



Australian Government

# REBUILDING DEFENCE CAPABILITY



# Contents

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<b>Ministerial Foreword</b>	<b>1</b>
<b>Executive Summary</b>	<b>3</b>
<b>Context</b>	<b>5</b>
Defence Reform Taskforce	5
<b>Clear accountabilities and stronger governance</b>	<b>7</b>
Resetting capability development and delivery accountabilities	7
Refining Defence portfolio governance	9
<b>The Defence Delivery Agency</b>	<b>11</b>
<b>A re-designed Defence Capability System</b>	<b>13</b>
Clear roles and responsibilities	14
Accelerating speed to capability	17
National Defence Strategy and the Integrated Investment Program	17
Reinstating a formal Gate Zero	19
Improving delivery of sustainment and disposal	19
<b>Improved contestation and cost estimation</b>	<b>21</b>
Strengthening contestability across the capability lifecycle	21
Improving cost estimates for capability projects	21
Building the project cost estimation workforce	22
Strengthening assurance of cost estimates	22
Structural improvements to cost estimation and assurance	22



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**Financial management framework** **23**

---

**National Defence and resetting engagement with the defence industry** **25**

---

**Building and retaining a professional workforce and Defence culture** **29**

---

Culture in Defence 29

Professionalisation Program 30

Change Management and Transition 31

Australian Defence Force postings 31

**Implementing Defence reforms** **33**

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# Ministerial Foreword

The Albanese Government is committed to a structured approach of understanding Australia's strategic circumstances, identifying the capabilities we need and funding them appropriately, in recognition of our dangerous and unpredictable strategic circumstances. The Albanese Government has undertaken the biggest increase in defence spending in Australia's peacetime history, bringing the total additional investment from the *2024 National Defence Strategy* and the *2026 National Defence Strategy* to \$117 billion over the decade to 2035–36.

With this investment comes a clear responsibility to ensure Defence has the structures, skills and systems required to turn strategy into real capability for the Australian Defence Force.

We need to ensure the Defence portfolio is focused, with the right resources and systems to deliver. This is all the more critical at a time when strategic risk is rising, demand is increasing, and sovereign capability, especially domestic industrial capability, has become more important than ever.

A key part of this reform agenda is the establishment of the Defence Delivery Agency and the appointment of Australia's first National Armaments Director.

The Defence Delivery Agency will strengthen and streamline capability acquisition and sustainment. It will also strengthen stewardship of Australia's sovereign defence industrial base and transform the way government engages with defence industry.

At their core, these reforms are about improving Defence's ability to deliver the right capability to the warfighter, on time, and on budget. The reforms are about ensuring that every dollar of investment is focused on value for money and greater speed to capability.

Importantly, these reforms will see the Government's continued delivery of the *2026 National Defence Strategy* and give practical effect to the concept of National Defence.

These are foundational reforms that are reshaping the Defence portfolio to meet our increasingly challenging strategic circumstances by maximising every dollar spent on capability, having a much stronger focus on delivery, getting the capability our Defence Force needs sooner, and keeping Australians safe.



**The Hon Richard Marles MP**

Deputy Prime Minister  
Minister for Defence

1 July 2026



**The Hon Pat Conroy MP**

Minister for Defence Industry  
Minister for Pacific Island Affairs

1 July 2026





# Executive Summary

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Australia's defence capability must be delivered differently to meet the demands of a more dangerous and unpredictable era, where the consequences of delay, cost growth, and capability underperformance are more serious than they have been in generations.

The Defence reforms respond to the structural mismatch between this environment and the performance of the capability system. They are designed to restore alignment between strategic demand and the Defence portfolio's ability to deliver.

The objective is clear: to deliver the right capability to the warfighter—on time, on budget and with decisive effect.

These reforms strengthen accountabilities, governance, assurance, and discipline across the capability lifecycle, and will build a workforce and leadership culture capable of delivering the National Defence Strategy.

These reforms have three central components:

- ▶ Establishment of the Defence Delivery Agency, as a dedicated delivery organisation headed by a new National Armaments Director, consolidating Capability Acquisition and Sustainment Group, Guided Weapons and Explosive Ordnance Group, and Naval Shipbuilding and Sustainment Group.
  - For the year of transition to the Defence Delivery Agency (1 July 2026 to 30 June 2027), these functions will be established under a single organisational structure, the Defence Delivery Group, within the Department of Defence.
  - On 1 July 2027, the Defence Delivery Group will transition to the newly established Defence Delivery Agency, an executive agency, operating with autonomy and accountable to the Minister for Defence and Minister for Defence Industry.
- ▶ Consolidation of capability development functions for the five warfighting domains (land, air, maritime, space and cyber) under the Vice Chief of the Defence Force.
- ▶ A re-designed capability system, which clarifies accountabilities and re-establishes decision disciplines. This system will be underpinned by stronger contestability and improved cost estimation and assurance.

The National Armaments Director will reset Defence's relationship with industry. As industry steward, the National Armaments Director will provide clear, long-term demand signals, informed by domestic and international industry intelligence. This partnership with industry reflects the concept of National Defence, harnessing all arms of Australia's national power.

A structured professionalisation program will be introduced to build upon and uplift the skills and expertise of the capability workforce. The program will establish consistent professional standards, build technical and commercial expertise, and embed performance discipline across the system.

