

Project Data Summary Sheet¹

Project Number	SEA5000 Phase 1
Project Name	HUNTER CLASS FRIGATE DESIGN AND CONSTRUCTION
First Year Reported in the MPR	2019-20
Capability Type	Replacement
Capability Manager	Chief of Navy
Government 1st Pass Approval	Apr 16
Government 2nd Pass Approval	Jun 18
Budget at 2nd Pass Approval	\$6,184.0m
Total Approved Budget (Current)	\$6,148.2m
2022–23 Budget	\$725.1m
Complexity	ACAT I



Section 1 – Project Summary

1.1 Project Description

As a foundation project in the Government's Continuous Naval Shipbuilding Program, SEA5000 Phase 1 – Hunter Class Frigate (HCF) Design and Construction (the project) will deliver nine HCF optimised for anti-submarine warfare to maintain the Royal Australian Navy's (RAN) Surface Combatant capability and replace the current Anzac Class Frigates.

This new generation of major surface combatants will provide the RAN with the critical capability required to defend Australia well into the future. The HCF will contribute to air and surface warfare defence, as well as serving its primary mission of anti-submarine warfare.

The project is currently approved for the Design and Productionisation (D&P) stage, which includes:

- Progressing detailed design;
- Prototyping works; and,
- Procurement of Long Lead Time Items (LLTI) for Batch One Build.

The head contract is with BAE Systems Maritime Australia, a subsidiary of BAE Systems Australia (formally ASC Shipbuilding Pty Ltd). The HCF will be constructed in Osborne, South Australia.

1.2 Current Status

Cost Performance

In-year

As at 30 June 2023, Financial Year (FY) 2022-23 expenditure is \$742.1m against FY 2022-23 budget of \$725.1m. The variation is mainly driven by higher than forecast Foreign Military Sales (FMS) disbursements for the combat management system; and, increase in supply chain costs and activity within the head contract.

Project Financial Assurance Statement

As at 30 June 2023, project SEA5000 Phase 1 has reviewed the projects approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial contractual obligations of Defence for this project, current known risks, and estimated future expenditure, Defence considers that as at the reporting date there is sufficient budget including contingency remaining for the project to complete against the agreed scope.

Contingency Statement

The project has not applied contingency in the FY 2022-23.

Schedule Performance

In June 2018, Government approval was granted for the D&P stage, inclusive of prototyping and procurement of LLTI for Batch One production. This has enabled the design of the mission and support systems to proceed, together with mobilisation of BAE Systems Maritime Australia to the Osborne South Naval Shipyard ahead of prototyping, which commenced on schedule in December 2020.

As reported in previous MPRs, the completion date (planned November 2020, achieved December 2022) for the Mission System System Definition Review (SDR) drove delays to subsequent design reviews. The project also experienced schedule variance due to delays in the design maturity of the United Kingdom's (UK) Type 26 Program, which is the Reference Ship Design for the HCF. These delays in the UK were exacerbated by the COVID-19 pandemic.

In June 2021, the Government agreed to the deferral of the Ship One Cut Steel Milestone by up to 18 months, to no later than June 2024. This has enabled the Commonwealth of Australia (Commonwealth) and BAE Systems Maritime Australia to address design maturity and develop a contractible offer for the Batch One Build Scope. This in turn will enable the commencement of the construction of Ship One no later than June 2024. The extended prototyping period now includes the construction of four HCF

Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in **Part 3** of this report.

