

**From:** Kathy Keele [K.Keele@australiacouncil.gov.au]  
**Sent:** Saturday, 5 July 2008 12:00 AM  
**To:** Committee, JCPAA (REPS)  
**Subject:** Inquiry into effects of efficiency dividends on government agencies

The impact of the efficiency dividends on the Australia Council for the Arts is significant and ongoing. Because the efficiency dividend is applied to the total appropriation, rather than just the operating budget, it impacts the level of funding to arts grants. Council has endeavoured to minimise the impact to grants programs by providing a level of indexing, inducing an even greater impact on operating expenses. While the efficiency dividends are not applicable to the Major Performing Arts Organisations appropriation (\$91 million), they do apply to the remainder of the appropriation (\$71 million).

This year a further 2% efficiency dividend has been imposed. In the spirit of ensuring that the 2% efficiency dividend was applied to improve efficiencies at council, the governing board and executive agreed that it would be applied only to Council's operating budget (\$19 million) rather than to the total applicable appropriation of \$71 million. We also endeavoured to continue to provide at least partial indexing to arts grants and arts organisations. This meant that we needed to decrease our operating budget from \$19 to \$17 million. We carried out a business system and process review and identified areas of focus for improving our operations including our grants management, project management, corporate services, etc. In effect, we decreased our operating budget by nearly 11%, which is far greater than the 2% originally intended. Our administrative efficiency ratio (administration to total expenditure) moved from 11% to 9%.

The impact has been to reduce staff positions from 150 to 122. Thirteen of those positions were made excess and the remainder of the staff reductions were through attrition or contract closures. These positions are largely in our corporate services, public affairs, and grants administration areas.

It would be more appropriate to apply efficiency dividends to the operating budget of the Australia Council rather than the total appropriation. Arts Organisations and artists grants cannot afford further pressure on programs and grants.

I would be happy to discuss further or provide additional information.

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