



Appendix D—Responses to questions on notice

The following submissions were received from (i) the Department of Defence at 5.19pm on *5 June 2002* and (ii) Environment Australia and the Department of Agriculture, Fisheries and Forestry at 11am on *14 June 2002*. These are reproduced in full.

Department of Defence**QUESTIONS ON NOTICE JCPAA HEARING—ADF RESERVES**

[Asked on] 30 April 2002

Question 1

Senator HOGG—Soon after he became Minister for Defence, Mr Reith asked that there be a regular progress report to Defence’s internal audit committee on JCPAA and ANAO recommendations. What has been the progress reported on the seven recommendations made in report No. 33, which we are considering 12 months down the line?

Response

- Both the Defence Audit Committee (on which the ANAO has observer status) and the Defence Committee (chaired by the Secretary) receive regular reports on progress of all ANAO and JCPAA recommendations, which Defence has agreed to implement.
- The ANAO report on ADF Reserves contained 13 recommendations, which are, overall about fifty percent complete. Completion of all recommendations is expected by December 2003.

Question 2

Senator HOGG—The second thing I want to canvass is that there was a Senate inquiry last year by the Senate Foreign Affairs, Defence and Trade References Committee, where evidence was tabled as to the targets for Army Reserve recruiting in various years. I compared that with the targets that appeared in the ANAO audit report, and I find that there are different targets in one particular year. In 1998-99, the target in Army was for 4,235 and enlisted was 2,162, which was a 51 per cent achievement of the target. Yet, if I look at the ANAO report reporting on the same year, the target was 4,465 and the actual was 2,288, so the figures are different. But, in respect of the other years reported in the tables, they were the same. You might need to take that on notice.

Brig. Turner—That is a question we will take on notice.

Senator HOGG—I am looking for consistency of information that you are supplying to different bodies in this parliament. It might not seem much, but—

Brig. Turner—We will take that on notice and get a response. It may be that the definition of what we were counting was different in each case, but we will get a response.

Response

- The figures provided in Table 5.1 of the Report of the Senate Foreign Affairs, Defence and Trade References Committee inquiry into Recruitment and Retention of ADF Personnel are correct. The figures are also consistent with those presented in the Defence Reports throughout the period.
- The ANAO audit report quotes the Defence Force Recruiting Office (DFRO) as its source for the figures provided in the Report. However, DFRO has confirmed that the figures provided to the ANAO are the same as those in Table 5.1. Accordingly, Defence is unable to explain the anomaly in the ANAO figures.

Question 3

Senator HOGG—What difference has come about as a result of the use of the call centre at Cooma, as an adjunct to reserve recruiting?

Col. Stedman—I might need to pass this back to Brigadier Turner but, certainly from my perspective, recruiting, as you would understand, comes under the Defence Personnel Executive. There is no representative from the Defence Personnel Executive here at the moment, and I do not have that level of knowledge.

Senator HOGG—I accept that. But in terms of the numbers that are coming into the reserves, are you seeing any impact as a result of the call centre at Cooma?

Response

- The Defence Service Centre (DSC) in Cooma responds to all general enquires relating to recruiting and makes follow up calls to candidates who do not immediately proceed with their enquiry. With the DSC handling these initial recruiting functions regional recruiting staff are able to focus on their core business of counselling candidates towards Defence careers. It is in this way the DSC contributes to the recruiting effort.
- While the DSC has contributed to the overall improved recruiting achievements it has not impacted significantly on Reserve achievement, nor was it expected to do so.
- Enquires to the DSC are primarily generated in response to DFRO recruitment advertising. Advertising campaigns over the past two years have focused on Full-time (FT) recruitment and ADF 'brand'

recovery. Current advertising is focussed on critical, difficult to achieve targets and Reserve recruitment has not been a high priority. As a consequence the Army Reserve has not had the same recovery of “brand presence” and profile within the community as has been achieved over the past two years with FT recruitment.

- DFRO has developed a new advertising campaign to specifically address Reserve issues. The campaign will be launched at Holsworthy Barracks on Saturday 25 May 2002. The DSC will facilitate the handling of enquires relating to that campaign and enhance the outcome for achievement of Reserve recruits.

Question 4

Senator HOGG—Before you proceed, could you take on notice and give us the figures of retention? I would be interested in them.

Army Response

- As at 31 March 2002 the average wastage rate for Army was 13.36 percent. The graph (Annex A) shows the trends in separation across the Army Reserve from FY 63/64 to FY 00/01.
- It is worth noting that retention is as good as it has ever been over this period. It is also worth noting that the ‘spike’ (73/74) coincides with the end of compulsory National Service and the spike (84/85) coincides with the end of tax free salary for the Defence Reserves (a Government initiative that was soon abolished).
- The smaller spike in 98/99 is largely due to the introduction of the Army Individual Readiness Notice (AIRN) applied across the total force for the first time.

Navy Response

- Navy’s employment of Australian Naval Reserve (ANR) personnel is unlike that of other services, as was noted in the ANAO report.
- The main intake to the ANR is from personnel who transfer voluntarily after serving in the Permanent Naval Forces (PNF). A much smaller number are recruited directly, most of whom are recruited for their specialised skills.
- The majority of personnel renew or retain their engagement in the ANR until their retirement on age grounds, unless there are strong personal factors that cause earlier retirement. There are two other reasons apparent why personnel leave the ANR:

- ⇒ A number of sailors choose not to renew their engagement because they have not worked recently within the ANR. Often this is because they live in a locality where ANR service is not readily available, or their specialisation may no longer be needed (because of restructuring or the introduction of newer technology), or they have been unable to work when Navy needs them.
- ⇒ People move or change their name (e.g. on marriage) without letting the Navy know their new details. (These 'lost contact' people are sometimes regained when other Navy people report their whereabouts or encourage them to make contact.)
- The following table shows the increase in ANR numbers in recent years, illustrating that there is not a retention problem in the ANR.

Personnel in ANR (Total)

	1-Oct-96	1-Jul-97	1-Jul-98	1-Jul-99	1-Jul-00	1-Jul-01	2-Apr-02
Standby	3904	3966	4896	3972	5680	6077	5318
Ready	276	214	180	96	79	4	0
General	1209	1136	1110	988	999	889	875
TOTAL	5389	5316	6186	5056	6758	6970	6193
Total (corrected)	4539	4466	5336	4206	5908	6120	6193

Notes:

1. 1 Oct 96 is the first quarter in which DPWE (N) commenced reporting Reserve Data.
2. Personnel Management Key Solutions (PMKeyS) Data (April 02) does not include the 455 Officers and the 572 Sailors that are noted as 'lost contact'. This would most likely account for the drop in total Reserve numbers from 6970 in Jul 01 to 6193 in Apr 02.
3. An indicative corrected total has been calculated based on the calculated number of 'lost contact' in previous years.

Source: Navy Personnel Quarterly Reports (annual summary for years listed)
by Directorate of Workforce Planning and Establishments

Air Force Response

- The separation rates for the Air Force Active Reserve has remained fairly constant over the past three years at approximately nine percent. This has fallen recently, due to a more liberal Compulsory Retirement Age extension policy application, to approximately five percent; however, this is a short term aberration which will self-correct within 12 months.

- The appropriate figure to use is nine percent separation rate from the Air Force Active Reserve with the note that 50 percent of those leaving the Air Force Active Reserve transfer to the Standby Reserve and remain on the data base for a further five years or until retirement.

Question 5

Mr SOMLYAY—You mentioned before that some time has elapsed since the tabling of the report and also some time has elapsed since you gave us your submission, which I think was in August last year. Can you provide us with some information—and please take this on notice—updating the stage of implementation, if need be, having regard to the original information you gave us? Also, what interaction has there been with the Auditor-General in implementing these recommendations?

Response

- Below is an update of the original information provided in the report tabled in August 2001. This update is in the same format as the 2001 submission and provides the latest detail on each of the recommendations in the ANAO Report. The answer to the second part of Mr Somlyay's question is at the end of the update report.

Recommendation No 1

The ANAO recommended that, in order to improve the effectiveness of ADF Reserves, Defence:

- (a) *Complete the Army Roles and Tasks study at the earliest possible date and ensure that the implementation of new Army Reserve roles and tasks has full regard to the resources available to sustain the proposed changes.*
Defence Response – Agreed.