These reforms within Defence are being undertaken in a deliberate, staged and structured approach to ensure that there is continuity in project delivery. The period of transition to the Defence Delivery Agency will be used to finalise and implement its legal, governance, financial and operational foundations. During this period, the Defence Delivery Group will remain within the Department of Defence.

The reforms will mean that the Defence portfolio will operate as an integrated system that translates strategy into executable capability. The result will be clearer accountability, stronger decision-making, and more reliable delivery, providing government and the Australian community with confidence in Defence's ability to meet its commitments.



# Context

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Australia faces heightened strategic risk. As the *2026 National Defence Strategy* outlines, strategic risks are compounding in every region of the world, including our own, military technologies are advancing rapidly, and global defence supply chains are under pressure. In accordance with the *2023 Defence Strategic Review*, the Defence portfolio must deliver an integrated, focused force that can respond quickly and with confidence.

Australia is not alone in facing these challenges. Our closest partners including the United States, the United Kingdom, and Canada are also undertaking significant reforms to their capability delivery systems to confront cost growth, delay, and 'gold-plated' requirements; and to focus on, and accelerate delivery of, minimum viable capability. Supply chain resilience and sovereign capability remain key areas of focus internationally, as they are critical for deterrence and sustaining militaries in protracted conflicts.

Australia's reforms are aligned with this trend, reflecting a shared recognition that legacy capability systems, optimised for deliberation and risk minimisation, are not well suited to an environment that demands speed, integration and disciplined execution.

On 1 December 2025, the Government announced significant reform to capability development and delivery, including:

- ▶ The establishment of the Defence Delivery Agency from 1 July 2027 with an interim step of the formation of the Defence Delivery Group within Defence from 1 July 2026;
- ▶ The establishment of a National Armaments Director to lead the new agency, responsible for providing advice to Ministers on the delivery of acquisition and sustainment projects following Government approval; and
- ▶ Centralisation of capability development and contestability functions under the Vice Chief of the Defence Force to support clearer prioritisation, streamlined decision making and accountability.

This announcement followed the *2023 Defence Strategic Review* and the *2024 National Defence Strategy*, and was reinforced by the *2026 National Defence Strategy*, which found Defence acquisition and sustainment arrangements were not fit for the scale, complexity or urgency of Australia's strategic circumstances.

## Defence Reform Taskforce

A whole-of-government Defence Reform Taskforce was established in December 2025 to undertake the design phase of reforms and develop an evidence-based, actionable plan for implementation.

The Defence Reform Taskforce considered a broad evidence base, including the findings of past reviews consulted widely across Government, industry, and international partners. This included extensive and close engagement across the Defence portfolio.





# Clear accountabilities and stronger governance

*The Defence portfolio must operate as an integrated system to deliver the National Defence Strategy and achieve the Defence portfolio's mission.*

## Resetting capability development and delivery accountabilities

Successive reviews of defence capability development and acquisition, including the *Kinnaird Review (2003)* and the *Mortimer Review (2008)*, identified the incomplete implementation of clear, senior accountability for capability outcomes as an enduring challenge for the Defence portfolio.

Clear and enforceable accountabilities are fundamental to successful capability development and delivery, as well as safeguarding integrity and probity across the capability system. They ensure that decisions about the use of public resources are transparent, attributable and capable of scrutiny, giving confidence to the Defence portfolio's stewardship of significant public investment.

The Defence reforms reset portfolio accountabilities to establish a clear separation and ownership of strategic leadership, military requirements, capability delivery, and capability operation. These accountabilities and leadership structures will be supported by new directives for senior leaders in the Defence portfolio.

The diarchy of the Secretary of Defence and Chief of the Defence Force are jointly and individually accountable for overall Defence performance, including strategy, policy, investment and force posture. The Chief of the Defence Force retains responsibility for preparedness and force generation. The Secretary retains responsibility for delivering enabling capabilities, including estate and information and communication technology, as well as broader enterprise functions.

The Vice Chief of the Defence Force will lead military capability development and translate strategic guidance into integrated, prioritised investment proposals for Government through the Integrated Investment Program. Service Chiefs will continue to be responsible for introducing capability into service, capability operation and setting sustainment priorities to meet preparedness requirements.

The National Armaments Director will lead the Defence Delivery Agency and be independently accountable to the Minister for Defence and the Minister for Defence Industry. Responsibility for the delivery of military capability will move from the Secretary and Chief of the Defence Force to the National Armaments Director who will be accountable for:

- ▶ the acquisition and delivery of military capability projects that have received Second Pass approval by government;
- ▶ the delivery of sustainment and disposal services (in a service relationship with Service Chiefs); and
- ▶ providing independent advice across the capability lifecycle on delivery feasibility; optimal delivery options for individual projects and proposals; cost and feasibility; and implications for defence industry.

The Directors-General of the Australian Signals Directorate and Australian Submarine Agency will retain independent accountability for the delivery of their respective capabilities. These arrangements remain unchanged but align with the broader Defence Capability System via new portfolio-level governance arrangements.

The high-level responsibilities of each Defence portfolio entity are shown in Figure 1.

