a key management personnel role for a shorter period who meet the definition of key management personnel were included in the above table. The Chief of the Guided Weapons and Explosive Ordnance (GWEO), Chief of Personnel, Deputy Secretary Defence Strategic Review Implementation and Senior Advisor AUKUS were newly created positions during the year.
- Other short term benefits and allowances includes the value of items such as motor vehicle allowances, overseas allowances, housing and any fringe benefits tax paid on behalf of staff in the fringe benefits tax return for the year ended 31 March 2023. Employees posted overseas are remunerated in accordance with the department's 'overseas conditions of service' framework. The framework exists to compensate for the differences in locations such as cost of living, accommodation and security environment. It also addresses additional costs incurred, such as family medical and educational costs, to ensure posted staff are not disadvantaged. This column includes non-cash benefits.
- Total remuneration is calculated on an accrual basis and not a cash basis.

Table C.30: Senior executives Australian Public Service remuneration, 2022–23

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 (\$)	Overseas housing allowances (\$)				Excluding overseas housing allowances (\$)	Including overseas housing allowances (\$)
				Other 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	61	90,907	231	971	16,209	2,695	–	4,101	120,745
\$220,001 – \$245,000	28	183,014	339	16,164	30,251	5,444	–	–	235,213
\$245,001 – \$270,000	51	206,540	118	12,758	32,668	5,525	–	–	257,610
\$270,001 – \$295,000	36	216,445	–	13,675	37,186	5,901	–	7,326	280,533
\$295,001 – \$320,000	15	249,877	132	11,022	40,001	6,456	–	–	307,487
\$320,001 – \$345,000	16	269,899	–	11,329	42,983	6,420	–	–	330,631
\$345,001 – \$370,000	8	274,408	–	14,483	44,180	6,804	–	–	339,875
\$370,001 – \$395,000	3	317,888	–	4,267	57,224	8,799	–	–	388,178
\$395,001 – \$420,000	1	165,902	–	11,984	35,663	5,864	–	–	219,413
\$420,001 – \$445,000	3	319,319	–	3,995	48,862	8,700	–	–	380,876
\$445,001 – \$470,000	2	375,942	–	13,961	61,574	8,613	–	–	460,089
\$470,001 – \$495,000	1	415,194	–	28,679	27,606	5,943	–	–	477,422

**Notes:**

- 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 an SES level position are included in this table as well as staff who acted in an SES level position for a period longer than six months.
- Other short term benefits and allowances includes the value of items such as motor vehicle allowances, overseas allowances, housing and any fringe benefits tax (FBT) paid on behalf of staff in the FBT return for the year ended 31 March 2023. Employees posted overseas are remunerated in accordance with the department's 'overseas conditions of service' framework. The framework exists to compensate for the differences in locations such as cost of living, accommodation and security environment. It also addresses additional costs incurred, such as family medical and educational costs, to ensure posted staff are not disadvantaged. This column includes non-cash benefits.
- 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 C.31: Star-rank Australian Defence Force personnel remuneration, 2022–23**

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 base bonuses (\$)		Average other benefits and allowances <sup>2</sup>	Average long service leave (\$)		Average other long-term benefits (\$)	Average total remuneration (\$)
\$0 – \$220,000	44	88,045	33	26,418	2,312	–	–	133,628	134,252
\$220,001 – \$245,000	3	130,666	–	41,890	3,756	–	–	209,017	233,758
\$245,001 – \$270,000	8	137,956	–	43,357	4,067	–	26,787	254,172	284,172
\$270,001 – \$295,000	4	147,847	–	46,184	4,504	–	–	235,237	284,051
\$295,001 – \$320,000	4	189,778	–	53,604	5,307	–	–	280,717	304,644
\$320,001 – \$345,000	36	219,888	–	68,116	6,027	–	12,825	337,403	337,459
\$345,001 – \$370,000	59	235,005	–	72,332	6,371	–	4,193	357,093	357,418
\$370,001 – \$395,000	25	251,669	923	77,688	7,282	–	–	381,906	383,103
\$395,001 – \$420,000	19	263,588	–	78,356	7,451	–	–	399,897	404,814
\$420,001 – \$445,000	10	248,085	5,000	76,719	6,994	–	24,740	424,443	431,260
\$445,001 – \$470,000	11	246,396	4,545	70,321	6,483	–	80,935	447,934	457,441
\$470,001 – \$495,000	13	232,853	–	75,565	6,420	–	82,421	442,989	483,798
\$495,001 – \$520,000	8	224,987	–	69,662	6,187	–	115,424	454,986	509,590
\$520,001 – \$545,000	2	221,014	–	66,854	5,764	–	107,148	433,540	531,163
\$545,001 – \$570,000	7	231,829	–	70,549	6,591	–	101,299	463,461	550,300
\$570,001 – \$595,000	1	279,524	–	78,862	6,996	–	–	405,195	594,989
\$595,001 – \$620,000	1	283,408	–	78,932	6,930	–	–	396,198	600,086
\$645,001 – \$670,000	1	285,425	–	89,138	7,116	–	–	421,348	647,387
\$670,001 – \$695,000	1	237,954	–	75,432	5,924	–	247,399	590,351	673,314

**Notes:**

- The number of ADF Star-ranks listed above is the number of individuals not the number of positions. Staff who were permanently appointed to a Star-rank ADF position are included in this table as well as staff who acted in a Star-rank ADF position for a period longer than six months.
- Other short term benefits and allowances includes the value of items such as motor vehicle allowances, overseas allowances, housing and any fringe benefits tax (FBT) paid on behalf of staff in the FBT return for the year ended 31 March 2023. Employees posted overseas are remunerated in accordance with the department's 'overseas conditions of service' framework. The framework exists to compensate for the differences in locations such as cost of living, accommodation and security environment. It also addresses additional costs incurred, such as family medical and educational costs, to ensure posted staff are not disadvantaged. 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 C.32: Other highly paid staff — Australian Defence Force remuneration, 2022–23**