Outcomes:

- Army continues to advance its work related to the identification and assignment of appropriate roles and tasks to the Army Reserve. This work is complex and is not a work undertaken in isolation. In order to coordinate this effort, Chief of Army has produced a directive that provides his guidance and direction to identify and establish a force structure and capability baseline by 31 December 2003. This will enable Army to provide a sustainable force that meets the Government's intent described in the White Paper.
- This stated intent requires the Army to be able to sustain a brigade deployed on operations for extended periods, and at the

same time maintain at least a battalion group available for deployments elsewhere. To do this, Army is developing rotation models to inform decisions on roles and tasks, force structure and preparedness, mobilisation and expansion requirements and combat force development planning. These models will provide Army with the framework to develop preparedness, sustainment, force structure and training baselines to enable the Army to meet the capability requirements of the White Paper.

- The identification and allocation of appropriate roles and tasks for the Army Reserve are emerging through this ongoing body of work. The Reserve will be required to provide fully trained personnel to Army's frontline force elements to provide round out, reinforcement and rotation forces, as well as generate and sustain a collective capability contribution in accordance with the rotation models and preparedness requirements. In addition the Army Reserve will be required to deliver specialist capabilities and new capabilities needed by Army such as Civil Military Coordination and Reinforcement Holding Units.
- Throughout this process, Army remains cognisant that the overarching strategic requirement is for the endstate to be **effective, affordable and sustainable**.

(b) *Develop a clear statement of Air Force Reserve roles and functions consistent with the Air Force concept of operations. **Defence Response – Agreed.***

Outcomes:

- The role of the Air Force Reserve is to complement and supplement the Permanent Air Force to allow the Air Force to meet the increased operational tempo of contingency operations. The function of the Reserve is to provide trained personnel for the deployment force, to backfill behind deployed permanent members and to provide additional trained workforce to allow for expanded operations. Additionally, the Reserve will form a mobilisation base if required at the higher level of possible conflict.
 - The roles and functions of the Air Force Reserve will be formally published once the Wartime Establishment study has been completed.
- (c) *Ensure that the roles and tasks developed for Army and Air Force Reserves are based on strategic guidance, complement those of the full time*

component and allow for the limited time availability of part time personnel.
Defence Response – Agreed.

Outcomes:

- As detailed in the response to Recommendation 1(a) Army is developing rotation models to inform decisions on roles and tasks, force structure and preparedness, mobilisation and expansion requirements and combat force development planning to enable the Army to meet the capability requirements of the White Paper. These models will provide Army with the framework to develop preparedness, sustainment, force structure and training baselines for the full-time and part-time complement. Consideration of the part-time complement will also take into the account the time frames applicable to part-time availability.
- The Air Force Reserve roles and tasks currently under development meet the White Paper requirement to allow the Reserve to be relevant to the range of situations from contemporary military operations to major conflict. The construct for the development is the creation of the Wartime Establishment which will identify the workforce required to meet requirements of the worst case scenario which, by default, will cover the range required. From the Wartime Establishment, training and structural requirements can be determined. An initial Wartime Establishment has been rolled out and the terms of reference for the working group has been developed to refine the Establishment figures in conjunction with the Force Element Groups. Consultation is planned to start in May with the first of the visits.

Recommendation No 2

The ANAO recommended that, to better identify the capability provided by standby Reservists, Defence develop an accurate database of standby Reserve personnel that contains details of their suitability for military service and the currency of their skills. **Defence response – Agreed.**

Outcomes:

- **Navy.** A database that includes details of individual Reservists skills and availability was maintained within the Navy Personnel and Establishment System (NPEMS) database. Rather than develop and attempt to maintain a separate database within the Office of Director General Reserves-Navy, it is intended to rely on the NPEMS

data since transferred to PMKeyS and to continue its development within that system

- **Army.** A database of Inactive Army Reserve personnel is maintained at regional and Army Headquarters levels. This database seeks to record the particulars of all members assigned to the Inactive Army Reserve. This database will be transferred to PMKeyS when that system is rolled out.
- **Air Force.** Work in this area is 80 percent complete. The transition to PMKeyS has resulted in some data migration corruption and this is currently being addressed. Work on the refinement of the Standby Reserve database will be on going.

Recommendation No 3

The ANAO recommended that, in order to improve the effectiveness of the Reserves and to complement the capabilities of the full time force, Defence:

- (a) *Complete the validation of the Navy Integrated Program Scheme of Complement and develop the systems required for the effective management of the Australian Naval Reserve. **Defence Response – Agreed.***

Outcomes:

- The validation of the pre 2002 Navy Integrated Program Scheme of Complement (IPSOC) has led to Director General Navy Personnel and Training initiating a wider ranging discussion of the reserve structures, including a review of organisation and processes. One of the outcomes was the recognition that the Reserve structures are by their very nature undergoing constant change and that review or validation will in fact be an ongoing task. The purpose of the validation was to provide a baseline and to that extent validation of the pre-2002 structures is complete. The data from the IPSOC, updated to include 2002/2003 estimated requirements, now forms the basis for an improved total integrated workforce structure. This has been published and is undergoing further detailed fine-tuning at the operational level before full implementation.
 - In addition, better links to funding and improved planning and budget processes will increase the effective management of the Reserves. Continuing rationalisation of Reserve administration will further assist the utility of the PMKeyS database.
- (b) *Rationalise the Army Reserve force structure to a level that is sustainable in the long term, ensuring that it is based on the Army concept of operations,*

the outcomes of the Roles and Tasks study and the resources available to the Reserve. Defence Response – Agreed.

Outcomes:

Army is analysing the capability requirements necessary for Army to meet the Government's requirements described in the White Paper. This is complex and multi-dimensional work.

- The outcome required by the Chief of Army is that the Army structure (both Regular and Reserve) is appropriate for strategic requirements. The structure required for the Reserve component will be dictated by the requirement for the Reserve to deliver a sustainable capability in accordance with the rotation model and preparedness directives. As this structure crystallises through ongoing analysis, Army will embark on a detailed review of the required unit and formation establishments to adjust the force structure to align with the need for the Reserve to generate, deliver and sustain required capabilities.

- (c) *Further develop the Air Force Reserve structure and establishment, based on operational requirements, with the aim of ensuring that the Reserve complements the Permanent Air Force structure. Defence Response – Agreed.*

Outcomes:

- The method used to develop the Air Force Reserve outlined in the responses to Recommendations 1(b) & (c) will ensure that the resultant structures, employment categories, training and numbers supplement and complement the Permanent Air Force to allow (up to) the maximum utilisation of existing platforms. The resulting structures will also meet combat support requirements for expanded operations and provide an integrated Permanent Air Force/Reserve force.

Recommendation No 4

The ANAO recommended that Army assess the adequacy of Non-Commissioned Officer numbers for the rationalised Reserve force structure and, if necessary, develop appropriate measures to fill the required establishment, in particular through the attraction of retired Australian Regular Army members. Defence Response – Agreed.

Outcomes:

- Army intends to action this recommendation as part of the review of Reserve unit and formation establishments described in the response to Recommendation 3(b). As the unit establishment is determined, then so too will the rank and trade mix necessary to sustain that establishment liability. This will be achieved through detailed rank and trade sustainability modelling. The Chief of Defence Force has directed Head Defence Personnel Executive and Head Reserve Policy, in conjunction with the Services, to develop a proposal to achieve the transfer of greater numbers of Permanent personnel to active Reserve service upon completion of full-time service. A study is currently underway to identify possible incentives to improve transfer rates.

Recommendation No 5

The ANAO recommended that, in order to enhance Reserve training, Defence examine the feasibility of:

- (a) *Developing special employment categories for Reserve personnel, based on sub-sets of the competencies required for full trade qualifications, that can be obtained as a base level qualification within Reserves' available training times, noting that this may be an incremental step towards achievement of a full qualification. **Defence Response – Agreed.***

Outcomes:

- **Navy.** The only categories currently recruited directly into the ANR are Divers and Band Members. Band Members are enlisted on the basis of skills they already have. Training for Divers is phased to allow for incremental achievement of qualification.
- **Army.** Army has introduced additional categories of employment that enable a Reservist to gain an employment qualification at a base level. This is to enable the member to undertake basic tasking in a peacetime unit training environment, while continuing training toward a full qualification standard, eg combat medic as part of the overall qualification of Medical Assistant.
- Wherever possible, the completion of a part of the required training that results in the granting of part qualification, would also result in the granting of an appropriate pay level in recognition of skills and competencies achieved. These limited additional employment categories should not be an endstate for the Army Reserve; rather they are incremental advancement to the achievement of full qualification.