**Figure 1. High-level Defence Portfolio capability-related responsibilities**

<p><b>Department of Defence and the Australian Defence Force</b></p> <ul style="list-style-type: none"> <li>▶ Advises Government on the National Defence Strategy and Integrated Investment Program.</li> <li>▶ Ensures coherence across strategy, policy, investment, and force posture, preparedness and generation.</li> <li>▶ Integrates capability planning across the portfolio.</li> <li>▶ Delivers defined capabilities (such as Information &amp; Communication Technology).</li> </ul>	<p><b>Defence Delivery Agency</b></p> <ul style="list-style-type: none"> <li>▶ Delivers approved military capability.</li> <li>▶ Provides sustainment and disposal services.</li> <li>▶ Provides independent advice on capability delivery.</li> <li>▶ Leads stewardship of Australia's armament ecosystem.</li> <li>▶ Engages with domestic and international industry and partners.</li> </ul>
<p><b>Australian Submarine Agency</b></p> <ul style="list-style-type: none"> <li>▶ Delivers the Nuclear-Powered Submarine Program.</li> <li>▶ Manages the lifecycle of Australia's nuclear powered submarine capability.</li> <li>▶ Works with international partners and industry.</li> </ul>	<p><b>Australian Signals Directorate</b></p> <ul style="list-style-type: none"> <li>▶ Delivers cyber and signals intelligence capability.</li> <li>▶ Supports national security and decision making.</li> <li>▶ Protects Australia's digital systems.</li> </ul>

## Refining Defence portfolio governance

The Defence portfolio will operate as an integrated organisation, with new Defence portfolio-level governance arrangements established to strengthen coordination across independent organisational boundaries.

A new Defence Portfolio Board will be established by the end of 2026. The Board will be chaired by the Secretary of Defence and comprise the Chief of the Defence Force, the National Armaments Director and the Directors-General of the Australian Signals Directorate and the Australian Submarine Agency. It will consider strategic matters including investment priorities and capability-related decisions with multi-year and cross-portfolio impacts.

The Investment Committee will be dissolved and replaced by the new Capability Investment Board, chaired by the Vice Chief of the Defence Force. The Capability Investment Board will be a focused advisory forum, not a collective decision-making body, designed to provide strategic advice and decision support to the Vice Chief of the Defence Force. The Capability Investment Board will have a much smaller and more senior membership, capable of providing senior judgement and weighing trade-offs.

In 2025, the Investment Committee met 13 times, sitting for almost 60 hours. There were an additional 14 out of session meetings. In 2025, there were 26 Senior Executive Service (SES) and Star Ranked permanent Investment Committee members, and one SES-level permanently invited guest. Across 2025, the Taskforce estimates this required more than 1,600 hours in total attendance time. This does not include out of session or restricted meetings, attendance by sponsors, or time spent preparing for meetings. Meeting packs ranged between 500 and 1,000 pages. The Taskforce revealed the majority of 'recommendations' (56 per cent) to the Investment Committee did not seek any action or decision.





# The Defence Delivery Agency

The new Defence Delivery Agency, led by the National Armaments Director, will be established as a non-corporate Commonwealth entity within the Defence portfolio, under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and as an Executive Agency under the *Public Service Act 1999*.

Prior to 1 July 2027, the Defence Delivery Group will remain within the Department of Defence. The Secretary will retain accountability under the PGPA Act for corporate and administrative functions, including finance, workforce, security, performance reporting and parliamentary engagement.

The Defence Delivery Agency will deliver the acquisition, sustainment, and disposal of military capability for the Australian Defence Force while uplifting Australia's defence industry. The Defence Delivery Agency will achieve this objective through five key functions.

## Key functions of the Defence Delivery Agency

- ▶ **Delivery:** acquiring, providing services for sustaining and disposing of air, land, maritime and space capabilities in line with the National Defence Strategy;
- ▶ **Independent advice:** provide independent advice to portfolio Ministers on the delivery feasibility of capability proposals;
- ▶ **Stewarding defence industry:** provide stewardship for the domestic defence industry, support whole-of-government industrial policies, and strengthen sovereign resilience and delivery readiness;
- ▶ **Professionalisation:** build a professional delivery workforce; and
- ▶ **Specialist shared services:** provide policy advice and specialist shared services to the Department of Defence and other portfolio entities in support of capability development and delivery.

The Defence Delivery Agency will adopt shared services as a deliberate operating model. It will utilise Department of Defence corporate and enabling platforms, policies, and services where this represents the most efficient, effective, economical, and ethical use of public resources, maintaining in-house only those functions required to support its independence.



# A re-designed Defence Capability System

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The Defence reforms do not abandon the One Defence Capability System completely—they sharpen it into an end-to-end decision-making model that aligns with the new Defence Portfolio structure.

The redesigned Defence Capability system:

- ▶ establishes roles, responsibilities and decision processes for every stage of the capability lifecycle, aligned with reset accountabilities;
- ▶ provides a clear framework to manage performance at each major decision point;
- ▶ introduces processes to strengthen the quality and efficiency of early decision-making (including re-introducing a formal 'Gate Zero' for all capability proposals in the Integrated Investment Program), internal decision support, assurance and contestability; and
- ▶ establishes mandated and accountable Integrated Project Teams early in project lifecycle, requires disciplined trade-off decisions, and mandates clear documentation at every stage of the capability lifecycle.

The Defence Capability System will ensure more disciplined management of capability projects over time. It provides a single integrated system for prioritising, developing, delivering and sustaining capability at speed, establishing one accountable owner for force design, one accountable authority for capability development, one accountable authority for delivery, and improved management of cost, schedule, risk and capability outcomes.