Remuneration band	Number of highly paid ADF personnel <sup>1</sup>	Short-term benefits		Post-employment benefits Average superannuation contributions (\$)	Other long-term benefits		Termination benefits Average termination benefits <sup>3</sup> (\$)	Total remuneration		
		Average base salary (\$)	Average bonuses (\$)		Average overseas housing allowances (\$)	Average other long-term benefits (\$)		Excluding overseas housing allowances (\$)	Including overseas housing allowances (\$)	
\$240,001 – \$245,000	367	151,937	6,251	1,867	26,890	50,557	4,475	510	240,622	242,489
\$245,001 – \$270,000	1645	162,327	5,783	3,669	26,049	53,890	4,791	–	252,839	256,508
\$270,001 – \$295,000	969	176,320	5,985	7,987	27,429	58,399	5,185	–	273,318	281,305
\$295,001 – \$320,000	498	187,205	6,897	14,623	30,043	61,416	5,523	783	291,868	306,491
\$320,001 – \$345,000	220	186,008	6,987	38,178	33,046	60,656	5,479	824	293,000	331,178
\$345,001 – \$370,000	137	196,747	5,680	53,527	29,093	64,207	5,643	1,438	302,808	356,335
\$370,001 – \$395,000	95	204,712	5,504	70,216	19,958	65,748	5,633	10,260	311,815	382,031
\$395,001 – \$420,000	73	229,932	4,484	64,427	23,430	73,595	6,363	5,285	343,089	407,516
\$420,001 – \$445,000	36	240,004	2,572	66,092	21,650	78,480	6,509	16,599	365,814	431,906
\$445,001 – \$470,000	28	252,296	5,925	86,170	16,296	75,895	6,455	14,140	371,008	457,178
\$470,001 – \$495,000	19	279,498	10,284	50,538	29,692	84,734	7,679	21,244	433,131	483,670
\$495,001 – \$520,000	6	280,344	3,750	94,130	32,237	87,677	7,102	–	411,111	505,241
\$520,001 – \$545,000	5	247,525	5,840	177,653	15,970	77,911	6,383	–	353,629	531,282
\$545,001 – \$570,000	4	306,851	8,575	121,321	12,312	99,451	7,803	–	434,993	556,314
\$570,001 – \$595,000	2	429,475	–	–	2,025	134,717	11,384	–	577,602	577,602
\$595,001 – \$620,000	1	342,391	–	147,542	9,589	103,723	8,772	–	464,475	612,017
\$695,001 – \$720,000	1	231,133	–	403,880	–	72,243	6,109	–	309,485	713,365

**Notes:**

- Other short term benefits and allowances includes the value of items such as motor vehicle allowances, overseas allowances, housing and any fringe benefits tax (FBT) paid on behalf of staff in the FBT return for the year ended 31 March 2023. Employees posted overseas are remunerated in accordance with the department's overseas conditions of service' framework. The framework exists to compensate for the differences in locations such as cost of living, accommodation and security environment. It also addresses additional costs incurred, such as family medical and educational costs, to ensure posted staff are not disadvantaged. 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 C.33: Other highly paid staff — Australian Public Service remuneration, 2022-23**

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 base salary bonuses (\$)				Overseas housing allowances (\$)	Average other benefits and allowances <sup>1</sup> (\$)	Average long-term benefits (leave) (\$)	Average other long-term benefits (\$)
\$240,001 – \$245,000	16	171,796	2,804	27,882	6,032	29,556	4,389	–	214,577	242,459
\$245,001 – \$270,000	32	159,710	1,656	53,422	3,485	27,273	4,085	–	200,636	254,058
\$270,001 – \$295,000	24	153,416	2,364	87,487	2,928	24,996	3,895	–	195,151	282,639
\$295,001 – \$320,000	19	195,998	2,245	60,607	2,546	33,296	4,914	–	246,150	306,757
\$320,001 – \$345,000	7	218,857	1,822	73,712	1,833	33,353	4,800	–	260,665	334,377
\$345,001 – \$370,000	14	239,717	2,120	74,313	14	39,230	6,346	–	287,428	361,741
\$370,001 – \$395,000	3	160,210	1,508	180,062	793	28,392	4,349	–	195,252	375,315
\$395,001 – \$420,000	1	155,302	–	215,632	–	23,127	4,193	–	182,622	398,255
\$420,001 – \$445,000	1	363,078	8,912	–	–	55,929	9,951	–	437,871	437,871
\$445,001 – \$470,000	2	284,406	9,716	100,223	10,079	46,562	7,668	–	358,431	458,654

**Notes:**

1. Other short term benefits and allowances includes the value of items such as motor vehicle allowances, overseas allowances, housing and any fringe benefits tax (FBT) paid on behalf of staff in the FBT return for the year ended 31 March 2023. Employees posted overseas are remunerated in accordance with the departments' overseas conditions of service' framework. The framework exists to compensate for the differences in locations such as cost of living, accommodation and security environment. It also addresses additional costs incurred, such as family medical and educational costs, to ensure posted staff are not disadvantaged. This column includes non-cash benefits.
2. 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 D: 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 2022–23 were made in accordance with the *Public Governance, Performance and Accountability Act 2013* 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: [tenders.gov.au](https://tenders.gov.au)

Defence selects consultants through the use of panel arrangements or by making an open approach to market.

