

## EXECUTIVE MINUTE

on  
JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT  
REPORT No.475

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

#### Response to the recommendations

##### *Recommendation No. 1, paragraph 2.9*

*The Committee recommends that the Department of Defence maintain momentum to implement recommendations of the First Principles Review relating to the creation of a strong strategic centre and that the department report to the Committee on progress towards full implementation, including the evaluation framework, within six months of tabling this report.*

##### **Response: Agree**

#### **Summary & six month progress report**

Defence has undergone significant transformation, implementing 73 of the 75 recommendations from the First Principles Review, achieving a step change in organisational effectiveness and efficiency.

The two remaining First Principles Review recommendations relate to ongoing Capability Acquisition and Sustainment Group reform across the network of Systems Program Offices. This work is complex, with each Systems Program Offices being reviewed to ensure it is operating as efficiently as possible. These reforms will be closely monitored to ensure demonstrable progress and completion by 2023.

Notwithstanding the significant progress that has been achieved to date, Defence remains committed to the principles at the heart of the First Principles Review, and to building on these foundations. This includes strengthening the strategic centre through implementation of the One Defence business model and embedding the One Defence Leadership Behaviours within all levels of Defence.

To ensure Defence is agile, operationally effective and responsive to Government priorities and the changing strategic environment, Defence will continue to become more outcomes-orientated, and deliver results in the most cost-effective and efficient manner.

To do this, Defence is developing and implementing a continuous reform and improvement agenda over the next three years, which will include monitoring, evaluation and reporting on reform progress. By embedding a continuous improvement culture and maintaining a disciplined focus on our reform priorities, Defence will continue to evolve and adapt to meet Australia's changing strategic circumstances.

***Recommendation No. 2, paragraph 2.16***

*The Committee recommends that the Department of Defence report back to the Committee on progress in implementing the recommendations of the First Principles Review relating to enabling services, workforce and behaviour within six months of tabling this report. The Committee also recommends that Department of Defence report back to the Committee on any outcomes identified by implementation of these recommendations.*

**Response: Agree**

**Summary & six month progress report**

Defence notes that all First Principles Review recommendations relating to enabling services, workforce and behaviour have been implemented. However, Defence acknowledges the importance of continued reinforcement for these changes and that cultural change in particular is a long-term process.

**Enabling Services**

The First Principles Review of Defence has been a driver in progressing integrated service delivery across Corporate Enabling functions, to improve collaboration and streamline internal processes for better customer outcomes. Building on the Service Delivery Framework refresh in 2018, seven key integrated service delivery projects have been identified:

- a pilot of integrated customer service centres that consist of all the enabling services at seven Defence sites across Australia. The 'ServiceConnect Hubs' provide face-to-face access to the enabling groups, including Human Recourses and Information and Communication Technology services and support for amenities and estate issues. The aim of the hubs is to provide seamless, customer focused service delivery outcomes;
- development of an Interim Incident Management System;
- redesign of the Defence intranet;
- streamlined on-boarding for the Defence workforce;
- integrated off-boarding for the Defence workforce;
- consolidation of forms; and
- a single sign on for Defence systems.

Additionally, the Facilities Infrastructure Program of the Integrated Investment Program has been fully integrated into Defence's Capability Life Cycle. The Smart Buyer process is undertaken for estate proposals and external expert advice on available disposal options is now included in business cases for disposal of sites.

**Workforce**

Defence has produced a strategic workforce plan, which was a recommendation of both the Defence White Paper, and the First Principles Review. This plan provides an in-depth analysis of Defence's workforce and workplace over a ten year planning horizon.

It considers:

- workforce development and movement;
- focuses on how our workforce can be grown and deployed to improve performance; and
- includes strategies for reshaping and reskilling the workforce.

Defence also has subordinate plans addressing specific workforce risks at the Group, Service and Capability levels, including the development of a strategic workforce plan for both the cyber and intelligence workforces.

Defence has also expanded its Science and Technology Cadetship program across Defence, previously only within Defence Science and Technology Group. The Cadetship program provides Defence with a high performing, early talent pipeline to both develop Defence's Australian Public Service Science, Technology, Engineering and Mathematics (STEM) workforce capability and deliver on Departmental STEM commitments.

We are actively considering the future of the workforce and the desired flexibility (technologically and geographically) that staff will want. In the Australian Public Service, we seek to support men and women on parental leave and our recent Flexible Work Awareness Campaign has provided renewed awareness for supervisors and staff of the range of work arrangements available to suit individual and workplace circumstances. In the Australian Defence Force context, the "Total Workforce Model" provides more flexible career options, including easier transfer between different patterns of service, such as full-time, part-time and permanent part-time.

#### Workforce – Organisational Layers

Defence has 14 layers and this remains unchanged from the March 2015 First Principles Review baseline. The number of organisational layers reflects the necessity of military rank and command structures. The Australian Defence Force's military rank structure and layers align to those of Australia's principal allies and coalition partners which aids exchanges and inter-operability. The high integration of military members and Australian Public Service employees in Defence leads to more layers compared with other Australian agencies.

Notwithstanding the impact of the military rank structure on Defence's organisational layers, concerted effort has been undertaken to streamline and reduce the organisational layers affecting the Australian Public Service workforce and increase management spans of control.