The Defence Capability System will apply to all capability developed, delivered, operated, sustained and disposed of within the Defence portfolio that is funded through the Integrated Investment Program. Defence portfolio staff will receive training on the new system.

The Vice Chief of the Defence Force, working to the Secretary and the Chief of the Defence Force, is leading implementation of the Defence Capability System from 1 July 2026, in close alignment with the National Armaments Director in a staged process.



## Clear roles and responsibilities

The new Defence Capability System retires the roles of Capability Manager and Delivery Manager, and introduces a new, clearer role architecture.

Under the Defence Capability System:

- ▶ The **Capability Sponsor** owns the capability project before approval. They are responsible for integrating inputs from across the Defence portfolio; ensuring that all proposals are strategically aligned, operationally justified, accurately costed, technically feasible, affordable and deliverable; and for developing capability proposals for government consideration. This will include drawing on expertise from within the Defence Delivery Agency. Under the redesigned capability system, the Vice Chief of the Defence Force is the Capability Sponsor for the five warfighting domains, maritime, land, air, space and cyber.
- ▶ The **Lead Delivery Agency** owns delivery of capability projects against the approved baseline and is responsible for coordinating Fundamental Input to Capability elements within the project scope. The Lead Delivery Agency ensures that cost, schedule, risk and delivery dependencies are actively managed through to acceptance into service. The Defence Delivery Agency will be the Lead Delivery Agency for warfighting projects; Defence Digital Group will be the Lead Delivery Agency for ICT projects; and Security and Estate Group will be the Lead Delivery Agency for estate and infrastructure projects.
- ▶ The **Supporting Delivery Agency/Groups** provide specialist delivery advice and execute defined project elements under the coordinating authority of the Lead Delivery Agency.
- ▶ The **Capability Operator** owns the operational use, acceptance and introduction of capability into service, including managing sustainment requirements.

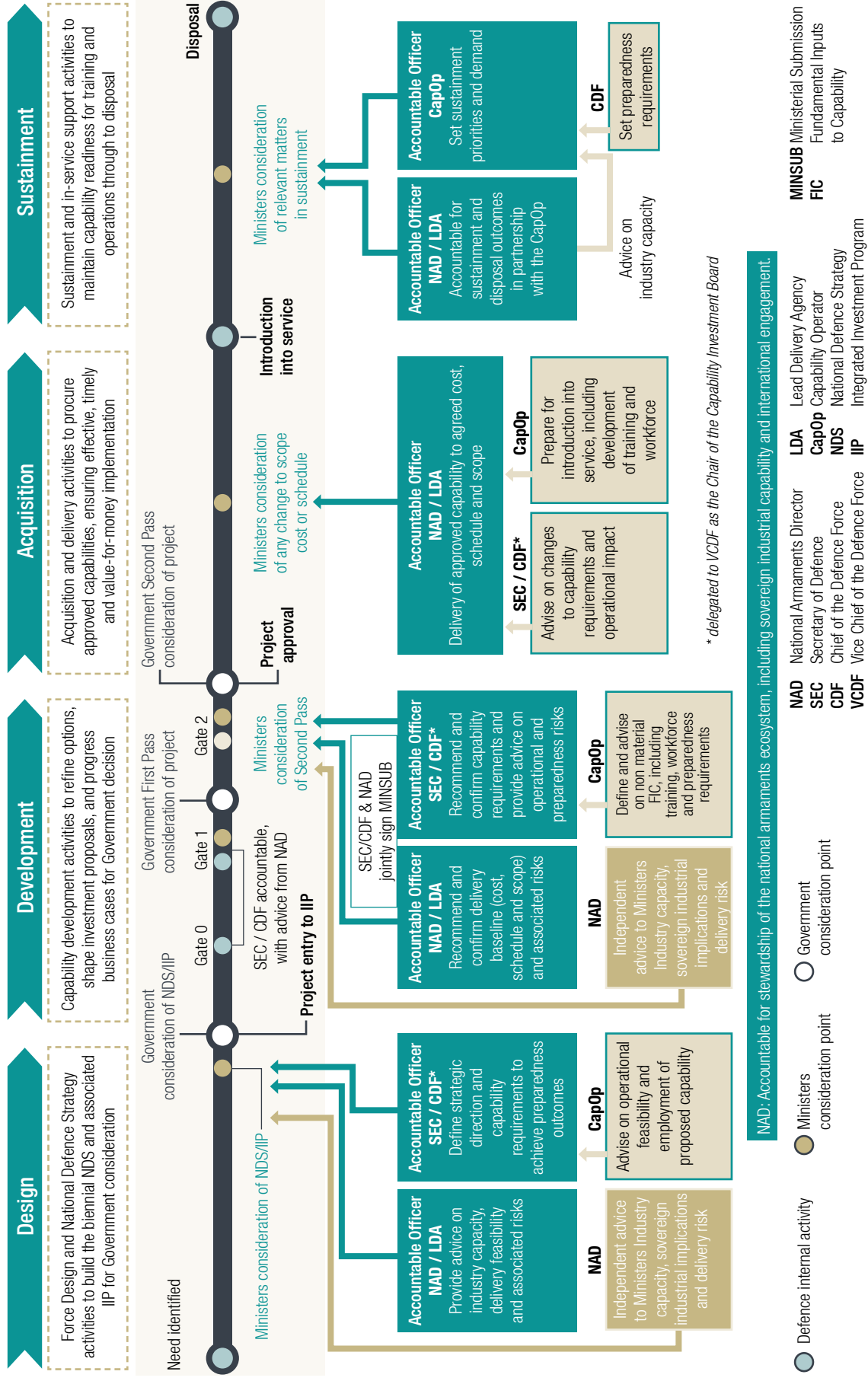
To ensure integration, all capability projects will be governed by a Requirements and Acquisition Agreement, jointly signed off at each decision point by all accountable parties (Capability Sponsor, Capability Operator and the Head of the Lead Delivery Agency or Lead Delivery Group).