During 2022–23, 118 new reportable consultancy contracts were entered into, valued at \$59.6 million (see [tenders.gov.au](https://tenders.gov.au)) with an actual expenditure of \$25.6 million (GST inclusive). In addition, 433 reportable consultancy contracts were ongoing from a previous period with an actual expenditure of \$152.7 million (GST inclusive).

**Table D.1: Reportable consultancy contract expenditure, 2022–23**

	Number of new contracts	Expenditure (\$)
New contracts entered into during 2022–23	118	25,561,025
Ongoing contracts entered into during a previous period	433	152,702,352
<b>Total</b>	<b>540</b>	<b>178,263,377</b>

**Note:**

All figures are GST inclusive.

Table D.2 below shows the top five consultants (by value spend) with Defence during 2022–23.

**Table D.2: Top five organisations receiving a share of reportable consultancy contract expenditure by Defence, 2022–23**

Organisation	Number of consultancy contracts	Expenditure (\$)	Proportion of 2022–23 total consultancy spend (%)
KPMG	24	20,100,468	11.3
GHD	16	18,123,668	10.2
PriceWaterhouseCoopers	14	9,028,111	5.1
Deloitte	9	8,766,953	4.9
SAAB	2	8,482,662	4.8
<b>Total of top five consultancy contracts</b>	<b>65</b>	<b>64,501,862</b>	<b>36.2</b>

**Note:**

All figures are GST inclusive. Percentages may not add due to rounding. Organisation refers to a company trading under a specified Australian Business Number.

## Non-consultancy contracts

During 2022–23, 22,297 new reportable non-consultancy contracts were entered into valued at \$26.3 billion (see [tenders.gov.au](https://www.tenders.gov.au)) with an actual expenditure of \$5.1 billion (GST inclusive). In addition, 18,424 reportable non-consultancy contracts were ongoing from a previous period with an actual expenditure of \$27.9 billion (GST inclusive).

**Table D.3: Reportable non-consultancy contract expenditure, 2022–23**

	Number of new contracts	Expenditure (\$)
New contracts entered into during 2022–23	22,297	5,148,380,198
Ongoing contracts entered into during a previous period	18,424	27,896,173,607
<b>Total</b>	<b>40,297</b>	<b>33,044,553,805</b>

**Note:**

All figures are GST inclusive.

Table D.4 below shows the top five non-consultancy (by value spend) with Defence during 2022–23.

**Table D.4: Top five organisations receiving a share of reportable non-consultancy contract expenditure by Defence, 2022–23**

Organisation	Number of non-consultancy contracts	Expenditure (\$)	Proportion of 2022–23 total spend (%)
BAE Systems	427	871,504,503	2.6
Boeing	207	870,744,316	2.6
Ventia	203	826,350,498	2.5
Raytheon	191	747,529,878	2.3
Thales	591	741,025,168	2.2
<b>Total of top five non-consultancy contracts</b>	<b>1,619</b>	<b>4,057,154,362</b>	<b>12.3</b>

**Note:**

All figures are GST inclusive. Percentages may not add due to rounding. Organisation refers to a company trading under a specified Australian Business Number.

## 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 2022–23, Defence had 41 contracts with values greater than \$100,000 that did not include the clause providing access to the Auditor-General (Table D.5).

**Table D.5: Contracts that do not include the Australian National Audit Office access clause 2022–23**

Program and company	2022–23 (\$)	Purpose	Reason for non-inclusion of ANAO access clause
<b>Army</b>			
United States Government	2,627,413,430	Special Military Equipment	Foreign Military Sale
United States Government	474,258,820	Explosive Ordnance	Foreign Military Sale
United States Government	64,313,166	Explosive Ordnance	Foreign Military Sale
United States Government	56,592,800	Training	Foreign Military Sale
United States Government	49,764,101	Light Weapons and Ammunition	Foreign Military Sale
United States Government	19,345,300	Special Military Equipment	Foreign Military Sale
United States Government	1,288,329	Explosive Ordnance	Foreign Military Sale
United States Government	9,979,766	Explosive Ordnance	Foreign Military Sale
United States Government	6,851,300	Explosive Ordnance	Foreign Military Sale
United States Government	3,152,334	Explosive Ordnance	Foreign Military Sale
United States Government	6,071,205	Explosive Ordnance	Foreign Military Sale
United States Government	5,764,771	Communication equipment	Foreign Military Sale
United States Government	1,809,406	Software Support	Foreign Military Sale
United States Government	1,477,980	Special Military Equipment	Foreign Military Sale
United States Government	353,708	Training	Foreign Military Sale
<b>Total for Army</b>	<b>3,328,436,415</b>		
<b>Air Force</b>			
United States Government	298,492,981	Explosive Ordnance	Foreign Military Sale
United States Government	160,460,414	Technical and Engineering Services	Foreign Military Sale
United States Government	111,539,890	Explosive Ordnance	Foreign Military Sale
United States Government	59,118,800	Special Military Equipment	Foreign Military Sale
United States Government	57,967,791	Technical and Engineering Services	Foreign Military Sale
United States Government	16,002,520	Communication equipment	Foreign Military Sale
United States Government	14,597,081	Explosive Ordnance	Foreign Military Sale
United States Government	17,474,143	Special Military Equipment	Foreign Military Sale
United States Government	13,687,152	Explosive Ordnance	Foreign Military Sale
United States Government	12,356,115	Software Support	Foreign Military Sale
United States Government	6,727,480	Special Military Equipment	Foreign Military Sale
United States Government	5,145,023	Training	Foreign Military Sale
United States Government	2,829,599	Special Military Equipment	Foreign Military Sale
United States Government	1,093,503	Technical Data and Support	Foreign Military Sale
United States Government	816,731	Explosive Ordnance	Foreign Military Sale
United States Government	452,746	Training	Foreign Military Sale
<b>Total for Air Force</b>	<b>778,761,968</b>		