- **Air Force.** Several additional Reserve unique employment categories have already been identified and the occupational specifications for these are being developed within Air Force Training Command. It should be noted that Air Force has had Reserve unique specialisations (Operations Officers) for many years. The training for Reserve unique employment categories will ensure that the competencies are taught and developed to the same level as in the Permanent Air Force, but the Reservist will be trained in fewer competencies than the Permanent member to allow realistic training time frames. Further Reserve unique employment categories will be identified as a result of the restructuring and alternative training mechanisms will be investigated to achieve the required outcome. This will allow the development of a useable capability in the most realistic way but will generate a requirement for slightly more Reserves due to the narrower employment scope. This approach will also allow Air Force to increase direct entry recruiting and achieve realistic training within the time constraints of Reserve availability.
- (b) *Increasing Army Reservist attendance at collective training activities, through measures such as specifying required periods of attendance and/or the payment of a suitable proficiency bonus. **Defence Response – Agreed in principle.***

Outcomes:

- The training required by Reservists is a direct outcome from the roles and tasks required from Reserve units and formations as part of Army's overall capability. These outcomes will prescribe the type, nature and training competencies required of Reservists in both an individual and collective environment. As these outcomes are known, Army will be better able to prescribe the minimum periods of service required of Reservists. This in turn will enable Army to put in place the conditions of service and supporting policy framework to produce an employment package that reflects the exigencies of the type of service to be rendered by a Reserve member.
- The provision of bonuses or other incentives should not be implemented in isolation, but should result from a detailed analysis of all possible measures to sustain a reliable Reserve contribution, such as a proficiency based bonus or recognition of service for medal purposes, based on the achievement of measured competencies rather than on days attended. Before specific measures are implemented, a cost benefit analysis would need to be undertaken.

- (c) *Reviewing recruitment to the Ground Defence Reserve and examining other options to provide this capability, including the use of Army personnel to perform certain aspects of airfield defence. **Defence Response – Agreed.***

Outcomes:

- Changes to the training syllabus have been implemented as a result of a review into the Ground Defence Reserve Group and the first intake on the new syllabus is underway. The outcome will not be known until the end of the course in November 2002. Further consultation with Army has not proceeded at this stage.

Recommendation No 6

The ANAO recommended that, to improve the availability of appropriately trained and deployable Reserve personnel, Defence:

- (a) *Ensure the Services monitor and enforce compliance with the minimum prescribed periods of service. **Defence response – Agreed.***

Outcomes:

- **Navy.** The Directorate of Sailor Career Management has routinely monitored minimum prescribed periods of service for sailors on an annual basis. The Directorate of Naval Officers Posting started this process for officers in January 2001 and will continue the process on an annual basis.
- **Army.** Chief of Army is required to prescribe minimum periods of service to be rendered annually by members of the Army Reserve. This is provided in Australian Military Regulation 487 which stipulates that Specialist Consultants are required to render a minimum of seven days Reserve service annually, and for all other categories of Reserve service, a minimum of fourteen days service annually is required. Army has an extant policy that requires unit commanders to report the non-compliance with this requirement.
- A review of this policy is foreshadowed as part of the consideration by the Chief of Army of the introduction of proposed new categories of Reserve service.
- **Air Force.** The minimum periods of service are specified, in accordance with Air Force Regulations, by the Chief of Air Force, and promulgated as efficiency requirements for the different classes of Reserves. The Reserve Squadrons monitor efficiency requirements and administrative action is taken where members neglect them. In most instances the Reserve members will initiate action when they are no longer able to meet their Reserve obligation, either on a permanent or temporary basis.

- (b) *Ensure individual readiness standards for Navy Reserve personnel are formally promulgated. Defence response – Agreed.*

Outcomes:

- The development of Individual Readiness (IR) policy for members of the ANR, other than those on Cease Full Time Service (CFTS) for one year or more, is continuing. Development of policy for the five new categories of Reserve service (were they all to be adopted by Navy) may be anticipated to impact significantly on the application of IR policy for members of the ANR.

- (c) *Ensure that, within each Service, the same individual readiness standards apply to active Reserve and permanent members. Defence response – Agreed in principle.*

Outcomes:

- **Navy.** There are some hurdles to be overcome before IR requirements can be the same as those for the PNF. The maintenance of medical and dental health to PNF standards will be a cost for both the treatment and the payment of salary whilst undertaking treatment. This policy may also be impacted upon by the five new categories of Reserves service (if adopted) and the conditions of service attached. The development of IR policy for members of the ANR is continuing and is a high priority.

- **Army.** Army has recently announced amendments to the policy relating to the Army Individual Readiness Notice, in particular as it applies to members of the Army Reserve. These amendments better reflect the contribution required from the Army Reserve and the consequent requirement for members of the Army Reserve to achieve and maintain individual levels of readiness consistent with their category of service and the readiness notice of their posted unit.

- **Air Force.** Within Air Force the readiness requirements are the same for the active Reserve and the permanent force.

- (d) *Examine the feasibility of developing standards within each Service, specifying the minimum periods of annual service necessary for each Reserve category to achieve and maintain the necessary knowledge and skills required for proficiency at each rank and trade. Defence response – Agreed.*

Outcomes:

- **Navy.** The majority of ANR members are ex-PNF and transfer to the ANR with proficiency in their rank and trade. Therefore the time

and training required to maintain skill levels is initially minimal increasing over time depending upon the circumstances of the individual. The feasibility of developing a standard is currently being examined. A response will be finalised by end of July 2002.

- **Army.** Minimum periods of service and the requirements of Reserve service will be dictated by the detailed analysis of the Roles and Tasks required of the Army Reserve. This consideration is part of the broader Restructuring the Army/Enhanced Combat Force analysis. As the requirements of the Reserve are crystallised, Army will be in better position to determine the actual and detailed requirements of Reserve service.
- **Air Force.** This area has not been addressed since the ANAO audit. The question of uniformity in the maximum allowable annual service is relatively simple. However, the minimum annual Reserve service requirement for proficiency purposes is more difficult and will not only be dependent on trade and rank, but also on the complexity of the equipment in various areas of employment within each trade and rank. A minimum period of service for conditions of service purposes was set in 1999.

Recommendation No 7

The ANAO recommended that, in order to match equipment holdings with the training needs of Army Reserve units, Army undertake the proposed review of unit Single Entitlement Documents immediately following the determination of revised unit roles and tasks. Defence response – Agreed.

Outcomes:

- Army has commenced a comprehensive review of the Army organisational structure as part of the Restructuring the Army/Enhanced Combat Force analysis. This is to be implemented by a three year rolling program of Single Entitlement Document reviews. The majority of Army Reserve units have been reviewed. Central to these reviews is the requirement to match the equipment entitlement of Army Reserve units with their training requirements.

Recommendation No 8

The ANAO recommended that, to maximise the cost effectiveness of ADF Reserve facilities, Defence:

- (a) *Revise its Reserve facilities policy and plans to take account of any changes to Reserve force structure. **Defence response – Agreed.***

Outcomes:

- Defence will continue to take account of future developments within the Reserve component of the Defence Force as part of the total ADF facilities policy and plans.

- (b) *Consider leasing facilities for Army Reserve purposes (where it is economically viable to do so) to enable flexibility in relocating facilities to accommodate changes in demographic patterns. **Defence response – Agreed.***

Outcomes:

- Infrastructure Division following detailed consultation with Army determines facilities requirements. There is no specific Army Reserve facilities policy. Army's facility requirements and plans are detailed in the Army Facility Plan that informs Infrastructure Division strategic facilities planning. The intent is to enunciate Army's requirements so that Infrastructure Division can meet that requirement in the most cost-effective manner. Where considered appropriate, this may involve a lease arrangement.

Recommendation No 9

*The ANAO recommended that, to provide transparency of the costs of maintaining Reserve forces, Defence annually establish and publish the full cost of each Reserve Service and the capabilities provided. **Defence response – Agreed.***

Outcomes:

- Implementation of this initiative will require development of existing processes and, reporting systems, as well as the maturation of planned financial and management systems and costing models. This combined with the complex usage of Reservists makes costing accuracy and extraction of accountability for such costs difficult.