Multidisciplinary Integrated Project Teams will plan and deliver a capability at the project level. The Integrated Project Team will include representatives from the Capability Sponsor, Lead Delivery Agency, Supporting Delivery Agencies, the Capability Operator and other enabling functions as required.

Integrated Project Teams will be established after a project enters the Integrated Investment Program and prior to Gate Zero, but no earlier than 6 months before the planned Gate Zero decision point. Leadership of the Integrated Project Team transitions from the Capability Sponsor to the Lead Delivery Agency upon Government approval, accompanied by a corresponding shift in resource commitment and effort.

Figure 2 illustrates the phases of the capability lifecycle and revised accountabilities and decision rights.

**Figure 2. High-level accountabilities in the Defence Capability System**





The National Armaments Director has a unique and explicit accountability to provide independent advice to the Minister for Defence and the Minister for Defence Industry at the major decision points within the capability lifecycle that set and confirm delivery feasibility: the biennial build of the Integrated Investment Program; biannual updates to the Integrated Investment Program; and at Gate 1 and Gate 2 approval for capability projects.

## Accelerating speed to capability

Speed to capability is not just achieved by improving acquisition. It requires better decisions earlier in the capability lifecycle, before delivery risks emerge.

The Vice Chief of the Defence Force will make speed to capability an explicit design and assurance test at every Defence Capability System gate to demonstrate that each decision assigns clear accountability, stabilises the delivery baseline, reduces avoidable re-work and shortens the total path from strategic need to operational effect.

In addition, Military-Off-The-Shelf (MOTS) or Commercial-Off-The-Shelf (COTS) solutions will be considered and developed for all capability options. This recognises MOTS/COTS solutions can offer viable capability outcomes with lower cost, reduced schedule risk and less delivery complexity compared to developmental capability options. It will also clearly articulate to government the costs associated with selecting a developmental or heavily customised capability option.

Consistent with the *2026 National Defence Strategy*, the Defence reforms support a focus on capability development that addresses specific strategic and operational needs and brings minimum viable capability into service as efficiently and effectively as possible. The reforms will shift effort to the points in the capability lifecycle where speed is gained: early definition of need, disciplined prioritisation, realistic affordability testing, and clear trade-offs between scope, cost, schedule and risk. It will move decision-making from procedural assurance to decision discipline, improving efficiency over the life of capability projects.

The Defence Capability System will also actively embed science, technology and industry advice early to shape requirements, reduce uncertainty and support confident adoption.

## National Defence Strategy and the Integrated Investment Program

Capability outcomes are largely determined at the design phase, when Government sets the scale, composition and sequencing of the Integrated Investment Program alongside the National Defence Strategy. Decisions taken at this stage shape all subsequent decisions across the capability cycle.

This design phase, which includes Force Design and National Defence Strategy activities, will continue to be led by the Vice Chief of the Defence Force. To strengthen advice on strategic alignment and delivery feasibility, the Secretary, Chief of the Defence Force and National Armaments Director will jointly sign off on final advice to government on the Integrated Investment Program. The National Armaments Director will provide formal advice on initial cost estimates, achievability of delivery and sovereign industry considerations.





## Reinstating a formal Gate Zero

Reinstating Gate Zero will restore a formal, transparent and disciplined early consideration point for capability proposals. Gate Zero consideration will be informed by formal advice from the National Armaments Director or Lead Delivery Agency on delivery options, feasibility and sovereign industry considerations, and from the Capability Operator on operational requirements.

The Vice Chief of the Defence Force will assess whether capability proposals represent the minimum viable capability required to achieve the operational effect, and whether a MOTS/COTS solution is viable and appropriately considered. Capability Sponsors will need to justify any requirements that exceed a MOTS/COTS baseline. A strong justification will be needed for any project that does not include a MOT/COTS option.

Where a project has a longer development pathway, Gate Zero documentation will focus on whether a proposal is suitable to proceed to detailed development, and will include a capability proposal setting out need and strategic alignment, an assessment of delivery options and associated complexity and risks.

Gate 1 and Gate 2 will continue as internal decision-points prior to submitting options for Government consideration at First and Second Pass.

## Improving delivery of sustainment and disposal

Sustainment is critical to ensuring Defence capability remains ready, safe and effective. Sustainment underpins preparedness, represents a significant proportion of total capability cost, and must be considered early in the capability development process with ongoing whole-of-life planning. Planned and disciplined disposal reduces risk, manages liabilities, and ensures compliance with legal, environmental and governance obligations.

The Defence Capability System provides a clearer allocation of sustainment accountabilities and responsibilities and corresponding governance changes.

Materiel Sustainment Agreements will remain the core control mechanism for sustainment but will be standardised and required before introduction into service, and signed by both the Capability Operator and the Lead Delivery Agency or Supporting Delivery Agency/Group.

