Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry Portfolio
Additional Budget Estimates Hearing 2013-14
27 February 2013

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY

TOPIC: Budget Pressures and Staffing

REFERENCE: Written Question – Senator Bushby

QUESTION No.: AI-98

1. Can the Agency confirm that it has faced recent budget pressures, potentially including risk of losses? If so, when did the agency begin to exceed its estimates or realise it was facing difficulties for forward periods?
2. Can the agency outline the reason for the erosion of its financial position from start of year figures?
3. Are there any particular unfunded pressures the agency face? If so, have any of these pressures been funded in previous years from provisions that have since been cut or ceased?
4. Can the agency advise if it has made a submission to the Department of Finance for funds to manage staff reductions, drawing on the provision provided in MYEFO?
5. If so, to what extent did the agency meet the relevant criteria for applying for funding?
6. Can the agency advise how many successive operating losses it has incurred, and if it has discussed with Finance or Ministers the question of funding levels or service expectations?
7. Can the agency outline its current and forward plans for staff reductions, including redundancies?
8. How many of these reductions and redundancies relate to efficiency dividends and how many relate to decisions made in the 2013 budget or earlier to cease or terminate programs?
9. Can the agency advise its ratio in percentage terms of staffing costs to non-staffing costs?
10. In relation to the implementation of efficiency dividends and other funding reductions, can the agency advise if it has been planning more of a reduction on the staffing side or the non-staffing side, relative to the agency's respective share of its overall cost base?
11. Can the agency advise in which of the forward financial years it will face the greatest staffing reduction? Is the agency's current plans of staff reductions to get its staff level for July 2014 at the level it is funded for in 2014-15?
12. Can the agency outline what criteria is being applied to vet applications for redundancies or to select functional areas in which to concentrate overall staff reductions?
13. Can the agency advise how many positions it has sought to have treated as requiring recruitment from the open market under current arrangements for centralised government vetting of recruitment proposals? How many exemptions has the agency been given to permit recruitment, bulk recruitment and boutique?
14. Can the agency advise how soon after the 2013 budget night it was able to identify what the staffing profile needed to be over the forward estimates?
15. Can the agency advise if its staffing figures published in the 2013 budget papers were accurate? If not, why not?

ANSWER

DEPARTMENT OF INDUSTRY

1. The Department is managing within existing resources. The potential for an operating loss would be a technical accounting loss in relation to timing differences in the recognition of external revenue and expenditure.

2. Since the start of the 2013-14 financial year the Department has changed due to Machinery of Government changes announced on the 18 September 2013 (that changed the composition of functions delivered by the department) and programme variations.

3. Refer to the response to question 1.

4. The Department has not made a submission to the Department of Finance for funds to manage staff reductions.

5. Not applicable.

6. The Department has not incurred successive operating losses since it was created in 2007. Any operating losses incurred since creation have been due to technical accounting issues.

7. The Department is currently reviewing its budget for the remainder of 2013-14 and has commenced planning for 2014-15 and the forward estimates. Staffing costs will be considered as part of this process.

8. Refer to the response to question 7.

9. As reported in the 2013-14 Portfolio Additional Estimates Statements the Department's ratio between staffing and non-staffing costs for 2013-14, including depreciation, is 61:39.

10. Refer to the response to question 7.

11. Refer to the response to question 7.

12. The Department has concentrated its approach to redundancies on programmes which have either ceased or significantly reduced. Other redundancies have been granted where, following a restructure or review, the department has identified positions that are no longer required.

13. The Department has sought approval for two exemptions. The Department has been granted both exemptions, one for a specialist scientific position and one for the 2015 graduate program.

14. Since the 2013-14 Budget the composition of the functions delivered by the Department has changed due Machinery of Government changes announced on the 18 September 2013.

15. The staffing figures published in the 2013-14 Budget papers were accurate at the time of publication and since this time the composition of the Department has been changed as a result of the Machinery of Government changes announced on the 18 September 2013.