Recommendation No 10

*The ANAO recommended that Defence develop a marketing strategy and a package of incentives, including appropriate improvements to Reserve conditions of service, as a means of increasing the rate of transfer to the Reserve of full time members on discharge from the permanent forces. **Defence response – Agreed in principle.***

Outcomes:

- Head Defence Personnel Executive and Head Reserve Policy have jointly commissioned a study to identify incentives to achieve the transfer of greater numbers of Permanent personnel to active Reserve service upon completion of full-time service. Marketing strategies and incentive packages are equally applicable to the attraction, recruitment and retention of all Reservists. In the future, different measures will be appropriate for different types of Reserve service (such as for high readiness Reservists). Before specific measures are implemented, a cost benefit analysis would need to be undertaken
- In addition to an overall Defence marketing strategy for Reserves, individual Service strategies are required for direct entry recruiting in order to attract the required numbers and skills for an expanded Reserve capability.

Recommendation No 11

The ANAO recommended that Defence, with a view to improving recruitment opportunities:

- (a) *Examine the feasibility of developing a wider range of recruit training modules designed to accommodate the different circumstances of part time Reservists. **Defence response – Agreed.***

Outcomes:

- **Navy.** Localised recruit training provided on a part time basis and suited to member availability is provided in Brisbane, Perth and Adelaide. Navy has in place modular self-paced training suites interspersed with short residential courses to accommodate Reserve basic and initial employment training. Aspects such as recognition of prior learning and recognition of current competencies, which are transferable from civilian life to the Navy, and the provision of gap training to meet Service requirements are also being examined on a case by case basis. Reserves also have access to full-time Navy courses where their availability allows.
- **Army.** Army has implemented flexible modular options for the recruit training course. Reservists are now able to undertake the six-

week recruit course in two modules. Furthermore, flexible training delivery options are also being considered, or have been implemented, for initial employment and trade training.

- **Air Force.** Air Force has in place modular self-paced training suites interspersed with short residential courses to accommodate Reserve basic and initial employment training. The training is conducted at RAAF schools and at Reserve units. Other avenues are being considered in conjunction with the Reserve restructuring, primarily in the employment training area. Aspects such as recognition of prior learning and recognition of current competencies which are transferable from civilian life to the Air Force, and the provision of gap training to meet Service requirements are also being examined on a case by case basis. Reserves also have access to full-time Air Force courses where their availability allows.

(b) *Closely monitor the results of the recruiting initiatives developed by individual units and adopt those measures that prove to be particularly successful. Defence response – Agreed.*

Outcomes:

- The Defence Force Recruiting Organisation and the Defence Personnel Executive, in conjunction with the Services, are identifying and implementing appropriate strategies that improve the attraction to and service in the Reserves.
- Army has instituted Direct to Unit recruiting. This allows applicants to be directly enlisted into units who are then responsible for preparing the enlistees for attendance at recruit training. This overcomes the situation of individuals waiting outside of the Army system, and possibly losing interest in the Reserves, prior to attending a recruit training course. This initiative has resulted in a significant upsurge in the level of interest shown through inquiries and has also translated into increasing numbers of applicants and enlistments.
- The combination of enhanced advertising, flexible delivery of training and Direct to Unit Recruiting have enabled the Reserve to increase its intake of applicants from all sections of the community and employment demographic.
- RAAF are in the process of establishing Reserve recruiting positions within the Defence Force Recruiting Organisation and bolstering the numbers in the recruiting cells on each Reserve Squadron.

- (c) *Initiate studies on regional demographic factors that influence recruiting success. Defence response – Agreed.*

Outcomes:

- A survey of ADF Reserve personnel, which examined a wide variety of Reserve issues for all three Service Reserves, has been completed. A report has been published and the initial findings analysed. These findings have provided valuable insights by Reservists as to the factors that influence their decision to join the Reserves.
- The Defence Force Recruiting Organisation has undertaken both qualitative and quantitative research to identify motivators and inhibitors in support of a new marketing campaign for Army Reserve recruitment. This research involved focus groups of potential enlistees and employers in various regional and metropolitan locations.

Recommendation No 12

The ANAO recommended that, in association with any review of conditions of service for Reserve members, Defence:

- (a) *Conduct studies to determine those conditions that are most influential in attracting and retaining Reserve members. Defence response – Agreed.*

Outcomes:

- The ADF Reserve Survey, which has been published, includes demographic and other information that will inform recruiting, retention and conditions of service policies for the ADF Reserves. Gaining a clear understanding of the inter-relationships of these factors is central to the determination of a suitable conditions of service framework that supports the capability outcomes required by Defence from its Reserve component.
- As these conditions of service and related matters become better defined, and before any initiative is implemented, a cost benefit analysis will need to be conducted.
- Submissions were made to the Nunn Review regarding Reserve remuneration and conditions of service, with further action dependent on consideration of the Review.
- Additional research has been conducted to investigate the attractiveness of various conditions of service, focussing on the new High Readiness Reserve categories of service. This involved 42 focus

groups, involving over 500 personnel from all three Services at locations in both regional and metropolitan locations, as well as the development of a Decision Support System to assist with policy analysis using discrete choice modelling.

- The Defence Force Recruiting Organisation has undertaken both qualitative and quantitative research to identify motivators and inhibitors in support of a new marketing campaign for Army Reserve recruitment.

- (b) *Assess whether the costs of any improvement in these conditions are likely to be accompanied by savings arising from increased retention, and transfers of retiring full time members to the active Reserve. **Defence response – Agreed.***

Outcomes:

- This aspect will be re-examined once Government's response to the Nunn Review submission is received. There are a number of factors that have a bearing on this issue ranging from bonuses, medical and dental treatment, amenities, and the basis for remuneration and employment issues.

- (c) *Consider paying a suitable proficiency bonus to Reservists to recognise the achievement of prescribed standards for readiness, competency and attendance at training as a means of encouraging Reservists to stay in the Reserve force. **Defence response – Agreed in principle.***

Outcomes:

- Paying a proficiency bonus is only one option. While there is some support for this proposal, there are also strong opinions that such bonuses do not achieve the desired results. Consideration of this option, along with other new or revised conditions of service, requires further work. A balanced package of conditions of service that are appropriate for different types of Reserve service (such as for high readiness reservists) needs to be developed. The provision of bonuses or other conditions of service incentives should not be implemented in isolation, but should result from a detailed analysis of all measures considered essential to sustain a reliable Reserve contribution. This consideration will incorporate all aspects of Reserve service including attraction, service and retention. Before specific measures are implemented, cost benefit analyses would need to be undertaken.

- Submissions on the subject were made to the Nunn Review regarding Reserve remuneration and conditions of service, and

further action will be dependent upon consideration of the recommendations of that Review.

Recommendation No 13

The ANAO recommended that, to improve the administration of ADF Reserves, Defence:

(a) *Provide appropriate training for unit personnel on the administration of Reserve salaries. Defence response – Agreed.*

Outcomes:

- **Navy.** The Directorate of Determinations has agreed to provide training for unit personnel on the administration of Reserve salaries. A set of competencies has already been developed for the delivery of pay and conditions to permanent members. Navy has commenced consultation with the Directorate of Determinations to ensure competencies are developed for the administration of Reserve salaries. This task is currently being scoped.
- **Army.** Training is provided to Army personnel who are employed as Unit Pay Representatives. In addition, related training is provided to those members of the Army who have responsibility for the day-to-day control and management of Army Reserve Training Salaries through the conduct of the Training Day Managers Course. These courses are run regularly throughout the year and may be conducted specifically to support a stated need.
- **Air Force.** Those who are directly involved in administrating Reserve pay issues have been given additional assistance where required and a help desk arrangement within the Directorate of Reserves – Air Force is available for any queries and assistance. A new Defence personnel management computer system (PMKeyS) has been introduced and is to be followed by a new Reserve payroll system. Initial training on the new system has been completed and additional training is being planned to update personnel on the system as the necessary changes are implemented.

(b) *Develop a clear and comprehensive policy on the management of Army Reserve training salaries. Defence response – Agreed.*

Outcome:

- Army has issued a revised Defence Instruction (Army) that enunciates the Army policy in relation to the forecasting, bidding, allocation and use of Army Reserve Training Salaries.

(c) *Exercise tighter control over the recovery of Army issued field clothing and equipment from former members and develop more effective strategies for its recovery. Defence response – Agreed.*

Outcomes:

- Chief of Army has issued direction to both Land and Training Command to improve control over the recovery of clothing and personal equipment on issue to members of the Army Reserve who are declared as non-efficient/effective. In addition, the importance of equipment recovery from non-effective Army Reserve personnel was reiterated to commanders at the 2001 Pre-Command Seminar and will be included in future seminars.