<p>blocks, in addition to the five Type 26 blocks that were approved by Government in 2018. The project intends to use the four additional prototyping blocks in the construction of the Ship One.</p> <p>The project is expected to return to Government for consideration of the Batch One Build proposal and Second Pass funding approval in early 2024.</p> <p>While there are significant risks and challenges, as would be expected for a project of this complexity, the project is on track to commence Ship One construction in Quarter 2, 2024. The Commonwealth continues to work with BAE Systems Maritime Australia on mitigating risks, managing issues and any associated impacts to the project.</p> <p>In 2022-23 key activities achieved included the Support System - System Definition Review (SS-SDR), and the second Integrated Baseline Review (IBR2).</p>
<p>Materiel Capability/Scope Delivery Performance</p> <p>The current scope of the head contract addresses the D&P stage, inclusive of prototyping and procurement of LLTI for the Batch One Build stage. Under the existing head contract D&P scope and budget, BAE Systems Maritime Australia will also fabricate a 'proof of concept test rig' as a risk reduction measure for the fabrication of the Ship One mast.</p>
<p>Note</p> <p>Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

1.3 Project Context

<p>Background</p> <p>The project will form the foundation of the Government's Continuous Naval Shipbuilding Program, as announced in the 2017 National Naval Shipbuilding Plan. The project is in the D&P stage, and will progress through multiple Government decision-making points for subsequent project stages.</p> <p>The project was initiated in June 2014 with an Initial Pass approved by Government to commence capability development activities. Key activities and announcements over subsequent years included:</p> <ul style="list-style-type: none"> • August 2015 Government announced bringing forward the Future Frigate program to replace the Anzac Class Frigates as part of a continuous onshore build program to commence in 2020. • September 2015 Interim Pass approved by Government for CEA Technologies Pty Ltd Radar Development activities. • November 2015 Interim Pass approved by Government to progress a Competitive Evaluation Process (CEP). • April 2016 First Pass approval for SEA5000 Phase 1 to complete the CEP based on tenders received from three ship designers. • October 2017 Government announced decision to select the Aegis Combat System (ACS) together with an Australian Interface developed by Saab Australia Pty Ltd as the Combat Management System solution for the Future Frigate. • June 2018 Government announced BAE Systems Maritime Australia's Global Combat Ship – Australia (GCS-A) as the capability best suited to Defence needs. The nine frigates were classed as the Hunter Class Fast Frigate Guided. <p>In February 2022, the project sought Interim Pass approval from Government to contract BAE Systems Maritime Australia to construct four additional prototyping blocks in addition to the five it is contracted to build under the current D&P scope. The aim is to:</p> <ul style="list-style-type: none"> • Provide the minimum necessary additional production scope to ensure no redundancies are required in the core production workforce and maintain reasonable continuity of production skill sets; and, • Reduce cost, risk, and uncertainty while improving design maturity and schedule durations to ensure the Commonwealth and BAE Systems Maritime Australia can execute an arrangement for the Batch One Build scope which is affordable and acceptable to the Commonwealth.
<p>Uniqueness</p> <p>The project, delivering nine anti-submarine warfare frigates to the RAN, is one of the largest naval ship building projects ever undertaken in Australia.</p> <p>SEA5000 Phase 1 will be delivered in a number of stages to achieve the objectives of Continuous Naval Shipbuilding, with each stage requiring separate approvals by Government to ensure the project remains within cost constraints.</p> <p>While the principles of the One Defence Capability System will be applied to the project, due to the longevity, and staged nature of the project, a unique approach will be required to manage the nine ships through the life cycle. An example of this is the requirement to return to Government for approval to commence construction and sustainment for each of the three batches of ships and their support system.</p>
<p>Major Risks and Issues</p> <p>The project is currently managing risks at both a strategic and tactical level. Strategic risks identified within Section 5 broadly fall under a number of key areas being:</p> <ul style="list-style-type: none"> • Ship design maturity; • Combat System Integration; • Operating capability delivered to Navy; and, • Navy workforce.
<p>Other Current Related Projects/Phases</p> <ul style="list-style-type: none"> • N/A.
<p>Note</p> <p>Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