Joint sign-off ensures sustainment services are aligned with preparedness requirements, that baseline funding is available, and that the services can be delivered within the agreed cost, schedule and risk settings. These arrangements provide a clear basis for accountability and support an appropriate balance between delivery certainty and operational flexibility.

With greater delivery certainty, Lead Delivery Agencies and Lead Delivery Groups will be positioned to consider new approaches to commercial arrangements, potentially at reduced costs.





# Improved contestation and cost estimation

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## Strengthening contestability across the capability lifecycle

Contestability and independent assurance have a critical role in improving the quality, robustness and credibility of advice and decision-making across the capability lifecycle. Contestability involves the systematic testing of assumptions, evidence, costs, risks and trade-offs.

Contestability is a driver of performance for the capability system. It can reduce re-work, shorten decision cycles and ensure projects entering the Integrated Investment Program are affordable and deliverable.

Contestability will be strengthened at every stage of the capability lifecycle. The Defence reforms structurally separate responsibility for defining capability requirements and developing the Integrated Joint Force from responsibility for delivering Defence capability projects. This provides an assurance mechanism, ensuring advice to Government on capability proposals is robust, defensible, and based on well-tested analysis.

The Department of Defence will continue to maintain a dedicated contestability function – Contestability Division. Contestability Division's role will be expanded as part of the Vice Chief of the Defence Force Group.

## Improving cost estimates for capability projects

Reliable, transparent and credible cost estimates support informed decision-making on large-scale investments in Defence capability, contributing to public confidence in Defence's management of its budget resources.

The costs of capability projects are often underestimated. This is a long-standing issue, highlighted in previous reviews of Defence procurement such as the Kinnaird Review and the Mortimer Review.

Cost estimates will never have absolute precision, particularly early in the capability development process when project engineering and design are immature. However, they must be fit-for-purpose and present a realistic assessment of likely project costs.



## Building the project cost estimation workforce

Cost estimation, modelling and assurance require specialist technical expertise. Successive reviews have identified workforce as a contributing factor to cost estimation performance.

The National Armaments Director will be responsible for centralising the project cost estimation workforce from across the Department of Defence within the Defence Delivery Agency for all capability proposals the Agency is responsible for delivering. This will build critical mass, enable peer review, improve consistency and create formal learning loops.

The Defence Delivery Agency will develop a strategic project cost estimation and assurance workforce plan to support professionalisation, lift skills development and capability, and reduce reliance on the external workforce. A scalable secondment program will also be established between the Department of Defence, the Defence Delivery Agency and the Department of Finance to build capability across government.

## Strengthening assurance of cost estimates

Internal and external assurance are critical to validate cost estimates and ensure they are robust. Internal assurance identifies issues early, while independent assurance provides objective scrutiny and counters incentives to over-promise and under-deliver.

The existing internal assurance function will be strengthened, including expanding its responsibilities to set policies and standards for cost estimates.

The Department of Finance will have a stronger external assurance role. Cost estimates will only proceed to government once the Department of Finance is satisfied they are methodologically sound and defensible, in line with other Commonwealth expenditure proposals.

Best practice cost estimation policies, processes and practices will be adopted to ensure the Defence portfolio has the ability to assess capability project costs and reduce the risk of cost growth.

## Structural improvements to cost estimation and assurance

The totality of these reforms to cost estimation and assurance will mean that across Defence, the Defence Delivery Agency and the Department of Finance there will be three sources of cost contestability in the development of capability proposals.

# Financial management framework

The restructure of accountabilities across the Defence portfolio requires a realignment of financial control and management frameworks. A clear principle underpins these changes: the entity accountable for a project controls the funding, while other entities access funding through agreed drawdown arrangements. Where that accountability transfers, funding transfers.

This model applies across the capability lifecycle, ensuring that authority, responsibility and resources are aligned at each stage. Aligning accountability with control of funding is fundamental to probity, ensuring that those responsible for decisions are directly accountable for the use of public resources.





# National Defence and resetting engagement with the defence industry

The National Armaments Director and the Defence Delivery Agency will steward Australia's sovereign defence industrial base as part of the broader whole-of-government approach to National Defence. Early engagement with industry will be a key focus for the Defence Delivery Agency. Effective stewardship is a key driver of delivery performance because it strengthens alignment between policy intent, Defence demand and industrial capacity.

In exercising this function, the National Armaments Director is accountable for the longterm health, coherence and resilience of Australia's defence industry, in consultation with Lead Delivery Agencies and Groups. This includes ensuring Defence capability delivery is aligned with national security objectives, sovereign defence industrial priorities and whole-of-government industry and innovation policy.

Stewardship focuses on sector wide outcomes over time, rather than individual projects, balancing immediate delivery requirements with enduring national interest.

The National Armaments Director will reset the relationship between Defence and industry, bringing together industry engagement across the portfolio. The Defence reforms remove duplication and provide clarity around the division of responsibilities, particularly for international engagement.

For industry, this means clearer visibility of Defence's likely demand, priorities and direction of travel. That allows businesses to make better-informed decisions about where to invest, how to prepare and reduce uncertainty, lower the amount of risk priced into contracts, and improve conditions for competition and performance.