(d) *Provide appropriate support and training to Reserve staff in relation to the operation of Defence's key computer-based information systems. Defence response – Agreed.*

Outcomes:

- **Navy.** Training courses are available to Reserve personnel through the normal Navy and Defence training systems, including the change management processes for the introduction of new systems such as PMKeyS.
- **Army.** As part of the introduction of new technologies and information systems (including software), Army utilises the Defence Standing Offer for the delivery of Information System training. Where a major new Information System is to be implemented (such as PMKeyS) then a specific training package will be provided as part of the introduction into service of that technology.
- **Air Force.** Training courses are available to Reserve personnel through the normal RAAF and Defence training systems. In addition, assistance is available to Reserve personnel with specific support or training requirements and a help desk has been established within Directorate of Reserves – Air Force office for any queries and assistance.

Question 6

Senator COLBECK—I have two questions. One you might like to take on notice relates to what Mr Somlyay was saying with respect to your response to the audit report, in particular some of the key dates that were in your response and whether you see that they have been or will

be met. I will give you a couple of examples. Under recommendation 1: in order to coordinate this effort, Chief of Army has produced a directive that provides his guidance and direction to identify and establish a force structure and capability baseline by 31 December 2003. Given that this response was given eight months ago, what is the rate of progression towards that and is that date still achievable? Under recommendation 3: the validation of the Navy Integrated Program Scheme of Complement is under way, category sponsors are currently reviewing unit reports and the process is expected to be completed by December 2001. Was that achieved? They are examples of key dates that you have identified in your response. Are they achievable still or have they been achieved?

Response

- An update to the key dates in the Defence Submission to the JCPAA dated 31 August 2001 is provided in the table below.

Rec No:	Key Dates in the Defence Submission Dated 31 August 2001	Update
1.(a)	Army to '...identify and establish a force structure and capability baseline by 31 December 2003.'	No change to completion date.
1.(c)	RAAF to establish an initial 'Wartime Establishment' by December 2001.	The initial Wartime Establishment was completed in November 2001.
2.	Army to transfer Reserve data to 'PMKeyS when that system is rolled out in the second half of 2001.'	The PMKeyS roll-out for Army is now scheduled for 8 July 2002
3.(a)	Navy to validate the Navy Integrated Program Scheme of Complement (IPSOC), 'to be completed in December 2001'	The initial validation of the IPSOC was completed in 2001. Further development work is expected to be completed by 2003.
	'Naval Reserve will be enhanced with the roll out of PMKeyS to Navy in 2001'.	The PMKeyS rollout for Navy occurred on 28 August 2001.

Rec No:	Key Dates in the Defence Submission Dated 31 August 2001	Update
6.(b)	Navy policy on Individual Readiness (IR) expected to be approved in September 2001.	Navy is awaiting guidance on conditions of service to complement the new categories of Reserve service prior to approval of IR policy. The new categories of service are expected to be introduced in December 2002.
7.	Army to review Single Entitlement Document for the majority of Reserve units 'during the period 27 August to 15 November 2001.'	The majority of Reserve Unit's Single Entitlement Documents were reviewed by 15 November 2001. Ongoing periodic reviews continue.
10.	The 'Nunn Review' due to be completed by the end of August 2001.	The Report was submitted to Government on 21 August 2001.
13.(a)	The initiative for Navy to improve administration of Reserves to be 'progressed as part of the PMKeyS roll-out which is due to occur in Navy towards the end of 2001.'	The PMKeyS rollout for Navy occurred on 28 August 2001.
13.(c)	Army to reiterate 'the importance of equipment recovery from non-effective Army Reserve personnel at the 2001 Pre-Command Seminar to be conducted in October 2001.'	Conducted at the 2001 Pre-Command seminar and will be included in future seminars.

Question 6a

CDRE De Laat—Vice Chair, did you want a comment on the Navy integrated program or are we out of time?

VICE CHAIR—We are actually 10 minutes over. I think that we would in other circumstances be very interested to hear that, but we are on a rather tight schedule today, Commodore. I am very sorry that I will have to conclude the proceedings here and I thank all of our witnesses for appearing today, both from the defence forces and from the ANAO. You can give us, if you are able to, a written submission with the details that

you want to give the committee, but I am sorry that we do not have the time to take it as an oral submission right now.

Response

- The validation of the pre 2002 Integrated Program Scheme of Complement (IPSOC) in turn led to DGNPT initiating a wider ranging discussion of the reserve structures, including a review of organisation and processes. One of the outcomes was the recognition that the Reserve structures are by their very nature undergoing constant change and that review or validation will in fact be an ongoing task. The purpose of the validation was to provide a baseline and to that extent validation of the pre-2002 structures is complete, although the resultant position lists take a different form from the previous IPSOC. The data from the IPSOC, updated to include 2002/2003 estimated requirements, now forms the basis for an improved total integrated workforce structure. This has been published and is undergoing further detailed fine-tuning at the operational level before full implementation.

13 June 2002

Ms Margot Kerley
The Secretary
Joint Committee of Public Accounts and Audit
Parliament House
CANBERRA ACT 2600

Dear Ms Kerley

**Joint Committee of Public Accounts and Audit Public Hearing 30 April,
2002: ANAO Audit Report No. 43, 2000-01, *Performance Information for
Commonwealth Financial Assistance under the Natural Heritage Trust***

Additional Questions on Notice.

Further to our letter of 21 May 2002, please find attached answers to three additional questions arising from Joint Committee of Public Accounts and Audit public hearing held on 30 April 2002.

Question 6 (response attached) was identified from the Hansard of the hearing, in consultation with the Committee secretariat, at a late stage during preparation of the initial five questions. Questions 7 and 8 were forwarded to us following the hearing by the secretariat at the request of the Committee.

The response represents the joint view of Environment Australia and Agriculture, Fisheries and Forestry-Australia.

Yours sincerely,

Ian Thompson
Executive Manager
Natural Resource Management
Agriculture, Fisheries and Forestry-
Australia

Stephen Hunter
Deputy Secretary
Environment Australia

ADDITIONAL ANSWERS TO QUESTIONS ON NOTICE
FROM
AGRICULTURE, FISHERIES AND FORESTRY AND ENVIRONMENT
AUSTRALIA
IN RESPONSE TO
JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT
COMMITTEE
PUBLIC HEARING, TUESDAY, 30TH APRIL 2002
REVIEW OF AUDITOR GENERAL'S REPORTS, FOURTH QUARTER
2000-01

Question: 06

Topic: Achievements of the Natural Heritage Trust to date.

HANSARD PAGE: PA21

Senator Watson asked: "What can you report to us now on the significance of what has been done, and the challenges that remain." "We want to know the significance of what has been achieved to date."

ANSWER:

The most complete account of the achievements of the Natural Heritage Trust so far comes from the mid-term review of the Trust conducted during 1999. The mid-term review was undertaken to evaluate achievements of the Trust and to make recommendations for improvement.

The review process commenced in May 1999 and concluded in November 1999. Thirteen consultancy firms conducted the twenty eight separate reviews. Methodologies included desktop reviews; analysis of departments' databases and field visits to selected projects. Overall, some 650 projects were visited.

A summary of the achievements of the Trust, as well as the key issues identified by the mid-term review, is given below, taken from the Government's response to the mid-term review:

Introduction

The Natural Heritage Trust seeks to stimulate activities in the national interest to achieve the conservation, sustainable use and repair of Australia's natural environment.

The Trust was established in 1997 with a total funding budget of \$1.25 billion most of which was to be expended in five years. (This was later expanded to \$1.5 billion over six years). An additional \$300 million was set in perpetuity.

A mid-term review, commissioned by the Trust's Ministerial Board, has reported on the achievements of the Trust and has made suggestions for building on these achievements as well as fine-tuning current aspects of administration.

Consultants conducted 29 independent reviews in all, evaluating the administrative arrangements and performance of 17 Trust programs; including six regional reviews and three thematic studies on dryland salinity and associated vegetation management, urban environment and inland waterways.

The key element in assessing the performance of the Trust is its success in stimulating investment and activity - creating institutional frameworks and developing partnerships for the future. Achievement of the broader goals of conservation, sustainable use and repair of Australia's natural environment will take many years and will also be in response to many factors in addition to the Trust's investments. Consequently, the achievement of these long-term goals will not be measurable in the short-term.

The judgment from the mid-term review is that the Natural Heritage Trust is performing well in meeting its objectives, although there are ways of improving this performance. This has been a significant achievement in view of the complex nature of the Trust, the size of the budget and the large number of participants. No fundamental failings were found in the administration of the Trust, for example in the area of financial accountability.