Section 2 – Financial Performance²

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
Project Budget			
Jun 14	Original Approved (Initial Pass Approval)	62.8	
Sep 15	Interim Pass Approval	52.6	1
Jan 16	Pre First Pass Approval	22.1	2
Apr 16	Government First Pass Approval	208.2	
Oct 17	Interim Pass Approval	55.5	3
Jun 18	Government Second Pass Approval	5,782.7	
	Total at Second Pass Approval	6,184.0	
Aug 19	Real Variation – Transfer	3.3	4
Sep 22	Real Variation – Transfer	(9.8)	5
Mar 23	Real Variation – Transfer to DST05000 Phase 1	(12.5)	6
Mar 23	Exchange Variation	(16.8)	
		(35.8)	
Jun 23	Total Budget	6,148.2	
Project Expenditure			
Prior to Jul 22	Contract Expenditure – BAE Systems Maritime Australia	(1,006.7)	
	Contract Expenditure – FMS Case (AT-P-GSC)	(205.3)	
	Contract Expenditure – CEA Technologies Pty Ltd	(61.7)	
	Contract Expenditure – FMS Case (AT-P-LFZ)	(45.2)	
	Contract Expenditure – Saab Australia Pty Ltd	(35.1)	
	Contract Expenditure – Raytheon Australia Pty Ltd 1	(13.6)	
	Contract Expenditure – Raytheon Australia Pty Ltd 2	(17.3)	
	Other Contract Payments / Internal Expenses	(442.6)	7
		(1,827.6)	
FY to Jun 23	Contract Expenditure – BAE Systems Maritime Australia	(537.6)	
	Contract Expenditure – FMS Case (AT-P-LFZ)	(76.3)	
	Contract Expenditure – CEA Technologies Pty Ltd	(37.0)	
	Contract Expenditure – FMS Case (AT-P-GSC)	(7.4)	
	Contract Expenditure – Raytheon Australia Pty Ltd 2	(5.6)	
	Contract Expenditure – Saab Australia Pty Ltd	(3.1)	
	Other Contract Payments / Internal Expenses	(75.1)	8
		(742.1)	
Jun 23	Total Expenditure	(2,569.7)	
Jun 23	Remaining Budget	(3,578.5)	
Notes			
1	CEA Technologies Pty Ltd Radar Development Program.		
2	Initiating the CEP for Future Frigates.		
3	Conduct further combat system development activities and to secure critical support staff.		
4	Funding transfer between Capability Acquisition and Sustainment Group (CASG) and Security and Estate Group (formerly known as the Estate and Infrastructure Group) to address funding shortfall with the Naval Capability Infrastructure Subprogram.		
5	Funding transfer between CASG and Navy to address funding shortfall due to Interim Arrangement.		
6	Funding transfer between CASG and Defence Science and Technology (DST) Group.		
7	Other Contract Payments/Internal Expenses comprise of; Project and Commercial Support payment totals to (\$216.6m) (including Deloitte Touche Tohmatsu (\$35.9m)), CEP participants payment totals to (\$122.5m) and Technical Support payment totals to (\$117.2m) (including Raytheon Australia Pty Ltd \$3.6m).		
8	Other Contract Payments/Internal Expenses comprise of; Project and Commercial Support payment totals to (\$59.0m) (including Deloitte Touche Tohmatsu (\$4.9m) and BAE Systems Maritime Australia (\$1.0m), and Technical Support payment totals to (\$15.8m).		

Notice to reader

2. As per the JCPAA 2022-23 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
600.4	724.9	725.1	<u>Portfolio Budget Statement (PBS) to Portfolio Additional Estimate Statement (PAES)</u> : The budget has increased by \$140.6m in FY 2022-23 and by \$32.8m in FY 2023-24 compared to the latest endorsed plan, primarily due to future payments of UK license fee on achievement of design zone separation and the ramp up of activities within the BAE Systems Maritime Australia head contract. <u>PAES to Final Plan</u> : variance due to Real Variation - Transfer to DST05000 Phase 1 and exchange rate variations.
Variance \$m	124.5	0.3	Total Variance (\$m): 124.7
Variance %	20.7	0.0	Total Variance (%): 20.8

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		5.1	Australian Industry	The variation is mainly driven by higher than forecast FMS disbursements for the combat management system; and, increase in supply chain costs and activity within the head contract.
		(3.3)	Foreign Industry	
		-	Early Processes	
		0.8	Defence Processes	
		14.4	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
725.1	742.1	17.0	Total Variance	
		2.3	% Variance	