AUSTRALIAN INSTITUTE OF MARINE SCIENCE (AIMS)

1. AIMS will incur a loss this financial year. Assuming Appropriation and External revenue remains as per the current budget then it will have a balanced cash budget in 2014-15. It will still however make a depreciation related accounting (non-cash) loss. All losses were pre-approved and not unexpected.

2. AIMS' financial position has not eroded from start of year figures. The forecast operating loss was known at the start of the financial year.

3. Currently AIMS has unfunded annual depreciation expenses resulting in an operating loss and an associated reduced ability to fund future asset replacements. This outcome is not due to funding cuts.

4. AIMS has not made any submissions to the Department of Finance for this matter.

5. Not applicable.

6. AIMS incurred an operating loss in 2011-12 financial year and will incur an operating loss in the current year. The financial losses for both years have been approved by the Finance Minister. AIMS has discussed funding levels and service expectations with Ministers.

7. Currently AIMS has no forward plans for forced staff reductions or redundancies.

8. Not applicable.

9. In 2013-14 the forecast ratio of staffing cost to non-staffing costs is 51:49. This ratio is based on the non-staffing category being based on operating expenses only, capital expenditure has not been included.

10. AIMS has implemented an extensive program over the last 10 years to reduce non-labour costs. Future reductions associated with efficiency dividends or budget cuts will need to be weighted towards labour.

11. AIMS labour levels are forecast to be level over the forward estimates period. This is subject to current forecast Appropriation funding levels being retained and achieving planned growth in external revenue.

12. Not applicable.

13. As a CAC Act agency AIMS has not been required to submit for centralised government vetting of recruitment proposals. It has therefore not been granted any exceptions to recruit. AIMS has however implemented additional internal review/approval process to minimise open market recruitment. Under these arrangements AIMS has (or is in the process of) recruiting nine positions since 31 October 2013, with one exception they are all fixed term positions.

14. Immediately as AIMS had modelled several scenarios prior to the budget being announced.

15. AIMS' staffing figures published in 2012-13 budget papers were accurate at the time of preparation of the budget. However, AIMS' staff levels vary from month to month depending on the extent of externally contracted research.

AUSTRALIAN NUCLEAR SCIENCE AND TECHNOLOGY ORGANISATION (ANSTO)

1. ANSTO continues to achieve a balanced budget by focussing on maximising external revenues and applying restraint to operational budgets. The operating losses that have been reported since 2006-07 are non-cash in nature, and are almost entirely due to the accounting treatment applied to ANSTO's ongoing decommissioning program.

2. In accordance with the Australian Accounting Standards, ANSTO is required to reflect the estimated costs of its long-term decommissioning and restoration process relating to its nuclear reactor and related assets. The change in ANSTO's financial figures is due to this accounting process along with some reduction in external revenue from ANSTO's commercial operations.

3. No.

4. Yes.

5. ANSTO met the criteria.

6. Refer to the answer to question 1. ANSTO regularly communicates with the Department of Finance on this matter.

7. ANSTO is currently reviewing its budget for the remainder of 2013-14 and has commenced planning for 2014-15 and the forward estimates. Any staffing reductions will be considered as part of this process.

8. Refer to the response to question 7.

9. In 2013-14 the forecast ratio of staffing costs to non-staffing costs is 48:52. Refer to the response to question 7.

10. Refer to the response to question 7.

11. Refer to the response to question 7.

12. ANSTO is a CaC agency and ANSTO staff are not employed under the Public Service Act. The question is therefore not applicable to ANSTO.

13. The projected staff levels were accurate but not exact. PBS numbers varied slightly from the forecast. The actual positions for 2012-2013 were 1,244, up by 20 positions on forecast.

14. Refer to the answer to question 14.

AUSTRALIAN SKILLS QUALITY AUTHORITY (ASQA)

1. Not applicable. ASQA is a newly established agency (July 2011) still in the process of recruiting a full complement of staff.