The evaluations' recommendations are a mixture of measures that might be implemented in the short to medium term to improve the effectiveness and efficiency of Trust program delivery, and strategic measures that will require further development. While a number of recommendations may be adopted in the short term, the major outcome from the mid-term review will be its contribution to the design and development of a new national policy for natural resource management. This national policy will provide the framework for policy instruments, programs and delivery arrangements that will build on the initial six years of the Natural Heritage Trust.

Mid-Term Review

Achievements of the Natural Heritage Trust

“It is important to acknowledge and stress that a great deal has been achieved in a very short time, in terms of implementing the strategies to achieve the overall purpose of the Trust”. (Administrative Arrangements Review)

The reviews found that the Trust has been successful in raising the level of investment in the natural environment and for adding value to the contribution of other community and State government stakeholders. The Commonwealth funding for the Natural Heritage Trust is shown in Appendix A.

‘The programs that constitute the Natural Heritage Trust have been able to deliver a seven-fold increase in Commonwealth expenditure on natural resource management, sustainable agriculture and environmental protection from 1996-97 to 1998-9’ (Administrative Arrangements Review).

‘In the Blackwood region additional expenditure is estimated in the ratio of 3.4:1 although it may be as high as 11:1 if the impact of further expenditure by farmers taking up improved practices and investing their own funds is taken into account’ (Blackwood Regional Review).

‘Through the one-stop-shop process, for every one dollar of Trust funds invested in Bushcare projects, an additional \$2.60 has been contributed from other sources’ (Bushcare Review).

‘The NHT contribution of \$37.6 million has leverage a further \$75.5 million and, by our estimates, it may indirectly influence as much as 80% of the overall annual investment in improved management of dryland salinity by all providers which we estimate to be approximately \$134 million’ (Dryland Salinity and Associated Vegetation Management Thematic Study).

Raising Awareness and Empowering Communities

The Trust has been successful in raising community awareness and empowering communities to create new social networks to facilitate cooperative activity across regions.

‘By giving out funding for specific projects, the government has empowered communities. There is a growing belief that “now we can fix some of our own problems”’ (Central Queensland Regional Review).

‘There is a spirit of cooperation in the air; people realise that to help themselves they have to help each other’ (Blackwood Regional Review).

‘Indigenous communities generally welcome the Program because it recognises that conservation management and indigenous land use can coexist’ (Indigenous Protected Areas Program Review).

‘There is general agreement that the Trust has provided a significant input into community environmental awareness and capacity for action in urban areas. The Trust

has also generated important new urban social networks and change.’ (Urban Environment Thematic Study).

‘The commitment to the Natural Heritage Trust and the Trust programs in community organisations is very high’ (Administrative Arrangements Review).

‘Participants in all regions identified that the Trust stimulated active community participation and facilitated people working together collaboratively’. (Integrated Regional Summary Review).

Institutional Arrangements

The mid-term review found that the partnerships with the States and Territories have to a large extent been effective in delivering the Trust’s objectives. The reviews also note the success of regional approaches and encourage these to be strengthened progressively.

‘Partnership Agreements signed between the Commonwealth and States provide positive benefits to the parties and provide the basis for effective delivery of Trust funds to community groups’ (Bushcare Review).

‘The Partnerships Agreements have been an important innovation in inter-governmental cooperation and collaboration in Australia’ (Administrative Arrangements Review).

‘Important contributions to institutional reforms have also been made but there have been no reforms of regulations on land clearing in Queensland’ (Bushcare Review).

‘Evidence from the Upper South East, Blackwood and Goulburn-Broken regions suggests that effective integration between Commonwealth, State and local government activities in program delivery increases the efficiency and effectiveness of natural resource management investments at regional scale’s (Integrated Regional Summary).

‘The National Landcare Program has contributed to more integrated institutional arrangements for natural resource management. This has included integration of organisational activity at the catchment and regional levels as well as policy and other changes relevant to natural resource management’ (National Landcare Program Review).

‘The Natural Heritage Trust has also been catalytic in encouraging an integrated approach to policy development in relation to natural resource management, environmental protection and sustainable agriculture at both the Commonwealth and State levels. The progressive development and implementation of a regional approach to delivery is also regarded as an essential component of its success’ (Administrative Arrangements Review).

On-ground Outcomes

The Trust has supplemented pre-existing programs such as Landcare with new programs including Bushcare. The consultants found that in doing so, the Trust has facilitated a more comprehensive and holistic approach to natural resource management. This has helped build capacity and

raised awareness of the triple bottom line of economic, social and environmental sustainability benefits.

The long-term goals of the Trust in relation to broad environmental and sustainability outcomes will take many years to be realised. In the short term, measurement of the on-ground achievements of projects funded by the Trust indicates that the Trust projects are achieving their objectives. In the longer term, the National Land and Water Resources Audit (a Trust program) and State of the Environment reporting will provide base-line data to assess landscape scale associated with Trust programs.

Some 300,000 people have been involved with the Trust to date through its twenty-two programs. Highlights of activities from a selection of programs are:

'The majority of National Landcare Program (NLP) interviewees indicated that there are improvements in the condition of on-farm and off-farm natural resource areas as a consequence of the NLP' (National Landcare Program Review).

Through Waterwatch Australia some 2200 community groups monitor 5495 sites in 246 catchments across Australia.

Since 1997 the National Reserve System program has purchased 1.3 million hectares.

Five Indigenous Protected Areas have been declared involving 515,382 hectares.

Key Issues raised in Mid-Term Review

This document outlines the overarching issues arising from the recommendations of the mid-term review. These are the key issues that affect the operation of the Trust as a whole. It does not address program-specific issues. Issues specific to individual programs are being addressed by the responsible Minister.

Long-term Government Commitment

The mid-term review concluded that because of the magnitude of overall environmental problems and their impact on the whole economy, the Natural Heritage Trust, or its successor, should be developed as a long-term source of funding.

Ministerial Board Response

The Government is considering its long-term response to natural resource management through a high level Ministerial Group. This group was formed in recognition of the need for a new national framework for protecting, maintaining and enhancing Australia's natural resources, to provide the basis for sustainable production, healthy ecosystems (including healthy rivers and estuaries) and viable rural communities.

The Ministerial group is considering a number of key reports which address issues such as salinity, soil degradation, loss of biodiversity, sustainable land and water management, and acid sulphate soils. Through this process the Government aims to build on the achievements of the Natural Heritage Trust, and to continue to promote more sustainable and more integrated management of soils, water, vegetation and biodiversity.

Government Policy Settings

The mid-term review raises issues related to future directions for Government policy. It is recognised that program expenditure through the Natural Heritage Trust alone will not be sufficient to achieve the Government's environment and natural resource management objectives. Governments need more effective incentives and regulatory regimes to stimulate additional private investment in the natural environment.

Ministerial Board Response

The Commonwealth Government has established a process for developing its future policy and long-term commitment on natural resource management, as discussed above. It is important to note however, that under the Constitution the States and Territories have major responsibilities for the environment. The Commonwealth acts in partnership with the States in delivering the Trust. The development of the Commonwealth's future policy directions is being undertaken in conjunction with the States.

The Trust is developing a range of policy instruments to encourage investment by the private sector in biodiversity, for example rate relief and covenants. However, the potential for applying a more varied policy mix for natural resource management is acknowledged. Information about best practice in these approaches and other innovation is disseminated through seminars, field trips, Trust publications and Natural Heritage Trust training.

Strategic Approach

All Trust programs have strategic plans linking program objectives to the overarching Trust goal and objectives.

The Trust's Goal is:

- To stimulate activities in the national interest to achieve the conservation, sustainable use and repair of Australia's natural environment.

The Trust's Three Key Objectives are:

- To provide a framework for strategic capital investment in the natural environment;
- To achieve complementary environmental protection, natural resource management and sustainable agricultural outcomes consistent with agreed national strategies; and
- To provide a framework for cooperative partnerships between communities, industry and all levels of government.

The mid-term review recommended an overall strategic plan be formulated for the Trust, with clearly and consistently stated purpose, objectives and outcomes and the means for achieving them. Strategic plans for the individual Trust programs should have strong links to the overall plan.