The National Armaments Director's stewardship role will involve three broad responsibilities:

- ▶ **System stewardship:** taking a system-wide view of the health, resilience and long-term integrity of the defence industrial base, and aligning defence industry activity with broader Government policy and public interest outcomes.
- ▶ **Capability and institutional knowledge:** building and maintaining the market intelligence, contract knowledge, data and analytical capability needed to understand industry performance, identify risks and improve delivery decisions.
- ▶ **Partnerships and leadership:** strengthening partnerships across Defence, government, industry and international counterparts, and embedding a professional, predictable and strategically coherent engagement model.



**Figure 3.** Overview of the Defence Industry Stewardship Framework

Outcome	Action
System stewardship and long-term public interest, alignment with whole-of-government national security, industry and innovation policies	
Coherent advice	Long-term stewardship of the sovereign defence industrial base, ensuring advice, decisions and actions consider known and reasonably foreseeable long-term implications and support the public interest over time.
Set and sustain coherent strategic direction	Translate strategy into clear priorities, consistent demand signals and stewardship settings that guide investment and action across government and industry, balancing immediate priorities with enduring outcomes. This includes driving continuous improvement by identifying opportunities to strengthen stewardship settings and improve how the system performs over the long-term.
Capability and institutional knowledge	
A more capable and knowledgeable defence	Build, maintain and apply deep institutional knowledge and core expertise relevant to defence industry stewardship.
Build enduring systems to support the advice	Ensure enduring capability and continuity of people, systems and processes – so stewardship outcomes are sustained across time, transitions and changing priorities, including maintaining a repository of experience, insight and lessons learned.
Partnerships and system leadership	
Trusted, predictable partnerships that reduce information asymmetry	Build and sustain effective partnerships with industry, internationally and across government to align effort, share insight and coordinate action in support of system outcomes.
Operate in line with Australian Defence Force and Australian Public Service values	Promote and model the Australian Defence Force and Australian Public Service Values, including stewardship, through personal example and appropriate leadership practices. Represent the Australian Defence Force and Australian Public Service with professionalism and integrity in defence industry engagement, maintaining trust, confidence and credibility in Australian Defence Force and Australian Public Service stewardship.

The responsibility for future iterations of the Defence Industry Development Strategy will transfer to the Defence Delivery Agency. This includes setting policy and executing plans for the development of sovereign defence industrial priorities identified in the Defence Industry Development Strategy.





# Building and retaining a professional workforce and Defence culture

Defence is delivering some of the most complex and ambitious capability programs in Australia's history. Sustaining capability delivery at this scale, complexity and duration requires a highly professional workforce with the right skills, structures, leadership, culture and behaviours.

The Defence reforms set out a comprehensive approach to building greater capability and a performance-driven workforce. This includes the Professionalisation Program, and development of a plan to establish professional standards and career streams for the Australian Defence Force and Australian Public Service personnel in capability development-related fields.

## Culture in Defence

Defence will implement a range of tangible actions to support the required workforce, including:

- ▶ **Enhanced performance management of leaders.** The performance agreements for senior Australian Public Service and Australian Defence Force leaders will be revised, through the next performance cycle, to include a new "Key Expected Result" for supporting the Defence reforms and modelling the required cultural and behavioural standards.
- ▶ **Appropriate resource allocation.** The Secretary, Chief of the Defence Force, and the National Armaments Director will develop prioritisation frameworks within their organisations, with the frameworks to guide and reset the allocation of resources within each entity on an ongoing basis and ensure alignment with the National Defence Strategy and portfolio priorities.
- ▶ **Improvements to recruiting.** Defence and the Defence Delivery Agency will establish new recruitment frameworks to attract the best people, aligned to each entity's distinct identity and cultural principles. The frameworks require stronger independent representation on panels, a broader suite of inputs to make recruitment decisions and proven alignment with the cultural principles a key criteria.

# Professionalisation Program

The Professionalisation Program establishes foundational standards, accelerates capability uplift and embeds professional systems and behaviours across the delivery workforce, aligning workforce investment with priority capability outcomes and areas of highest delivery risk. The Program stabilises project teams, reduces contractor reliance and rebuilds internal delivery capability.

The National Armaments Director will be responsible for implementation of the Professionalisation Program, targeted to skilling at a portfolio level but with a focus on professionalisation uplift for the Defence Delivery Agency

**Figure 4. Professionalisation Program**

Professionalisation Program	
<p><b>Preparatory Year: Design and Stand-up</b> (1 June 2026 to 30 June 2027)</p>	<p>Structured establishment period to stand-up the governance, operating model, staffing and data foundations required. The preparatory year will allow the group to establish structures, staffing, and key products.</p>
<p><b>Year 1: Build the Foundation</b> (1 July 2027 to 30 June 2028)</p>	<p>Establish the authority, standards and baseline for workforce uplift. Key options include mandatory credentialed development pathways and establishing a talent management and workforce governance function.</p>
<p><b>Year 2: Certify and Mobilise</b> (1 July 2028 to 30 June 2029)</p>	<p>Credential the workforce and activate mobility at scale through mandatory credentials for core roles, industry secondments and international exchanges. Key options include structured on the job learning, learning partnerships, strengthened Head of Profession role for complex project management and guardrails for team composition.</p>
<p><b>Year 3: Embed Excellence</b> (1 July 2029 to 30 June 2030)</p>	<p>Embed professionalisation as standard with assurance monitoring and reporting, mature quarterly dashboards and the Professionalisation Index, and normalise performance-based contracting with external benchmarking. Key options to be implemented this year include strategic, portfolio-level workforce planning and workforce prioritisation frameworks to inform key decisions, and embedded contractor knowledge transfer requirements.</p>

## Change Management and Transition

The Defence reforms specifically call for shifts in behaviours, decision-making and workforce capability to drive delivery performance improvements. Change management and consultation will be delivered as an enterprise function, ensuring implementation is aligned across Groups and Services. Implementation will be phased over the 2026–27 transition year, with activities sequenced to manage interdependencies, maintain business continuity and ensure readiness for the establishment of the Defence Delivery Agency.