(Table D.5 continued)

Program and company	2022-23 (\$)	Purpose	Reason for non-inclusion of ANAO access clause
<b>Joint Capabilities Group</b>			
United States Government	75,387,824	Communication equipment	Foreign Military Sale
United States Government	48,243,302	Communication equipment	Foreign Military Sale
United States Government	7,483,085	Communication equipment	Foreign Military Sale
United States Government	2,782,744	Technical and Engineering Services	Foreign Military Sale
United States Government	563,796	Communication equipment	Foreign Military Sale
<b>Total for Joint Capabilities Group</b>	<b>134,460,752</b>		
<b>Navy</b>			
United States Government	133,041,725	Technical Data and Support	Foreign Military Sale
United States Government	4,433,737	Communication equipment	Foreign Military Sale
United States Government	1,556,313	Communication equipment	Foreign Military Sale
United States Government	174,426	Technical Data and Support	Foreign Military Sale
United States Government	539,008	Technical Data and Support	Foreign Military Sale
<b>Total for Navy</b>	<b>139,745,210</b>		
<b>Total Programs</b>	<b>4,381,404,345</b>		



Australian Army soldiers from 2nd Commando Regiment prepare to conduct a military free-fall parachute jump from a Royal Australian Air Force C-17A Globemaster III aircraft near RAAF Base Richmond, New South Wales, as part of Exercise Global Dexterity 2023. The exercise is designed to develop the bilateral tactical airlift and airdrop capabilities of the United States Air Force and the Royal Australian Air Force. CREDIT: Leading Aircraftwoman Taylor Anderson

**Table D.6: Navy unit availability days<sup>1</sup>, flying hours and HydroScheme products**

Source	2021-22	2022-23	Deliverables	2022-23 target	2022-23 revised estimate	2022-23 actual
<b>Navy</b>						
	17	17	Major Combatants <sup>2</sup>	3,374	3,407	2,816
	18	18	Minor Combatants <sup>3</sup>	3,610	4,184	3,580
<i>Portfolio Budget Statements 2022-23</i>	6	5	Amphibious and Afloat Support <sup>4</sup>	1,186	1,186	839
	10	10	Maritime Teams <sup>5</sup>	3,345	3,345	3,707
	6	6	Hydrographic Force <sup>6</sup>	1,246	1,246	1,156
	24	24	MH-60R <sup>7</sup>	5,750	5,750	5,247.3

**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, Hobart class guided missile destroyers and Collins class submarines. UAD under-achievement is due to unscheduled maintenance periods and changes to scheduled maintenance periods.
3. Minor Combatants comprises Armidale class patrol boats, Cape class patrol boats and minehunter coastal.
4. Amphibious and Afloat Support comprises landing ship dock, landing helicopter dock and Supply class Auxiliary Oiler Replenishment Vessels. UAD under-achievement is due to Project SEA3030 upgrade and rescheduled maintenance period of HMAS *Choules*.
5. Maritime Teams comprises clearance diving, deployable geospatial support and mobile meteorological and oceanographic teams.
6. Hydrographic Force comprises the hydrographic ships, survey motorlaunches and meteorological and oceanographic centres. UAD under-achievement is due to hydrographic ships defects and early decommissioning of both survey motorlaunches.
7. The under-achievement of forecast flying hours for the MH-60R was due to FAS volatility and unscheduled maintenance.

**Table D.7: Army unit availability days, flying hours and HydroScheme products**

Source	2021-22	2022-23	Deliverables (Airframes)	2022-23 target	2022-23 revised estimate	2022-23 actual
<b>Army</b>						
	12	14	CH-47F Chinook	2,375	2600	2,643.8
<i>Portfolio Budget Statements 2022-23</i>	16	-	S-70A-9 Black Hawk <sup>1</sup>	312	-	-
	22	22	ARH Tiger <sup>2</sup>	3,013	4500	2,649
	47	47	MRH-90 Taipan <sup>3</sup>	4,747	4850	4,090.2

**Notes:**

1. 16 aircraft were on the Defence Register in December 2021 but are in the process of disposal. This activity accounts for the reduced rate of effort (ROE) for 2021-22.
2. In January 2021, the Government announced that the ARH Tiger would be replaced by the Boeing AH-64E Apache from 2025. Reducing ROE achievement is being addressed through the replacement project.
3. Lower serviceability rates, a shortage of repairable items, the cessation of MRH flying operations associated with airworthiness concerns, and a revised activity schedule have resulted in an achieved ROE for 2022-23 which has not met initial or revised estimates. Falling ROE is being addressed through L4507 MRH90 Rapid Replacement Project.