2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 23 \$m			
CEA Technologies Pty Ltd 1	Nov 14	0.9	50.0	Variable	Standard Defence Contract	1, 5
Saab Australia Pty Ltd	Nov 14	2.4	46.7	Variable	Standard Defence Contract	7, 5
United States (US) Government (AT-P-GSC)	Jan 16	5.5	255.2	Reimbursement (for FMS)	FMS	3, 5
BAE Systems Maritime Australia	Dec 18	1,904.1	2,567.4	Variable	Standard Defence Contract	4, 5
Odense Maritime Technology	Mar 19	0.3	61.3	Variable	Standard Defence Contract	4, 5
Raytheon Australia Pty Ltd 1	Apr 19	6.8	13.6	Variable	Standard Defence Contract	2, 5
Raytheon Australia Pty Ltd 2	Oct 19	9.0	34.6	Variable	Standard Defence Contract	2, 5
IBM Australia Limited	Apr 20	3.5	12.0	Firm or Fixed	Standard Defence Contract	5, 8
US Government (AT-P-LFZ)	Sep 20	626.6	964.1	Reimbursement (for FMS)	FMS	5, 9
CEA Technologies Pty Ltd 2	Sep 21	27.8	136.1	Firm or Fixed	Standard Defence Contract	1, 5
Notes						
1	CEA Technologies Pty Ltd 1 refers to continuing risk reduction radar development activities including initial design work, initial platform integration and support for the Aegis/CEAFAR interface development. CEA Technologies Pty Ltd 2 refers development and testing of new interface between US Aegis and CEA Technologies Pty Ltd Phased Array Radar (CEAFAR2) Phased Array Radar Systems.					
2	Raytheon Australia Pty Ltd 1; Initial requirements verification and validation including development of a detailed design and progression towards Operation Readiness Review for the Maritime Information Environment (MIE). Subsequent extensions provide for hardware maintenance, software licenses and support costs. Raytheon Australia Pty Ltd 2; Initial provision of specialist combat system technical support services for specialist services in support of combat management system activities and subsequent take up of option to extend to support continuous combat system development, which also includes uptake of additional personnel.					
3	The US Government Initial Memorandum of Understanding was for SEA5000 Feasibility and Technical Integration Study. Contract value was increased for additional Feasibility and Technical Risk Reduction Studies including CEAFAR/Cooperative Engagement Capability and integration of CEAFAR into the ACS. Contract value also includes acquisition of LLTI for Development Sites.					

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4	D&P for HCF Contract changes include inclusion of shipyard licence fees, facilities management services, Functional Baseline review, the Maritime Information Environment, and the Interim Arrangement, as well as the removal of some Australian Interface scope.
5	Contract values as at 30 June 2023 are based on actual expenditure to 30 June 2023 and remaining commitment at current exchange rates, and includes adjustments for indexation (where applicable).
6	Contract for Delivery of Shipbuilding Strategy Report, subsequent contracts for project management support.
7	Initial Contracts for combat system studies and subsequent contracts for technical support and de-risking activities for the combat management systems and radar platform integration.
8	Services relating to the MIE, the CASG Protected Maritime Information and Communications Technology network across Naval Shipyards and Defence establishments for the use of Commonwealth and Industry to support continuous Naval Shipbuilding and Sustainment.
9	Initial amount for the acquisition of Australian Surface Combatants ACS long lead items. Amendment includes additional major weapons system equipment.