2. Not applicable.

3. Not applicable.

4. ASQA has not made any submission to the Department of Finance for funds to manage staff reductions. ASQA is a newly established agency (July 2011) and still in the process of recruiting a full complement of staff.

5. Not applicable.

6. ASQA has incurred operating losses approved by the Minister for Finance for 2011-12, 2012-13 and 2013-14. These operating losses were approved to provide for ASQA’s unfunded depreciation and amortisation expenses and as a result of delays in the transition of States to National VET regulation.

7. ASQA has no plans for staff reductions at this point however there is flexibility in the staffing profile which includes a mix of ongoing, non-ongoing APS employees and auditors engaged on a contracting basis.

8. Not applicable

9. ASQA’s ratio in terms of staffing vs non-staffing costs is 62:38.

10. In relation to the implementation of efficiency dividends and other funding reductions, ASQA would seek to reduce the non-staffing side rather than the staffing side of its budget.

11. No, ASQA's staffing profile is consistent over the forward years reflecting its forward estimates.

12. Not applicable.

13. ASQA has previously sought approval from the APSC to advertise three ongoing positions and has to date received approval to advertise one of those as an ongoing position to APS employees only.

14. Following budget night, ASQA was able to immediately identify the required staffing profile needed over the forward estimates.

15. ASQA's average staffing level (ASL) of 211 was accurate at the time the 2013-14 PBS was published. The effects of the restrictions on recruitment have slowed ASQA's performance in achieving the published ASL.

COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANISATION (CSIRO)

1. In April 2013, CSIRO announced a savings program comprising labour related savings initiatives to reduce total CSIRO expenditure by 2.5% with a further 2.5% reduction from operational cost savings. This savings program was initiated to respond to a number of issues including a volatile external earnings environment, meeting the maintenance requirements of our properties and operating our national facilities, government efficiency measures, and Enterprise Agreement salary increases.

2. Further pressure on CSIRO's 2013-14 financial position is due to:
    - a continuing reduction of its external co-investment and consulting revenue particularly from the Commonwealth government sector;
    - delays in implementing its 2013-14 redundancy program through extensive consultation with staff; and
    - higher than expected consultancy costs relating to capability and advice that CSIRO needs to apply but doesn't retain in its permanent staffing complement.

3. CSIRO continues to face pressures from 'unfunded depreciation' which is the deficit between the depreciation funding received from government in CSIRO's appropriation and its actual depreciation expense. Since 2011-12 CSIRO has received relief from government in the form of a loss approval for unfunded depreciation relating to assets funded by EIF/NCRIS programs and to its recent property revaluation. In that same period CSIRO has requested but not received relief for unfunded depreciation relating to the national facilities owned and operated by CSIRO on behalf of the nation (the Australian Animal Health Laboratory, the Australian Telescope National Facility, and the Marine National Facility). In the 2013-14 financial year, CSIRO has funded $17.7m in redundancy costs which had not been budgeted. CSIRO is making best efforts to offset these costs by other savings during the course of the year.
4. Yes.

5. CSIRO's staff reductions in 2013-14 are in part due to the increase in the efficiency dividend and other savings measures previously announced by Government which reduced CSIRO's funding. The amount requested by CSIRO to assist in managing the consequential staff reductions does not provide full relief for the redundancy costs incurred. The staff losses have impacted all levels of seniority and both science and non-science staff, some with a significant

length of service with CSIRO. The average cost per redundancy in CSIRO has been $91k not the $42k pp criterion provided by Department of Finance.

6. CSIRO last reported an operating surplus in 2011-12 with a result that reflected resolution on a number of WLAN licence agreements. Adjusting for the impact of WLAN licensing proceeds, CSIRO has reported operating losses in the last five financial years (2012-13 to 2008-09 inclusively). CSIRO has engaged in discussions with the Department of Finance and its Minister regarding funding levels and the impact of funding constraints on the organisation's ability to deliver science outcomes and impacts for the nation.