#### Behaviours

Defence continues to build an environment where leaders at all levels are accountable for a positive culture. *Pathway to change: Evolving Defence Culture 2017-22* underpins Defence's cultural reform agenda. This strategy builds on our experiences from the First Principles Review, and identifies six priority areas for continued improvement:

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

Defence fosters a workplace environment where the expected behaviours are clear and reinforced at every step of a person's employment journey. Even prior to formal recruitment action we are assessing the extent to which an individual's values align with the organisation. Defence values differences, and demonstrates fair, respectful and inclusive behaviour, with the aim of attracting and retaining the most capable individuals to support us in delivering on our mission. We have:

- developed the One Defence Leadership Behaviours to support our cultural intent;
- embedded these Behaviours throughout people policies and process including recruitment, training, leadership development and performance management;
- changed our approach to performance to focus on how work is delivered;
- focussed on leadership accountability and awareness through role charters, performance conversations, climate data and mandatory 360 degree feedback for senior leaders;
- ensured reward and recognition initiatives are in place so that we can hold out the positive behaviours we wish to reinforce;
- supported more than 1,100 Executive Level employees to attend *Leading for Reform*, which coaches leaders in driving a high performance culture;
- provided training to ensure staff are aware of unconscious bias and what constitutes culturally appropriate conduct in the workplace (partnering with Special Broadcasting Service); and
- introduced Customer Service Delivery Behaviours to guide and reinforce Defence's commitment to improving service delivery. They articulate the service delivery culture Defence is working towards and make it clear these behaviours are what Defence wants to be known for.

To the Committee's specific request for feedback on the learnings through implementation, cultural reform and reinforcement is a long, deliberate process and requires ongoing dedicated human and financial resourcing to ensure it can be sustained. Our experience to date highlights the following key components are critical to success:

- integration of consistent cultural reform message across all reform activities and throughout people policies and initiatives;
- senior leaders and managers walking the talk;
- balance is required between the focus of policies and initiatives to address negative behaviours as well as those which exemplify positive behaviour;
- communication and education must be multi-faceted, across many channels, and continue to evolve and mature as the organisation does; and
- measurement is vital, data must be used from across the organisation to produce strategic intelligence about our progress.

***Recommendation No. 3, paragraph 2.19***

*The Committee recommends that Department of Defence report back to the Committee after six months of tabling this report with an update on the timeframes for reform of the System Program Offices.*

**Response: Agree**

**Summary & six month progress report**

Capability Acquisition Sustainment Group (CASG) System Program Offices (SPO) are embracing SPO reform, and the completion of SPO reform is expected to be ongoing until 2023. In some instances, lessons learnt from other areas of CASG, or innovative ways of accomplishing SPO reform may change the initial plan for reform, for the better. Consequently, there is some variability in timeframes for accomplishing SPO reform. CASG manages baselines for SPO reform and collates reporting, on a two monthly basis of the progress of SPO reform.

***Recommendation No. 4, paragraph 3.15***

*The Committee recommends that in relation to the naval construction programs, the Department of Defence report back to the Committee in July 2019 with an update on estimated financial costings that were previously released in the 2016 White Paper.*

**Response: Agree in Principle**

**Summary**

The 2016 Defence Integrated Investment Program provided broad guidance over a 20 year view (based on our understanding at the time of release) of the funding requirements in relation to the naval construction program, with delivery of some of these programs, for instance submarines and frigates, extending beyond this period.

The Department of Defence's estimates for its \$89 billion Naval Construction Programs remain unchanged as at the most recent Integrated Investment Program Bi-Annual review informing the Defence Portfolio Budget Statements 2019-20.

***Recommendation No. 5, paragraph 3.16***

*The Committee recommends that the Department of Defence should review its requirements around quality of sustainment costing at the second-gate process and update the Committee on outcomes of this review and any changes necessary to its capability lifecycle manual.*

**Response: Agree**

**Summary**

As outlined in the Capability Lifecycle Manual, Defence currently meets the Estimates Memorandum 2017/55 requirements set out in Budget Process Operational Rules to provide a 'Total Cost of Ownership' estimate to support Second Pass Government consideration. Sustainment costs at Second Pass are generally based on tender-quality costs, current capability, and/or longer-term parametric modelling.

Defence is currently undertaking a review of the Capability Lifecycle Manual to further enhance Capability Manager Accountabilities, in accordance with the First Principles Review, to ensure Defence delivers what was approved by Government within budget and scope. Defence will update the Committee following this review if there are any updates to the Capability Lifecycle Manual.

***Recommendation No. 6, paragraph 3.21***

*The Committee recommends that the Department of Defence provide a copy of its workforce plan to the Committee and summarise the key mitigation strategies in the plan to meet the workforce requirements of the naval shipbuilding program over the short, medium and long term.*

**Response: Agree in Principle**

**Summary**

The then Minister for Defence, the Hon Christopher Pyne MP, launched the Naval Shipbuilding Strategic Workforce Discussion Paper on 15 February 2019. Submissions on this Discussion Paper were sought by 29 March 2019 to help guide further actions and initiatives to support the development of the naval shipbuilding workforce. This input from businesses and other interested parties will help inform the continuous workforce planning being undertaken in support of the National Naval Shipbuilding Enterprise. The Naval Shipbuilding Strategic Workforce Plan is expected to be finalised later in 2019.

For the Committee's reference, a copy of the Discussion Paper, which includes proposed mitigation strategies to meet naval shipbuilding workforce requirements over the short, medium and long term, can be found at:

<http://www.defence.gov.au/NavalShipBuilding/Docs/NavalShipbuildingStrategicWorkforceDiscussionPaper.pdf>.

**Greg Moriarty**  
Secretary  
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12 August 2019

**Angus Campbell, AO, DSC**  
General  
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13 August 2019