2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 23		
CEA Technologies Pty Ltd 1	N/A	N/A	Continuing risk reduction radar development activities including initial design work, initial platform integration and support for the Aegis/CEAFAR interface development.	-
CEA Technologies Pty Ltd 2	N/A	N/A	Development and testing of new interface between US Aegis and CEAFAR2 Phased Array Radar Systems.	-
Saab Australia Pty Ltd	N/A	N/A	Combat System Risk Reduction and Support.	-
US Government (AT-P-GSC)	N/A	N/A	Feasibility and Integration studies and acquisition of LLTI.	-
US Government (AT-P-LFZ)	3	3	Three shipsets of ACS long lead items.	1
BAE Systems Maritime Australia	N/A	N/A	D&P for HCF.	-
Raytheon Australia Pty Ltd	N/A	N/A	Supply of Combat Systems Technical Support Services.	-
Odense Maritime Technology	N/A	N/A	Identification of Support Requirements during D&P stage.	-
IBM Australia Ltd	N/A	N/A	MIE support services.	-
Major equipment accepted and quantities to 30 Jun 23				
N/A				
Notes				
1	The US Government (AT-P-LFZ) quantity is three to fulfil the requirement of first batch of three ships.			

2.4 Australian Industry Capability

Summary
The project has contracted Australian Industry Capability (AIC) targets based on opportunities to maximise internationally competitive Australian industry involvement which is captured in CEA Technologies Pty Ltd, BAE Systems Maritime Australia, Saab Australia Pty Ltd, AIC Plan in support of their program & project management, systems integration, data management, business intelligence support and assurance activities.
The project has no contracted AIC targets or AIC Plan for its US Government FMS acquisition as the US Foreign Government arrangement does not include the contractual provision or obligations for Australian Industry Content.
There is no AIC targets or AIC Plan for Odense Maritime Technology and IBM Australia Ltd as they are one of several contractors under the CASG-wide Major Service Provider contract that provides above the line work force to projects.
Note
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Requirements	Mission System and Support System	Sep 19	N/A	Sep 19	0	1
System Definition Review	Mission System	Nov 20	Apr 22	May 22	18	1, 2
	Support System	Nov 20	Mar 23	Dec 22	25	1, 2, 3

Preliminary Design Review (PDR)	Mission System	N/A	Oct 23	Oct 23	N/A	1, 2, 4
Critical Design Review (CDR)	Mission System CDR	Nov 22	N/A	Sep 25	34	2, 5
	Mission System (Final Critical Design Review (FCDR))	Jun 24	N/A	Mar 27	33	2, 5
	Support System (Support System Critical Design Review (SSCDR))	Apr 25	N/A	To Be Announced (TBA)	N/A	2, 5
Notes						
1	The achieved/forecast dates for the System Requirements Review (SRR), SDR and PDR design reviews are based on the date that the associated head contract Key Milestone were achieved or is forecast to be achieved. Achievement of SRR and Mission System SDR (MSSDR) were September 2019 and May 2022 respectively. It is noted that head contract Key Milestones are generally achieved a number of months after the conduct of the design review exit event to enable the Key Milestone Criteria (e.g. closure or downgrading of action items) to be completed.					
2	The delayed achievement of the MSSDR, primarily as a result of design delays experienced in the UK Type 26 Program, has driven delays to subsequent design reviews. It is noted that the MSSDR included an element that was focused on the Land Based Test Site (Development and Sustainment) (LBTS (D&S)).					
3	In Quarter 3, 2021, the conduct of the SS-SDR exit event was deferred to October 2022, by mutual agreement between the Commonwealth and BAE Systems Maritime Australia, in order to enable the Integrated Logistics Support artefacts to be further matured thus significantly increasing the likelihood of achieving an optimal outcome from the design review process.					
4	The Commonwealth and BAE Systems Maritime Australia have agreed to the scope of the PDR. The PDR exit event will be conducted in July 2023 and will be focused on setting the Allocated Baseline (for the design of the Batch One ships and the LBTS (D&S) and examining options to control the accumulation of risk into the detailed design leading into the Batch One Build stage. As reported in the 2021-22 MPR, the forecast date is October 2023 to align with the head contract Key Milestone date for PDR that is based on the Commonwealth's acceptance of the Key Milestone Progress Certificate. It is noted that the acceptance of a Progress Certificate for a Design Review is a number of months after the Design Review exit event to enable the closure or downgrading of action items that arise during the activity.					
5	Forecast dates for events occurring more than 18 months from the current date are not robust and should be considered indicative dates only as the Commonwealth and BAE Systems Maritime Australia are in the process of re-baselining the schedule for the D&P scope beyond the PDR event. The D&P scope schedule re-baseline activity was completed in August 2022 in advance of the IBR2 conducted in November 2022. BAE Systems Maritime Australia formally proposed the dates listed in the table for SSCDR and FCDR in November 2022, with a date for SSCDR to be proposed once the Contract Change Proposal for support system functional baseline has been agreed.					