**Table D.8: Airforce unit availability days, flying hours and HydroScheme products**

Source	2021-22	2022-23 <sup>1</sup>	Deliverables	2021-22 actual	2022-23 revised estimate	2022-23 actual
<b>Airforce</b>						
	49	49	PC-21	18,228	19,941	20,584
	11	11	KA350 King Air	3,580	4,091	3,840
	12	12	C-130J Hercules	4,328	5,450	5,247
	8	8	C-17A Globemaster III <sup>2</sup>	4,976	5,518	5,034
	10	10	C-27J Spartan	3,395	4,750	4,668
	7	7	KC-30A MRTT	4,200	4,183	4,127
	2	2	737 BBJ <sup>3</sup>	1,203	1,442	1,368
	3	3	Falcon-7X	1,646	1,756	1,681
<i>Portfolio Budget Statements 2022-23</i>	2	2	AP-3C Orion	697	808	794
	12	12	P-8A Poseidon	4,869	5,200	5,276
	6	6	E-7A Wedgetail	2,479	3,045	3,019
	-	-	F/A-18A/B Hornet <sup>4</sup>	694	-	-
	24	24	F/A-18F Super Hornet	4,628	4,670	4,526
	33	33	Hawk 127	4,391	4,989	4,568
	11	12	E/A-18G Growler <sup>5</sup>	2,576	2,474	2,277
	50	63	F-35A Lightning II <sup>6</sup>	6,854	7,388	7,858
	-	-	MC-55A Peregrine <sup>7</sup>	-	-	-
	-	-	MQ-4C Triton <sup>8</sup>	-	-	-

**Notes:**

1. Fleet size represents totals at end of 2022-23.
2. C-17A Globemaster III hours impacted by reduced tasking and training demand
3. 737 BBJ hours reflect the replacement of existing aircraft with two new 737 BBJ.
4. F/A 18A/B Hornet retired from Royal Australian Air Force service.
5. Additional E/A-18G Growler received by the Royal Australian Air Force
6. F-35A Lightning hours reflect the fleet's ongoing introduction into service.
7. MC-55A flying hours reflects the planned introduction of the aircraft from 2023-24.
8. MQ-4C flying hours reflects the phased introduction of the aircraft from 2024-25.

**Table D.9: Defence Intelligence Group unit availability days, flying hours and HydroScheme products**

Source	Deliverables (Airframes)	2021-22 actual	2022-23 revised estimate	2022-23 actual
<b>Defence Intelligence Group</b>				
	Maritime Safety Updates (%)	99	100	100
	Charting Projects	14	161	16 <sup>1</sup>
<i>Portfolio Budget Statements 2022-23</i>	Nautical Publications	30	29	29
	Survey Projects	10	112	10 <sup>2</sup>
	Australian Hydrographic Office Availability	247	2473	247 <sup>3</sup>

**Notes:**

1. In 2022-23, 19 charting projects were published in October *Portfolio Budget Statement 2022-23* estimates. This was revised to 16 charting projects due to delays in receipt of hydrographic survey data. Projects for nautical charting for 2022-23 were achieved.
2. In 2022-23, seven survey projects were published in October *Portfolio Budget Statement 2022-23* estimates. This was revised to 11 survey projects with additional Australian Geospatial Intelligence Organisation funding. Survey project rate of effort is aligned with the annual HydroScheme Industry Partnership Program budget guidance and available personnel to manage the planning and oversight of scheduled survey projects. At the end of the financial year, 10 survey projects were complete and one survey project delivered but still undergoing acceptance checks. Projects for hydrographic survey for 2022-23 were achieved.
3. In 2022-23, the Australian Hydrographic Office availability was reduced by one day to 247 days due to the declaration of the National Day of Mourning for Her Majesty Queen Elizabeth II, occurring on 22 September 2022.

## Omissions and errors

The *Defence Annual Report 2021–22* contained the following omission:

Table 6.25 APS Act employee performance bonus payments, 2021–22 on page 133 excluded the minimum and maximum payment made to employees columns.

Classification	Number of employees	Aggregated amount (\$)	Average amount (\$)	Minimum payment (\$)	Maximum payment made to employees (\$)
Executive Level 2	984	1,779,604	1,809	118	19,218
Executive Level 1	2,330	2,662,528	1,143	71	15,555
APS Level 6	2,847	2,670,997	938	10	5,273
APS Level 5	1,653	1,390,719	841	24	4,513
APS Level 4	873	636,566	729	106	833
APS Level 3	825	569,480	690	38	838
APS Level 2	294	205,680	700	193	725
APS Level 1	32	19,724	616	274	725
Trainee	43	31,175	725	725	725
<b>Total</b>	<b>9,881</b>	<b>9,966,473</b>	<b>1,009</b>		

The *Defence Annual Report 2020–21* contained the following omission:

Table 6.25 APS Act employee performance bonus payments, 2020–21 on page 131 excluded the minimum and maximum payment made to employees columns.

Classification	Number of employees	Aggregate amount (\$)	Average amount (\$)	Minimum payment made to employees (\$)	Maximum payment made to employees (\$)
Executive Level 2	997	1,660,241	1,665	14	18,471
Executive Level 1	2,384	2,647,389	1,110	11	14,951
APS Level 6	2,945	2,675,919	909	8	9,584
APS Level 5	1,682	1,350,858	803	8	4,338
APS Level 4	915	636,369	695	1	817
APS Level 3	895	617,240	690	73	806
APS Level 2	369	255,502	692	213	725
APS Level 1	36	24,118	670	406	725
Trainee	12	8,700	725	725	725
<b>Total</b>	<b>10,235</b>	<b>9,876,336</b>	<b>965</b>		

## Appendix E: Supplementary online material

The following supplementary performance information is available on the Defence website.

