

Joint Standing Committee on Foreign Affairs, Defence and Trade

Review of the Defence Annual Report 2015-16 –17 February 2017

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: Decision Cycle

Question reference number: 2

Senator: Fawcett

Type of question: Written

Date set by the committee for the return of answer: 14 March 2017

Question:

Senator FAWCETT: Can you also provide on notice some feedback in relation to the comment made by Dr Davies about the forecast number of decisions that would need to go through first and second pass, and given the past process Defence had it would be almost impossible to achieve that. One of the intentions of First Principles Review in this new framework was to expedite that decision cycle, so I would be interested if Defence could provide an update on how this new smart buyer model is being implemented, how it is being measured, and your trend forecast for achieving the decision cycle that you need.

Vice Adm. Griggs: Dr Davies is probably not aware of what has changed already, under FPR, and that is a very traditional NSC focused view. During the 2016 white paper deliberations we came to an agreement with government about what needed to go to NSC, what could be done by two ministerial or a single minister. The financial thresholds—which, you would recall, were a recommendation of the review to lift those thresholds—were very single dimensional. They were purely about the cost of a project. What we are in the process of doing is working with government to adopt, in conjunction with central agencies and with the full support of central agencies, their smart buyer risk approach to deciding on the approval pathway that is required. That changes the landscape considerably. Otherwise, if we were stuck with everything going through NSC, then Dr Davies would be correct: it would be very challenging to achieve those sorts of numbers. We are currently in the process of working through a revision to that and trying to move away from a strict financial threshold to a risk based threshold.

Answer:

Financial thresholds as the key determinant for the Government approval authority and pathway do not adequately account for the complexity and scale of the approvals included in the Defence Integrated Investment Program (IIP).

Historically, Cabinet level approval has been sought for proposals that may be high in overall dollar value, but are low in strategic significance or complexity. An example of this would be a follow-on buy for large order/low value items, such as helmets, or for low-risk projects where there may only be a single capability option or solution set.

The Government is considering a risk based approach to project and program approvals, rather than a strict dollar threshold. This would leverage the SmartBuyer risk framework, developed under the First Principles Review, to assess a project's risks and tailor the Government approval pathway. This initiative would assist in delivering the IIP by streamlining the approval process.

This approach is supported by the Force Design cycle, which Defence will use to shape the future force structure and prioritise the investment portfolio. A four-year cycle will enable Defence to provide a Force Design Update to government, based on assessing and addressing future force gaps and opportunities. The process also includes an annual cyclical review designed to provide input and adjustments to the IIP, and an agile response mechanism to address a rapid change in government priorities or operational requirements.