3.2 Contractor Test and Evaluation Progress

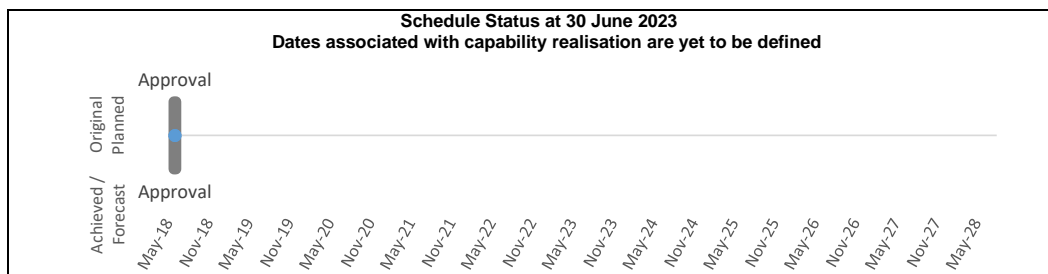
Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Integration	Prototyping commencement	Dec 20	Dec 20	Dec 20	0	-
	Ship One Build commencement	Dec 22	N/A	Jun 24	18	1, 2
Acceptance	Ship One	TBA	N/A	TBA	N/A	3
Notes						
1	In June 2021 the Government approved the deferral of the Ship One Build Commencement (Ship One Cut Steel) milestone date from December 2022 to no later than June 2024. The forecast date identified above refers to the milestone currently being worked to by the Commonwealth and BAE Systems Maritime Australia. It is noted, however, that the Batch One Build scope will be subject to Government Second Pass Approval in early 2024 to enable Commonwealth and BAE Systems Maritime Australia to include this scope within the head contract prior to June 2024.					
2	The risk to the achievement of the Ship One Cut Steel milestone remains, but the milestone is currently considered achievable. The 'production by design zone' methodology allows construction of low risk blocks to commence in June 2024 as forecast, which enables the design for higher risk and more complex blocks to mature.					
3	This milestone is expected to be defined by Government Second Pass Approval in early 2024.					

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	TBA	TBA	N/A	1, 2
Initial Operational Capability (IOC)	TBA	TBA	N/A	1, 2
Final Materiel Release (FMR)	TBA	TBA	N/A	1, 3
Final Operational Capability (FOC)	TBA	TBA	N/A	1, 3
Notes				
1	SEA5000 Phase 1 has approval to procure LLTI, perform prototyping and detail D&P of the HCF.			
2	These milestones are expected to be defined by Government in early 2024 when approval for Batch One Build is sought.			
3	These milestones are expected to be defined by Government in subsequent Second Pass Approvals.			

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Note
 Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 4 – Materiel Capability/Scope Delivery Performance

4.1 Measures of Materiel Capability/Scope Delivery Performance

Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance	
Not Applicable	Green: The project does not currently have any materiel capability delivery approved. The project is currently approved for the D&P stage, inclusive of prototyping and procurement of LLTI for the HCF. Capability requirements continue to be refined and assessed against the Second Pass approved scope, cost and schedule. The project is expected to return to Government in early 2024 to seek approval of the scope and funding required for the Batch One Build stage.
	Amber: As described in Section 5, the project is currently managing a variety of technical risks related to the achievement of Navy materiel capability requirements. These risks are primarily related to the integration of the combat system into the UK Type 26 reference ship design, and constraints arising from design margin and fundamental naval architecture limits being reached.
	Red: N/A
Note	
This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.	