**Table E.1: Additional online information**

Report	Website
Report on the Inspector-General ADF	<a href="https://defence.gov.au/mjs/reports/.asp">defence.gov.au/mjs/reports/.asp</a>
Women in ADF Report	<a href="https://defence.gov.au/annualreports/">defence.gov.au/annualreports/</a>
<b>Acquisition, sustainment, facilities and infrastructure information</b>	
Top 30 sustainment products by expenditure 2022–23	Web table D.1
Top 30 acquisition projects by expenditure 2022–23	Web table D.2
Top 30 acquisition projects by expenditure (variations) 2022–23	Web table D.3
Major acquisition projects closed in 2022–23	Web table D.4
New major acquisition projects approved by Government 2022–23	Web table D.5
Performance of major capital facilities projects 2022–23	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 E.2: Reference websites and supporting documentation**

Reference	Website
ADF Cadets	<a href="https://cadetnet.gov.au">cadetnet.gov.au</a>
Afghanistan Inquiry	<a href="https://defence.gov.au/about/reviews-inquiries/afghanistan-inquiry/defence-response">defence.gov.au/about/reviews-inquiries/afghanistan-inquiry/defence-response</a>
AusTender	<a href="https://tenders.gov.au">tenders.gov.au</a>
Australian National Audit Office	<a href="https://anao.gov.au">anao.gov.au</a>
Australian Public Service Commission	<a href="https://apsc.gov.au">apsc.gov.au</a>
Defence Annual Reports	<a href="https://defence.gov.au/annualreports">defence.gov.au/annualreports</a>
Defence Audit and Risk Committee Charter	<a href="https://defence.gov.au/about/governance/enterprise-committees">defence.gov.au/about/governance/enterprise-committees</a>
2022–26 Defence Corporate Plan	<a href="https://defence.gov.au/about/strategic-planning/defence-corporate-plan">defence.gov.au/about/strategic-planning/defence-corporate-plan</a>
Defence's Information Publication Scheme	<a href="https://defence.gov.au/about/information-disclosures/information-publication-scheme">defence.gov.au/about/information-disclosures/information-publication-scheme</a>
Defence Organisational Structure	<a href="https://defence.gov.au/about/who-we-are/organisation-structure">defence.gov.au/about/who-we-are/organisation-structure</a>
Defence PFAS Investigation and Management Program	<a href="https://defence.gov.au/about/locations-property/pfas">defence.gov.au/about/locations-property/pfas</a>
Defence Youth	<a href="https://defenceyouth.gov.au">defenceyouth.gov.au</a>
Department of Finance	<a href="https://finance.gov.au">finance.gov.au</a>
GrantConnect	<a href="https://grants.gov.au">grants.gov.au</a>
Inspector-General of the Australian Defence Force	<a href="https://igadf.gov.au/publications">igadf.gov.au/publications</a>
National Indigenous Australians Agency (Indigenous procurement)	<a href="https://niaa.gov.au">niaa.gov.au</a>
Parliament of Australia	<a href="https://aph.gov.au">aph.gov.au</a>
Transparency portal	<a href="https://transparency.gov.au">transparency.gov.au</a>
Unexploded Ordnance Program	<a href="https://defence.gov.au/programs-initiatives/national-unexploded-ordnance-program">defence.gov.au/programs-initiatives/national-unexploded-ordnance-program</a>

## Appendix F: List of requirements

**Table F.1: PGPA Rule reference, description and requirement**

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 (print only).	Mandatory
17AJ(b)	Pages 281–288	Alphabetical index (print only).	Mandatory
17AJ(c)	Page 277	Glossary of abbreviations and acronyms.	Mandatory
17AJ(d)	Page 272	List of requirements.	Mandatory
17AJ(e)	Page i	Details of contact officer.	Mandatory
17AJ(f)	Page i	Entity's website address.	Mandatory
17AJ(g)	Page i	Electronic address of report.	Mandatory
<b>17AD(a)</b>	<b>Review by accountable authority</b>		
17AD(a)	Pages 3–11	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 19	A description of the role and functions of the entity.	Mandatory
17AE(1)(a)(ii)	Page 23	A description of the organisational structure of the entity.	Mandatory
17AE(1)(a)(iii)	Page 22	A description of the outcomes and programmes administered by the entity.	Mandatory
17AE(1)(a)(iv)	Page 19	A description of the purposes of the entity as included in corporate plan.	Mandatory
17AE(1)(aa)(i)	Page 24	Name of the accountable authority or each member of the accountable authority.	Mandatory
17AE(1)(aa)(ii)	Page 24	Position of the accountable authority or each member of the accountable authority.	Mandatory
17AE(1)(aa)(iii)	Page 24	Period as the accountable authority or member of the accountable authority within the reporting period.	Mandatory
17AE(1)(b)	Page 21	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

(Appendix F continued)

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 27–49	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 53–61	A discussion and analysis of the entity's financial performance.	Mandatory
17AF(1)(b)	Page 56	A table summarising the total resources and total payments of the entity.	Mandatory
17AF(2)	Page 54	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 66–80	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 73	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
<b>Audit Committee</b>			
17AG(2A)(a)	Page 66	A direct electronic address of the charter determining the functions of the entity's audit committee.	Mandatory
17AG(2A)(b)	Page 67	The name of each member of the entity's audit committee.	Mandatory
17AG(2A)(c)	Page 67	The qualifications, knowledge, skills or experience of each member of the entity's audit committee.	Mandatory
17AG(2A)(d)	Page 67	Information about the attendance of each member of the entity's audit committee at committee meetings.	Mandatory
17AG(2A)(e)	Page 67	The remuneration of each member of the entity's audit committee.	Mandatory
<b>External Scrutiny</b>			
17AG(3)	Page 73	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory
17AG(3)(a)	Page 80	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 73–80	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 80	Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory

