



Australian Government
Australian Institute of Criminology

Telephone 02 6260 9200
Facsimile 02 6260 9201
GPO Box 2944
Canberra ACT 2601 Australia

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

Dear Mr Chafer

Inquiry into the effect of the efficiency dividend on small agencies

Thank you for the Committee's invitation to the Australian Institute of Criminology to make a submission to the above inquiry.

The Institute's annual operating budget reached its highest level ever in 2007/08 with \$10 million, of which about 25% was self-generated and not subject to the dividend.

Attached is the Institute's submission which I hope the Committee finds informative. Should Members seek any further details I would be pleased to provide them.

Yours faithfully

A handwritten signature in black ink, appearing to read 'P S Marks'.

for Tony Marks
Acting Director



Submission to the inquiry into the effect of the efficiency dividend on small agencies

Introduction

The *Criminology Research Act 1971 (the Act)*, creates the Australian Institute of Criminology (AIC) and the Criminology Research Council (CRC). The AIC is the Australian government's national public research centre on crime and justice issues. Under the Act its role is 'to collaborate, in and outside Australia, with governments, institutions, authorities, and with bodies and persons, in relation to research, or the training of persons, or in connection with the administration of criminal justice'. It is also tasked with widely disseminating the evidence base on crime and justice issues and providing support to the CRC.

Funding

The AIC's revenue is typically 75% appropriation and 25% self-generated.

Base departmental appropriation funding is \$5.3 million. In 2007/08 this was supplemented by a one-off election commitment for reducing violence against women and children of \$0.5 million, and New Policy Proposals for multi-agency work on human trafficking and anti-money laundering of \$1.8 million.

Operating under the *Commonwealth Authorities and Companies Act 1997 (CAC Act)* facilitates the generation of addition revenue and the financial flexibility to balance revenue, (including the more difficult to forecast contract revenue) and expenditures on research projects. In 2007/08 \$2.4 million was self-generated through; competitive external contract research revenue - from a range of NGOs, and state and federal agencies; interest; royalties (the AIC owns its copyright); publication sales; and conference ticket sales.

The Institute's base appropriation has only grown by 12.3% over six years to 2007/08 (excluding new NPP funding for specific research work), an average of 2% per annum. In that time the Institute has been able to successfully generate external contract income growth of 83%, an average of 14% per annum. The Institute believes that the increase in the externally generated revenue reflects its high professional standing in research and its publications. These revenue trends are graphed in Attachment A.

Expenditure

There are currently 60 staff members employed at the AIC. Staff are employed under the *Criminology Research Act 1971*, not the *Public Service Act*, reflecting the distinct research culture and academic credibility requirements of the AIC. The Institute's expenditure is principally on salaried and contracted labour, as demonstrated in Table 1.

Table 1 – Typical expenditure analysis

Labour – staff and contractors	80.0%
Building rent, utilities and facilities	6.5%
IT and Communication	4.0%
Travel	4.0%
Other	5.5%
Total	100%

In short, the Institute's expenditure is staff driven. With current labour market conditions the differential between salary expectations and appropriation increases (net of the efficiency dividend) will require continuing careful management.

Impact of the efficiency dividend

The 1.25% efficiency dividend was \$66,000 in 2006/07. It increased to \$226,00 in 2008/09 with the introduction of the new efficiency dividend. Taking the 2007/08 budget year and the three years of the forward estimates to 2010/11, the efficiency dividend will total \$0.5 million, which represents about 10% of the annual base appropriation.

The Institute has been able to meet its obligations by carefully setting priorities and by strictly controlling its costs. Staff numbers have been tightly matched to workload and changing priorities. Costs have been managed through flexible employment arrangements. For example the certified agreement provides for a 2% salary increase in 2008/09.

Overheads are also tightly managed. The AIC accesses cluster travel arrangements, has outsourced payroll, partnered ICT arrangements and has deliberately located its accommodation to obtain low rental.

Going forward the cumulative impact of the existing and new efficiency dividend will present a management challenge to maintain all of the AIC's current outputs. Because the Institute has for the first time been successful in securing access to New Policy Proposal funding (jointly with larger agencies) the challenge is manageable. The Institute is confident that it will maintain its high professional standards and outputs. The Institute also recognises that it will need to continue to generate external revenue to maintain existing staff levels.

Attachment A clearly demonstrates the challenge. It shows the widening gap between base funding and CPI adjusted funding.

The opportunity for further administrative efficiencies are limited. However, any whole-of-government purchasing arrangements which would deliver reduced costs while maintaining the flexibility required for a small research agency, for example in the areas of travel or ICT procurement, would be welcome.

Figure 1 - AIC revenue trend 2001/02-2007/08 (Actuals) 2008/09-2010/11 (Forecast)