Ministerial Board Response

While some programs did predate the Trust, for example Landcare, each program's objectives are designed to meet the overall Natural Heritage Trust objective of long-term sustainability. Post-Trust strategic outcomes will be decided through the development of the Commonwealth Government's national policy for natural resource management. The Board has reaffirmed the importance of strategic outcomes for the Trust with a greater emphasis on targeted initiatives and a regional approach that involves greater devolution of program delivery to regions where appropriate institutional arrangements are in place. The Board also agreed to give priority to targeted regional-scale initiatives during the next round of decision making for funding. Trust grant guidelines were revised to ensure this emphasis was clear. Facilitators from Bushcare and other programs, non-government organisations, State Assessment Panels and Regional Assessment Panels were briefed to ensure they understood the stronger emphasis on targeted initiatives for the 2000-01 funding round.

Also refer to Regional Approaches.

Partnerships

The Natural Heritage Trust is based on partnerships between the Commonwealth and the States and Territories. As already stated, under the Constitution the States have the major responsibility for natural resource issues. The mid-term review suggested that the partnership arrangements should be further strengthened and extended to more effectively include local government, the community and industry.

Ministerial Board Response

The Board reaffirmed that partnerships remain at the core of the Trust and agreed, in particular, to build on the Trust's links with local government.

However, with only one year of funding remaining it is not considered practical to renegotiate the existing partnership arrangements with the States. Similarly, the scope for creating formal agreements with other sectors is limited. Over time, stronger relationships with local government will need to be managed in cooperation with the States, taking into account the differing legislative and administrative frameworks that operate in each State jurisdiction. The Government is considering these issues in the development of its national policy for natural resource management.

Investment Focus

A number of the consultants' reports express concern that the community grants process may have diluted the potential of the Trust to achieve its overarching objective of establishing self-sustaining and strategic investments. While the community focus has been necessary to achieve commitment to the Trust's objectives, it has resulted in funds being spread over a large number of smaller projects that may have less impact than strategically directed larger projects. Against this background, some of the review reports propose that the Trust should have a stronger investment focus, with larger, more integrated projects and the development of investment sharing frameworks. An investment framework would require a wider range of activities in addition to on-ground works, including enhanced regional strategic planning.

Ministerial Board Response

The Trust is now actively seeking more devolved grants and targeted initiatives. The Board wrote to State Ministers in 1999 to advise them that it was seeking proposals for significant larger-scale initiatives. Support for small, community driven projects has been a deliberate strategy but now needs to be balanced with the advantages provided by larger initiatives.

The Board acknowledged the importance of a strong investment focus for the Trust's activities. The Board agreed that greater effort was required to attract further private sector investment and corporate support. There may be potential to link these efforts with other government and corporate investments, for example the Australian Greenhouse Office is identifying industry associations and sectors which need to, and can be, engaged in partnerships in natural resource management.

Regional Approaches

The thrust of recommendations is for the Trust to strengthen its regional approach, and increase support for planning and implementation at the regional or catchment level.

Ministerial Board Response

The Ministerial Board reaffirmed its support for targeted initiatives and regional-scale projects addressing issues of major regional concern. The Trust already places importance on regional-scale activity as a mechanism for delivery of its objectives.

In strengthening the regional approach, the variability between each region's capacity to plan and manage must be recognised. Integrated regional projects will be further encouraged, as will the use of devolved grants for the implementation of small, local projects whose objectives are consistent with the overall regional plan.

In devolving funds and responsibility, it will be important to continue to empower community groups. Representative structures in the community organisation and effective management will be important in maintaining community support. Trust facilitators and participants in the Regional Assessment Panels have been reminded of the need to ensure regional plans are taken into account in project assessments.

Program Structure

A number of reports noted the large number of separate programs that fall within the scope of the Trust. The concern was that administrative barriers could prevent achievement of integrated Trust goals by encouraging single-focus projects. The Administration Arrangements Review proposed including the Coasts and Clean Seas programs within the One-Stop-Shop structure, to promote the integration of the programs within the Trust.

Ministerial Board Response

The Board considered that major changes to the program structure at this stage of the Trust would result in increased costs and time delays in its final eighteen months. However it is important to note that the One-Stop-Shop process was designed to present potential proponents with a single entry point to Trust programs, and encourage cross-program integration. There is scope to encourage further integration within the present structure and this potential is being investigated. Possible opportunities include access to other government programs such as Green Corps and Work for the Dole with Trust projects for additional human resources. This has been welcomed by Local Government proponents in particular. In the longer term, program structure will be considered in the context of the future national policy for natural resource management.

Governance

The Administrative Arrangements Review suggested, that for management of future natural resource programs, a single administration unit with a chief executive officer would provide a core of unity, a sense of overall purpose and direction, and would lessen some of the administrative complexities evident in Trust delivery.

Elements in the current administrative arrangements under the *Natural Heritage Trust of Australia Act 1997* are the Natural Heritage Ministerial Board and the Natural Heritage Trust Advisory Committee. There are also a number of joint implementation groups established under a Memorandum of Understanding as well as program-specific advisory committees that advise Ministers.

Ministerial Board Response

The strength of current arrangements is the effective cooperation between Environment Australia and Agriculture, Fisheries and Forestry, Australia.

The benefits of creating a single administrative unit at this stage in the life of the Trust are not considered sufficient to justify the cost and disruption in project assessment and delivery.

The Board is paying particular attention to the issue of governance in the process of considering the Commonwealth's goals and future engagement in the national policy for natural resource management.

Communication

Communicating about the Trust and its objectives to the public and stakeholders was noted as a shortfall. In the first year of the Trust, few resources were committed to communicating beyond application information. In addition, the Administrative Arrangements Review recommended that the various streams of activity be combined into a single communications strategy with emphasis on promoting the investment focus of the Trust.

Ministerial Board Response

A number of strategies have been implemented such as the training initiative 'Building Regional Capacity', a pilot scheme, which has as one of its aims to foster and promote communication networks. Communication with stakeholders will also be continued through existing mechanisms such as the Natural Heritage Journal, information signs on Trust projects, the Trust information video, the Trust web-site that contains all 29 reports from the mid-term review, and an annual communications strategy for the Trust encompassing, for example, television community announcements, magazine articles and the Trust Report Card.

Capacity Building

Consultants identified the need for participants in Trust activity to have the right technical skills, support infrastructure and access to knowledge to undertake their tasks effectively. Their proposals included greater emphasis on technical support for projects, improved strategic links with research agencies and support for training and information dissemination.

Ministerial Board Response

The Board acknowledged and reiterated the importance of capacity building to promote the community's ability to achieve Trust outcomes and enhance the community's ability to sustainably manage Australia's natural resources in the longer term. The Trust has been successful in raising awareness and empowering communities. This is shown by the

number of project proposals received, the range of proponents, the level of strategic planning, and the number of training initiatives for regions and catchments. In particular, the Trust has encouraged indigenous community involvement through the employment of Indigenous Land Management Facilitators and has devolved funds to organisations such as Greening Australia whose role has included encouraging the community in new forms of environmental works, for example the establishment of seed banks.

Monitoring and Evaluation

Performance indicators for Trust programs are included in Partnership Agreements with the States. Consultants for the mid-term review were asked to comment on and recommend refinements to these indicators, as well as develop an overall indicator framework for the Trust. Two consultants noted that a review of performance indicators would assist in better monitoring and evaluating of the Trust's performance.

Ministerial Board Response

The Board reiterated the importance of monitoring and evaluation for the management of the Trust and agreed to refine processes for monitoring and evaluating the Trust's achievements.

However, the difficulty of undertaking a systematic assessment of both short-term and long-term goals against performance indicators is evidenced by the often poor quality of data that was supplied in project application forms and progress reports. Reasons for this poor data quality include the complexity of the initial application form (since refined) and the requirement to report on proposed and actual annual outputs. Community participants in the Trust frequently do not have the time and experience to supply data. Seasonal constraints or late receipt of funding can mean reporting against agreed outcomes can be delayed. A key issue for the future is the development of a simple and robust set of performance measures, which provide information at several levels, from project level to the national level, but which do not place an unfair burden on community participants.

Coordinators and Facilitators

The review identified that issues to be addressed for the Trust's 1000 facilitators and coordinators include clarification of roles and accountability structures, competency skills needed and employment conditions, including length of tenure. Consultants' proposals to address

these issues include providing clearer definitions of coordinator and facilitator roles, supporting facilitator networks and providing technical advice. Formation of a single Trust human resources program was also suggested, as were improvements to training and cooperation between facilitators employed by individual programs, for example Bushcare or Landcare.

Ministerial Board Response

The Board agreed that greater opportunity for the Trust's facilitators and coordinators to participate in training and skills development would increase the success of Trust projects.