## (Appendix F continued)

PGPA Rule reference	Part of report	Description	Requirement
<b>Management of Human Resources</b>			
17AG(4)(a)	Pages 83–125	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory
17AG(4)(aa)	Pages 85–99; 238–256	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: <ul style="list-style-type: none"> <li>• statistics on full-time employees;</li> <li>• statistics on part-time employees;</li> <li>• statistics on gender;</li> <li>• statistics on staff location.</li> </ul>	Mandatory
17AG(4)(b)	Pages 85–102; 238–256	Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: <ul style="list-style-type: none"> <li>• statistics on staffing classification level;</li> <li>• statistics on full-time employees;</li> <li>• statistics on part-time employees;</li> <li>• statistics on gender;</li> <li>• statistics on staff location;</li> <li>• statistics on employees who identify as Indigenous.</li> </ul>	Mandatory
17AG(4)(c)	Pages 120–123; 257–263	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)	Pages 121–123	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 121	The salary ranges available for APS employees by classification level.	Mandatory
17AG(4)(c)(iii)	Page 122	A description of non-salary benefits provided to employees.	Mandatory
17AG(4)(d)(i)	Pages 124–125	Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory
17AG(4)(d)(ii)	Pages 124–125	Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory
17AG(4)(d)(iii)	Pages 124–125	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory
17AG(4)(d)(iv)	Pages 124–125	Information on aggregate amount of performance payments.	If applicable, Mandatory
<b>Assets Management</b>			
17AG(5)	Pages 129–136	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 131	An assessment of entity performance against the <i>Commonwealth Procurement Rules</i> .	Mandatory

(Appendix F continued)

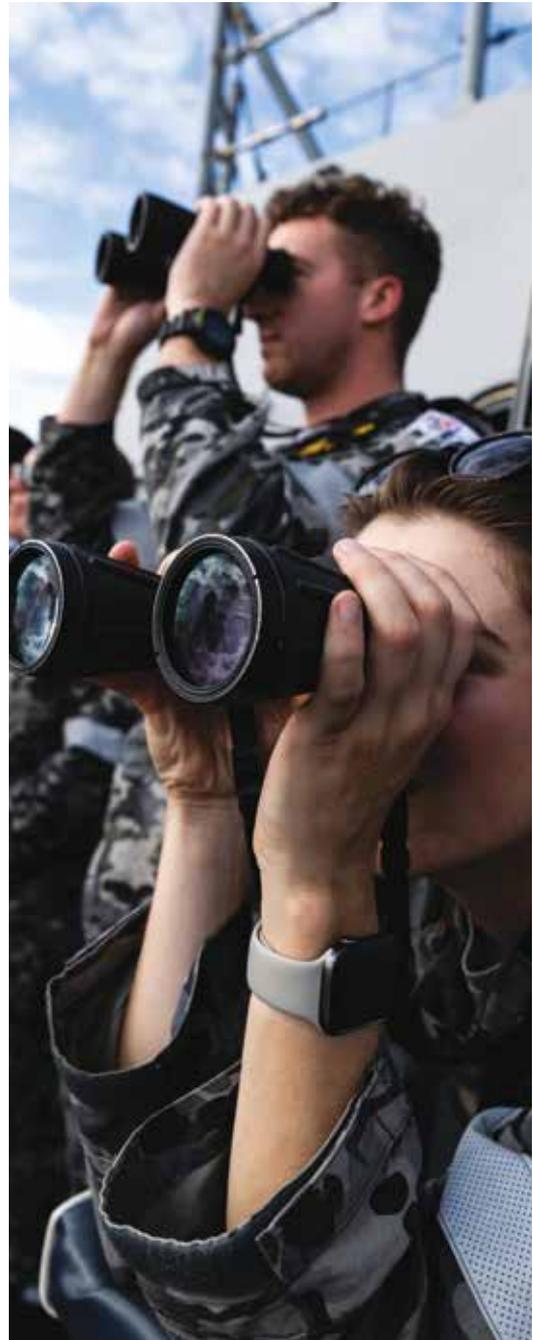
PGPA Rule reference	Part of report	Description	Requirement
<b>Reportable consultancy contracts</b>			
17AG(7)(a)	Page 264	A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered 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 264	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 264	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 264	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)	Page 265	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
17AG(7A)(b)	Page 265	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
<b>17AD(daa)</b>	<b>Additional information about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts</b>		
17AGA	Page 265	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 266–267	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 71	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 <i>FOI Act</i> , 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

(Appendix F continued)

PGPA Rule reference	Part of report	Description	Requirement
<b>Small business</b>			
17AG(10)(a)	Page 131	A statement that: " <i>[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises and Small Enterprise participation statistics are available on the Department of Finance's website.</i> "	Mandatory
17AG(10)(b)	Page 131	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory
17AG(10)(c)	Page 131	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 153–227	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory
<b>Executive Remuneration</b>			
17AD(da)	Pages 122–124; 257–263	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 59–60	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]. 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 58	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 103	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory
17AH(1)(d)	Page 71	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 270	Correction of material errors in previous annual report.	If applicable, mandatory
17AH(2)	Pages 61, 73, 89	Information required by other legislation.	Mandatory