7. CSIRO continues to reduce its staff to achieve the Average Staffing Level (ASL) advised in the 2013-14 PBS associated with delivering a balanced operating budget in the current financial year. CSIRO is still developing its budget for 2014-15 and the out years and is not yet able to confirm forward plans for staff reductions. However some redundancies and savings will be realised through the recently announced revised operating arrangements. The precise number of staff losses arising from these changes has not been confirmed at the time of preparing this answer.

8. As noted in response to Question 1, CSIRO announced a savings program in April 2013 to reduce total expenditure to respond to a number of issues including a volatile external earnings environment, meeting the maintenance requirements of our properties and operating our national facilities, government efficiency measures, and Enterprise Agreement salary increases. As CSIRO has approached this from a whole of organisation perspective, it is not possible to attribute any single savings activity to a specific budgetary issue.

9. In CSIRO's 2013-14 budget, the ratio of staffing costs to non staffing costs is 56:44 respectively.

10. In recent years CSIRO has been driving down non-science costs through tight control of operating expenditure and increased efficiency in operations so as to optimise its expenditure on science. The cumulative effect of these various efficiency programs means that there are now limited opportunities to gain further cost savings from relatively simple interventions and further increases of efficiency dividends and other funding reductions will result in reductions in staff.

11. CSIRO seeks to achieve a balanced budget (including delivering to any approved loss position) in each year of the budget and forward estimates. CSIRO is still developing its budget for 2014-15 and the out years and is not yet able to confirm forward plans for staff reductions.

12. CSIRO does not have a voluntary redundancy scheme through which staff 'apply' for redundancy. However, staff may indicate an interest in substituting for another officer who is potentially redundant in certain circumstances.

    CSIRO determines the areas across science and non-science in which to concentrate overall staff reductions taking a variety of factors into account including the opportunity to achieve operational efficiencies, the relative strategic importance of the field of science, the lifecycle of science-related project work and the sustainability of sources of external revenue.

13. As a CAC Act agency CSIRO is not covered by these arrangements.

14. No adjustment was required to the staffing profile in 2013-14 after the release of the 2013-14.

15. CSIRO is currently on track to achieve the 2013-14 ASL figures published in the 2013 Budget papers.

GEOSCIENCE AUSTRALIA (GA)

1. As a matter of course GA's ongoing work planning and budget processes include consideration of its cost structure, including staffing costs and its available appropriation, in particular efficiency dividend impacts and its variable revenue from other federal and state/territory agencies (s31). Adjustments to expenditure to avoid the risk of losses over the forward estimates were identified as part of the MYEFO budget estimates process in October/November 2013.

2. Over recent years GA's total revenue has increased to include approximately 30 per cent (approx. $60m in 2013-14) of own-sourced revenue, derived solely from federal and state government agencies. GA is forecasting a reduction in the s31 revenue in 2014/15 and the forward estimates.

3. No.

4. Yes.

5. GA submitted an application for funding to assist in managing staff reductions in 2013-14 and outlined the business case demonstrating the relevant criteria were met.

6. GA has not had any successive unapproved operating losses (ie. operating loss excluding depreciation).

7. In February 2014 GA announced its plan for staff reductions and invited expressions of interest from staff for voluntary redundancies. It is anticipated that GA's staff will reduce by approximately 90 by 30 June 2014 as a result of this plan.

8. The reductions are to ensure financial sustainability in the light of cost increases, including salary growth, efficiency dividends, other savings measures and a forecast significant decline in section 31 revenue.

9. GA's staffing costs as a proportion of total staffing and supplier costs is approximately 50:50.

10. GA plans to maintain the existing ratio of staffing costs to non-staffing costs.

11. GA plans to have its reduced staffing level in place by the end of 2013-14, for the 2014-15 and forward estimates funding level.

12. GA has implemented an appropriate structure and skills capability to deliver its forward work program and has vetted applications for redundancy accordingly to ensure no critical skill departures.