This is already taking place in the form of the existing Building Regional Capacity – Trust short course, currently being piloted around the country.

Administration Issues

Administration issues noted in the mid-term review include reducing the cost of administration, introducing best management practices in administration, improving management information systems, simplifying the procedures for small grants and synchronising the Trust budget cycle with those of the States.

Ministerial Board Response

The Board noted that administration costs are well below the benchmarks of other comparable programs. It is agreed that, given that the Trust is due to finish by 30 June 2002, it was preferable to fine tune existing administrative arrangements than to introduce wholesale changes.

Significantly, no evidence of fraud or misappropriation was found by the mid-term review - a reflection on the quality and dedication of Trust participants.

Synchronisation of the Trust budget cycle with those of the States is not seen as practical as it would require major changes to the Trust yearly cycle (dates for application, assessment and commencement of projects) for the 2001-02 funding round.

One-Stop-Shop Assessment Process

Recommendations related to introducing a single application form for projects regardless of program funding, simplifying the assessment of small projects and improving the skills and capacity of Regional Assessment Panels.

Participants currently outside this process were surveyed about the adequacy of the current arrangements, which they indicated were working well. Given this, the remaining community grants programs outside the One-Stop-Shop were not likely to benefit from moving to a single application form for the remaining funding round.

Ministerial Board Response

The Board noted that a single guide and application form is already in place for the ten One-Stop-Shop grant programs which represent nearly 75 per cent of overall Trust expenditure and agreed not to include programs currently outside the One-Stop-Shop.

Indigenous Participation

Two consultants' evaluations found that funds allocated to Aboriginal landowners were much less than expected given the proportion of Australia they own or manage. It was suggested that this might be due to the complexity of the application process, insufficient understanding of the link between culture and environment, difficulties in raising matching contributions and lack of documentation of priorities for the management of many Aboriginal lands.

Ministerial Board Response

The National Landcare and Bushcare Programs now jointly support a group of Indigenous Land Management Facilitators. This initiative is aiming to break down some of the barriers identified in the mid-term review. The February 2000 meeting of Natural Heritage Trust stakeholders considered this issue and recommended that the State and Territory governments develop a more appropriate mechanism for indigenous groups to access funds from the Trust. The representation of indigenous interests in the RAP/SAP process has increased through greater participation by the Indigenous Land Management facilitators.

Thematic Issues

Dryland Salinity and Associated Vegetation Management

The Dryland Salinity and Associated Vegetation report noted that the Trust aimed to achieve long-term improvements in the management of the problem. It was noted that the scale of dryland salinity issues means that the problem cannot be addressed by the Trust alone and needs to be complemented by other programs and policies.

Ministerial Board Response

Dryland salinity is one of the major problems facing the Australian continent and the issue is now prominent in the developing national policy for natural resource management.

A high level Ministerial taskforce is addressing these issues for development of a post-Trust agenda.

Inland Waterways

Improving the health and management of Australia's inland waterways is a significant national issue. The Inland Waterways report found it difficult to determine if the Trust and other investments are adequate, or the extent to which they could have had any impact on the processes driving the decline in many of Australia's aquatic systems, given the short time that has elapsed since the commencement of the Trust.

Ministerial Board Response

It is noted that a number of these recommendations refer to issues that are outside the responsibility of the Trust and are being addressed in other fora or through the national policy for natural resource management. For example, the report noted that:

There are many complex social, economic and ecological issues that are central to river health, and that appear to be beyond the capacity of the existing Trust programs to resolve.

The Urban Environment

The report concluded that most of the larger environmental initiatives supported by the Trust had already been planned or were operational at State level before the Trust commenced and would continue without Trust funding. However, the Trust was found to have brought the implementation of projects forward. The report found that the Trust had been particularly strong in the areas of innovation in relation to urban bush and coastal dunes and headlands; national standards and integrated policies for urban air quality; and market approaches to waste management and management of urban river systems.

Ministerial Board Response

It is noted that a number of these recommendations raise broad urban policy and planning issues that are beyond the scope of the Trust, for example “[that] the NHT develop and promote a national set of environmental codes of conduct for the business sector”.

The Way Forward

The mid-term review produced over 600 recommendations. Many recommendations will require further consultation with community and State government stakeholders in the context of developing the national policy for natural resource management. A few recommendations were judged not to have practical or theoretical merit. Many recommendations are being implemented. These relate to setting clearer strategic directions, improving planning processes, promoting regional approaches, developing a stronger investment focus for the Trust, and improving communications. Other recommendations, however, have been judged to require extensive administrative and policy changes, which, at this stage in the life of the Trust, would impose significant cost and disruption. These recommendations are being used to inform the development of the natural resource management strategy.

Final Evaluation of the first phase of the Natural Heritage Trust

An update on the achievements of the Trust since the mid-term review will be provided by the final evaluation of the first phase of the Trust. The final evaluation will begin in July 2002, with the final report expected in the first half of 2003. The final evaluation will include:

- A list of aggregated outputs for phase 1;
- Assessment against key intermediate outcome indicators for phase 1;

The intermediate outcome indicators for phase 1, as approved by the Natural Heritage Ministerial Board, are set out in question 3 of the earlier response to questions on notice, dated 21 May 2002.

- A final evaluation, focussed on the three Trust objectives.

The three Trust objectives that are the focus of the final evaluation of phase 1 of the Trust are:

1. provide a framework for strategic capital investment, to stimulate additional investment in the natural environment;
2. achieve complementary environmental protection (including biodiversity conservation), sustainable agriculture and natural resources management outcomes consistent with agreed national strategies;
3. provide a framework for cooperative partnerships between communities, industry, and all levels of government.

Question: 07**Topic:** Baseline Data**Hansard Page:** NA

The Committee asked: Are your agencies aware of the ABS Publication (cat. No. 1370.0, 2002) Measuring Australia's Progress? If so, how useful is it in helping your agencies to develop baseline data and in setting a natural resource condition target?

Answer:

Departments are aware of the ABS publication (cat No. 1370.0, 2002). It is very recent and we are in the process of examining the report to determine its possible use and value. Our expectation is that it will not be useful in developing baseline data and setting natural resource condition targets for regions because:

1. The information in the publication is presented as headline indicators, giving broad national trends.
2. The information in the publication is not at the appropriate scale nor expressed in a useful format for the purpose of regional target setting, which requires sub-regional catchment data, specific to particular locations or areas.

The data that the ABS is using for the publication appears to be an aggregation of data from existing sources such the National Land and Water Resources Audit and the Australia State of Environment Report 2001. Those datasets are currently available and being used by Commonwealth, State, and regional organisations (see question 8 below).

Question: 08**Topic:** Baseline Data**Hansard Page:** NA

The Committee asked: What actual data, reports or other information are you using to develop and maintain baseline data?

Answer:

The setting of regional targets is a requirement for accreditation of regional natural resource management (NRM) plans under the National Action Plan for Water Quality and Salinity (NAP), and the Regional Delivery component of the extension to the Natural Heritage Trust (NHT).

The minimum set of matters for which regional targets must be set are included in the National Framework for Natural Resource Management Standards and Targets, as agreed by the Natural Resource Management Ministerial Council on 3 May, 2002. Only accredited regional NRM plans are eligible to receive NAP or NHT regional component implementation funding. Regional natural resource management plans without targets may be accredited for the purposes of NAP or Trust funding where the plans provide for targets to be set within three years. This allows time for the region to ascertain the condition of its natural resources, and establish resource condition baselines.

The current state of resource condition within many regions will be the baseline against which progress towards achieving regional targets will be measured. In some places where work is well advanced, such as parts of the Murry-Darling Basin, baselines and targets have been in place for some time. These existing baselines and targets are being incorporated into the regional target setting process under the NAP and NHT.

Regions will obtain the data they require to establish baselines and set targets for natural resource condition from a variety of sources. The National Land and Water Resources Audit has compiled data on a number of natural resource issues, such as dryland salinity, water, and land cover (vegetation), covering a significant area of Australia. Regions can access these datasets via public access websites such as the Australian Natural Resources Atlas, the Australian Natural Resources Data Library, and the Australian Spatial Data Directory. State government agencies also have data that may not yet be available nationally through those sources, but are available for regional target setting. In many cases, the available data may not be at the appropriate scale or accuracy, or data may not exist yet, in which case regions will need to undertake the necessary work to collect the data, establish their baselines, and set their targets. The funds to undertake that work may be provided to regions through regional foundation funding under the NAP or NHT regional component.