## Abbreviations and acronyms

ADF	Australian Defence Force
ADFA	Australian Defence Force Academy
ANAO	Australian National Audit Office
ANZSOC	Australian and New Zealand Standard Offence Classification
APS	Australian Public Service
APSC	Australian Public Service Commission
AUKUS	Australia, the United Kingdom, and the United States
AUKMIN	Australia-United Kingdom Ministerial Consultations
AUSMIN	Australia-United States Ministerial Consultations
CDF	Chief of the Defence Force
CIOG	Chief Information Officer Group
CSIRO	Commonwealth Science and Industry Research Organisation
DHA	Defence Housing Australia
DSR	Defence Strategic Review
DVA	Department of Veterans' Affairs
FOI	Freedom of Information
FBT	Fringe Benefits Tax
GST	Goods and Services Tax
HMAS	His Majesty's Australian Ship
ICT	Information and communications technology
IGADF	Inspector-General of the Australian Defence Force
IPP	Indigenous Procurement Policy
LGBTIQ+	Lesbian, Gay, Bisexual, Trans, Intersex and Queer+
MP	Member of Parliament
PFAS	per- and poly-fluoroalkyl substances
PGPA Act	<i>Public Governance, Performance &amp; Accountability Act 2013</i>
PGPA Rule	Public Governance, Performance & Accountability Rule 2014
RAAF	Royal Australian Air Force
RAN	Royal Australian Navy
RIMPAC	Exercise Rim of the Pacific
ROE	Rate of Effort
SeMPRO	Sexual Misconduct Prevention and Response Office
SES	Senior Executive Service
SME	Specialist Military Equipment
STEM	Science, Technology, Engineering and Mathematics
UAD	Unit Availability Days
UN	United Nations
US	United States
WHS	Work Health and Safety



Junior sailors keep a lookout on the bridgewing of HMAS Sydney during a regional presence deployment in the Indo-Pacific region. During the deployment, Australian Defence Force units undertook joint exercises and other engagements with Australia's regional partners. Regional presence deployments play a vital role in Australia's long-term security and prosperity by protecting Australia's interests, preserving a rules-based order, enhancing cooperation and relationships with regional partners and allies, and developing capability and interoperability. CREDIT: Leading Seaman Imagery Specialist David Cox

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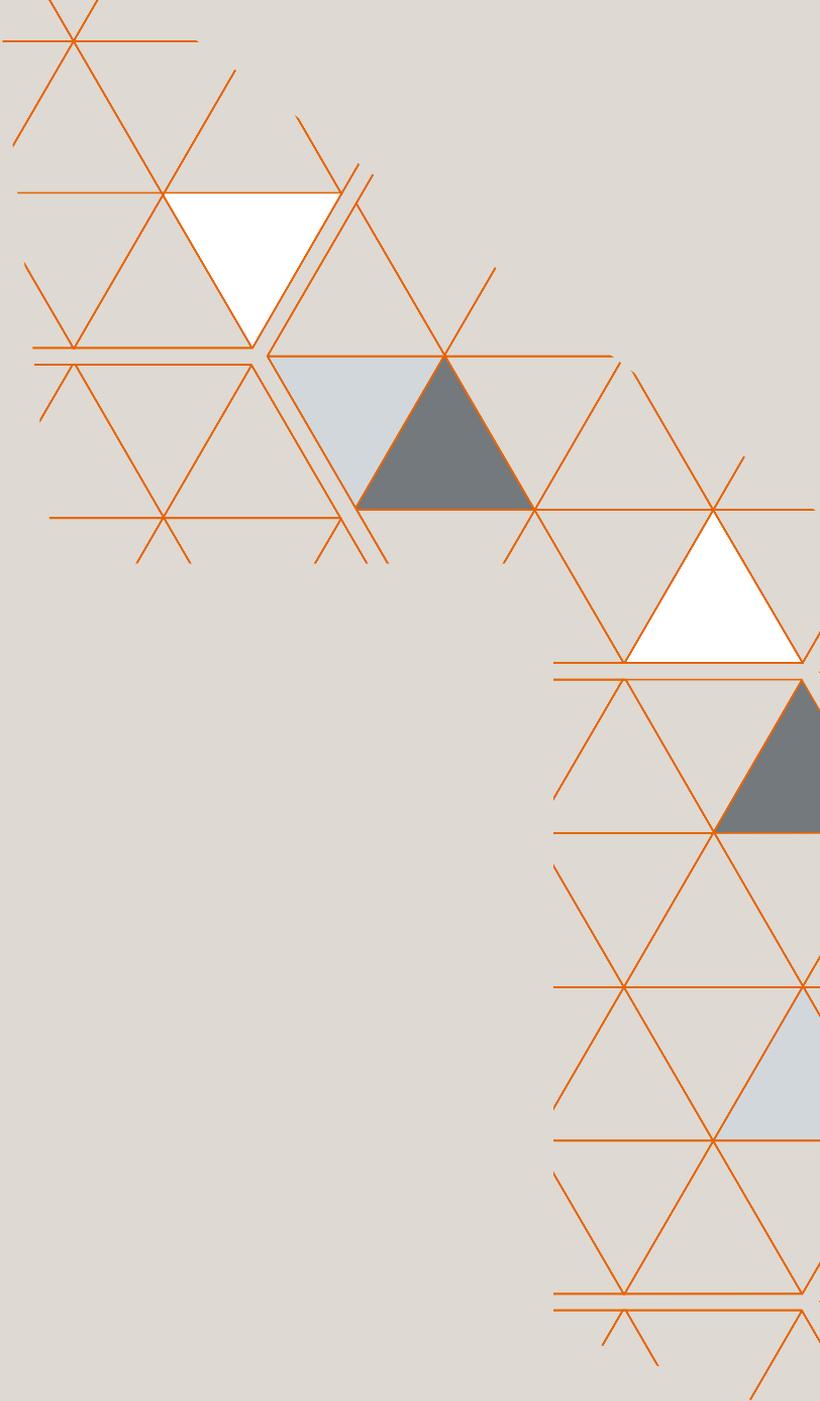
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An Australian Army soldier with the School of Armour trains on the Ghost Robotics Vision 60 'robot dog', being charged through the electronic Protected Mobility Vehicle in the Puckapunyal Military Area, Victoria. CREDIT: RD Consulting



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