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68 Submission No:

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Mr Russell Chafer
Committee Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Mr Chafer

The Australian Institute of Family Studies (AIFS) appreciates the opportunity to make a submission to the Inquiry into the effect of the efficiency dividend on small agencies.

AIFS is a Melbourne-based Australian Government statutory agency established in February 1980 under part XIVA of the *Australian Family Law Act 1975*. The Institute's status as a statutory agency under the *Commonwealth Authorities and Companies Act 1997* (CAC Act) was revoked on 30 June 2006 and established as a prescribed agency under the *Financial Management and Accountability Act 1997* (FMA Act), and a statutory agency under the *Australian Public Service Act*, on 1 July 2006.

As a result of the machinery of government changes in 2007, AIFS moved from the Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) portfolio to the Prime Minister and Cabinet (PM&C) portfolio.

The functions of AIFS are to identify the factors affecting marital and family stability in Australia by conducting, encouraging and coordinating research, and to promote the protection of the family as the fundamental group unit in society.

With an average staffing level of approximately 58 people and an appropriation of \$4.2m for 2008-09, the Institute is one of the smallest of the agencies that come under the definition of 'smaller agency' as defined for the purposes of this inquiry.

The Institute has received no significant increases to its normal appropriation in the previous 7 years, apart from the indexation rates available to all agencies. In the most recent three year period from 2004-05 to 2007-08, the Institute's base appropriation revenue increased by 2.89%, or an average of 0.9632% per year. The increase in dollar value for the period was \$106,163. This indexation supplementation does not cover the increasing cost of non-discretionary areas, and substantial savings have to be found to cover fixed costs.

The Institute received some supplementary funding through Additional Estimates for its transition to FMA in 2006, for loss of interest previously earned as a CAC Act agency. It also received additional funding to support the unforeseen relocation to new premises in 2007, which included rental supplementation for 16 months. While this funding contributed to the costs of these two events the Institute was required to meet significant additional expenses, including appointment of additional staff (2 FTE), to ensure full compliance with FMA reporting requirements. This was achieved through productivity gains and cost savings in other areas.

In addition to Government appropriation, the Institute is able to retain receipts from the provision of contract services. In the three years from 2004-05 to 2007-08, the Institute has generated increasing external contract income which reflects its high professional standing and the quality of its research and publications in the area of family studies. This capacity to generate income is essential if the Institute is to remain as the foremost centre for research and information on family wellbeing.

Wage increases including annual Certified Agreement increases and individual incremental progressions averaged about 5.8% per annum from 2004-05 to 2007-08. The Institute, through prudent financial management, has absorbed all wage increases in the past, and current salaries are below the mean of other Commonwealth government agencies. A new Collective Agreement is currently being negotiated. Absorbing the costs of any resultant wage increases will represent a large proportion of the Institute's total budget.

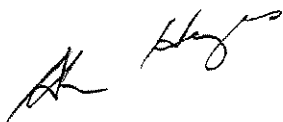
The total projected effect of the efficiency dividend over the next 3 years is approximately \$94,000 per annum, or the equivalent of 1.5 EFT at an average salary level. While relatively small in dollar effect in comparisons to larger agencies, the impact of the efficiency dividend presents a continuing challenge to a small agency already implementing an on-going cost saving regime.

It has the potential to affect staff workloads, impact on our capacity to maintain staff levels and continue to recruit and retain the highly qualified research staff who are essential if we are to sustain our reputation for excellence in research and publications.

The Institute will continue to manage available funds in a prudent manner and continue to improve productivity in all areas of the organisation. The cumulative impact of the efficiency dividend, however, presents an additional management challenge in maintaining high professional standards and outputs and has the potential to result in reduction in scope of activities, delays in outputs, reduced staffing levels and increased workloads.

Should you require any further details I would be pleased to provide them.

Yours sincerely,



Professor Alan Hayes
Director

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(submission to the efficiency dividend
inquiry) M. O'Leary