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	Note 1	Not yet Achieved
Initial Operational Capability (IOC)	Note 1	Not yet Achieved
Final Materiel Release (FMR)	Note 1	Not yet Achieved
Final Operational Capability (FOC)	Note 1	Not yet Achieved
Notes		
1	The project has approval to procure LLTI, perform prototyping and detailed D&P of the HCF. These milestones are expected to be defined by Government in subsequent Second Pass Approvals.	

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
1	There is a risk that HCF design may exceed the naval architecture limits on weight and stability at the completion of the D&P scope, which may limit or provide in-service growth margins that substantially limit future capabilities.	The project is tracking naval architecture limits and design margins closely through head contract deliverables such as the Margin Monitoring Program, the Quarterly Weight Report, and the Mandated System Review process. The next mandated review is the PDR planned for July 2023.
2	There is a risk that change decisions are made without understanding technical, cost and schedule implications during the D&P scope that leads to schedule slippage, cost growth, and an inability to achieve holistic technical performance objectives in future project scope.	The project has established and placed on contract the Mission System Functional Baseline and is now progressing towards the Allocated Baseline. Approved configuration change processes are in place. The rating of the risk has been reduced to Medium since the FY 2021-22 report due to the completion of SDR and the allocation of a Functional Baseline.

3	There is a risk that the HCF design is not sufficiently mature at the completion of the D&P scope to commence and maintain continuous, efficient production in Quarter 2, 2024 which will impact the ship delivery program.	Design maturity is being achieved via a staged release approach. The maturity of design zones is sequenced to ensure spatial design, planning, and procurement activities are completed to support the shipyard production schedule.
4	There is a risk that the combat system integration into the ship is not sufficiently mature at the completion of the D&P scope to support achievement of the zonal design process which will impact the expected capability requirements for future project scope.	The project, BAE Systems Maritime Australia, and other key combat system suppliers will refine their combat system integration and assurance roles through an update to the head contract Statement of Work and deliverables such as the Engineering Management Plan, System Integration Plan and Combat System Assurance Plan.
5	There is a risk that the Navy is unable to raise, train and sustain future Navy workforce prior to ship delivery which will impact the ability to support future Navy capabilities and provide seaworthiness assurance.	The project, with Navy and BAE Systems Maritime Australia, will identify training opportunities such as high fidelity simulators, and conduct workforce modelling/analysis to identify key skillsets required.
Emergent Risks (risk not previously identified but has emerged during 2022–23)		
Ref#	Description	Remedial Action
N/A	N/A	N/A

5.2 Major Project Issues

Ref#	Description	Remedial Action
N/A	N/A	N/A

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
In line with Defence instruction and CASG Lessons policy, the project conducts scheduled reviews of its captured lessons information (including any observations, insights and/or lessons identified) as well as lessons information contained within the Defence Lessons Repository. The project has captured five lessons related to Contract Management, First of Type Equipment, Schedule Management, Governance, and Requirements Management. Three project lessons are provided below (note this does not include all project lessons):	The project has not categorized any of its lessons information as a whole-of-Defence Lesson Learned.
Lesson Type – Observation. Government Furnished Material, data and information requirements need to be clearly defined, articulated and agreed between the platform designer, the various branches, divisions and System Program Office's responsible for delivery, and materiel suppliers. This is required in terms of both the level of data maturity required, and schedule required by dates to enable the platform designer to meet key project milestones.	Schedule Management
Lesson Type – Observation. A Lessons and Opportunities Framework finalised and agreed to ensure lessons learnt are more robustly captured, assessed and where relevant encapsulated within processes, plans and procedures.	Lessons Learnt Processes
Lesson Type – Observation. A Quality Management Plan compliant with CASG Quality Management System and in accordance with the guidance included in International Organisation for Standardization Standard 9004:2018 is required to ensure continuous and sustained success particularly within a project that is highly complex.	Quality Management

Section 7 – Project Structure

7.1 Project Structure as at 30 June 2023

Unit	Name
Division	Major Surface Combatants and Combat Systems Division
Branch	Hunter Class Frigate

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