Defence workforce engagement is critical. Change activities will incorporate structured communication and consultation with affected personnel and relevant union representatives consistent with *Defence Enterprise Collective Agreement 2024* obligations. Communication will be clear, timely and aligned to key decision points.

## Australian Defence Force postings

The relatively short length of posting cycles for Australian Defence Force members in capability-related roles is a factor impacting on the professionalisation of Defence's capability workforce.

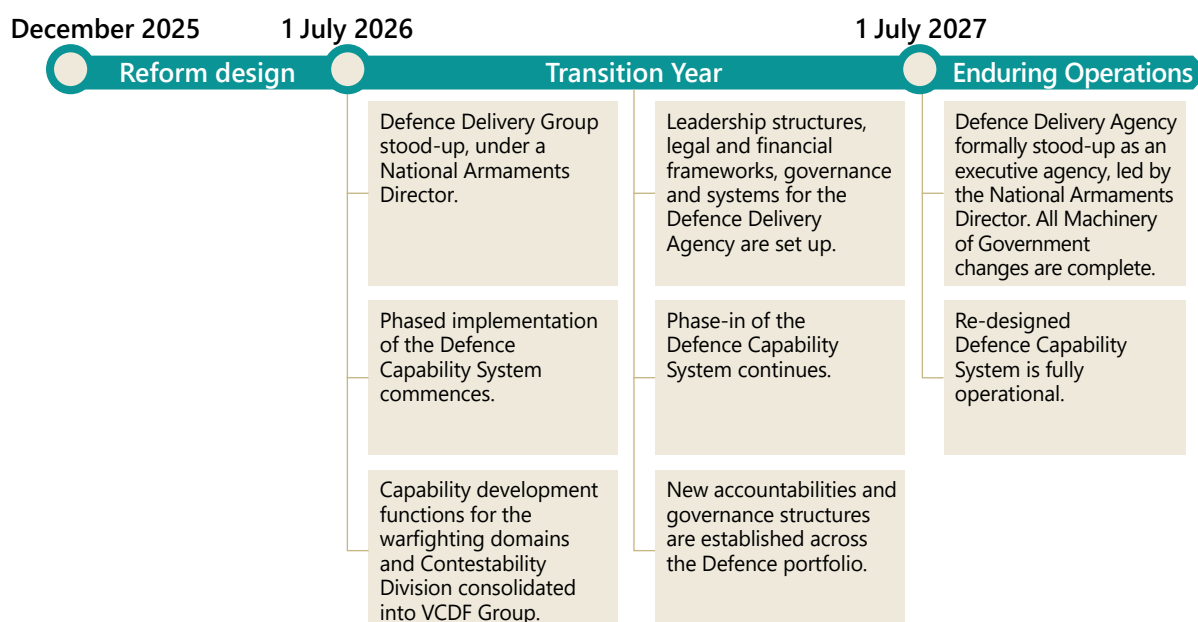
Advice will be provided to the Government in due course on extending Australian Defence Force posting durations in order to strengthen expertise and continuity in capability-related roles, including mitigations for potential impacts on career progression.





# Implementing Defence reforms

**Figure 5.** High-level implementation timeline



Effective 1 July 2026, the Defence Capability System has been re-designed and capability development functions from the five warfighting domains have been consolidated under the Vice Chief of the Defence Force. At the same time, capability delivery in the Capability Acquisition and Sustainment Group, Naval Shipbuilding and Sustainment Group and Guided Weapons and Explosive Ordnance Group will be brought under a single organising structure.

The year of transition to the Defence Delivery Agency will establish the new architecture for the Defence portfolio, with defined accountabilities for capability development, delivery and advice.

During this year, the Vice Chief of the Defence Force, working to the Secretary and the Chief of the Defence Force, will lead a phased implementation of the redesigned Defence Capability System, in concert with the National Armaments Director.

The Secretary and the National Armaments Director will stand up the Defence Delivery Agency as an independent executive agency. This will require Machinery of Government changes, workforce transfers, updates to governance arrangements and fit-for-purpose shared services and financial agreements.



Dedicated transition teams (the Defence Transition Support Team and the Defence Delivery Agency Establishment Team) will support the transition during the year of transition to the Defence Delivery Agency.

The Defence Delivery Agency will be established on 1 July 2027, with the capability, resources, governance and operational autonomy needed to effectively deliver from day one. The Defence portfolio will operate as an integrated system that translates strategy into capability.

The Department of Defence will ensure that capability delivery continue uninterrupted, and will keep the workforce informed and supported throughout the year of transition to the Defence Delivery Agency.

A comprehensive Monitoring and Evaluation Framework will underpin implementation, with a focused set of performance measures to track progress and outcomes. Ongoing review and refinement will continue to ensure alignment to Australia's dangerous and unpredictable strategic circumstances.