13. One request has been submitted to the APSC to request open recruitment for the 2015 Graduate Program (10 positions). Approval has been given to advertise.

14. As a matter of course GA's ongoing work planning and budget processes include consideration of its cost structure, including staffing costs and its available appropriation, in particular efficiency dividend impacts and its variable revenue from other federal and state/territory agencies (s31). Adjustments to expenditure in recognition of a reduced staffing profile were identified as part of the MYEFO budget estimates process in October/November 2013.

15. Yes.

IP AUSTRALIA

1. IP Australia has not faced any recent budget pressures beyond the normal economic cycle inherent in the cost recovery business model. IP Australia operates on a cost recovery basis with only a minor government appropriation. IP Australia has not incurred an operating loss since 2008-09 and is not subject to the Efficiency Dividend.

2. Not applicable.

3. Not applicable.

4. IP Australia has not made any submissions to the Department of Finance, for funds to manage staff reductions.

5. Not applicable.

6. Not applicable.

7. IP Australia does not have any current or forward plans to reduce staff. IP Australia has not offered, given or planned any redundancies for the 2013-14 financial year.

8. None – IP Australia has not nor does it have any plans to offer redundancies.

9. IP Australia's ratio between staffing and non-staffing costs for 2013-14 is 70:30.

10. Not applicable.

11. IP Australia does not have a plan regarding reducing staff levels. Levels are set to meet demand from customers under the cost recovery funding model and any staff reductions will be achieved via natural attrition.

12. IP Australia is not applying a criterion to vet redundancies as it does not have a plan to reduce staff using redundancies.

13. IP Australia has not advertised in the open market since the introduction of centralised government vetting of recruitment proposals. At this stage IP Australia has not been given any exemptions to permit recruitment, bulk recruitment or boutique recruitment.

14. The staffing profile for the financial estimate period is set before the relevant Portfolio Budget Submission is published based on estimates of customer demand under the cost recovery funding model.

15. The staffing figures IP Australia published in the 2013-14 Portfolio Budget Statements were an accurate estimate.

NATIONAL OFFSHORE PETROLEUM SAFETY AND ENVIRONMENTAL MANAGEMENT AUTHORITY (NOPSEMA)

1. Not applicable. Agency revenue is lower than forecast due to decreased industry activity levels and delays in submissions of environment plans, safety cases and well operations management plans for assessment. Costs are also below budget forecasts and at this stage the reduction in costs matches the decrease in revenue.

2. Refer to the response to question 1.

3. Significant changes to the offshore petroleum environment regulations have imposed additional costs however these costs are transitory in nature and the changes will ultimately deliver benefits to industry through increased efficiency and reduced duplication. The burden on the Regulator is also reduced through simplifying and clarifying regulatory requirements.

4. No submission has been made to Department of Finance for funds to manage staff redundancies.

5. Not applicable see response to question 4.

6. NOPSEMA had one year of operating losses in 2012-13. Through the Cost Recovery Impact Statement process, the Agency has advised the Minister and Department of Finance requirement for funding in future periods and revised funding base for current period. Levy and ratings for cost recovery for safety and environment functions were revised as of January 2014.

7. Not applicable as NOPSEMA is currently operating below budgeted Average Staffing Level (ASL).

8. Not applicable as NOPSEMA is cost recovered from industry.

9. NOPSEMA's ratio between staffing and non-staffing costs for 2013-14 is 75:25.

10. Not applicable as NOPSEMA is cost recovered from industry.

11. Not applicable as NOPSEMA has no plans to offer redundancies.

12. Not applicable as NOPSEMA has no plans to offer redundancies.

13. NOPSEMA have requested and been granted exemptions for 10 positions.

14. Not applicable. The 2013 Budget had no impact on the NOPSEMA staffing profile as it is industry funded.

15. The ASL published in 2013 Budget Papers were accurate for 2013 Budget.