

SENATE STANDING COMMITTEE ON LEGAL AND CONSTITUTIONAL AFFAIRS
AUSTRALIAN FEDERAL POLICE

Question No. 94

Senator Fierravanti-Wells asked the following question at the hearing on 20 October 2008:

- a) In January 2008, Prime Minister Rudd announced that there would be efficiency dividends throughout government. Following this decision, did the AFP embark on an investigation of possible savings? If so, please provide details of areas of operation contemplated for efficiency dividends?
- b) At any point subsequent to January 2008, did the AFP write to the Prime Minister or any Minister requesting an exemption from the efficiency dividends? If so, please provide a copy of any such request.
- c) Did the Prime Minister or any Minister provide a response to any such request for exemption from efficiency dividends? If so, please provide any copy of such a response.
- d) What efficiency dividends have actually been made by the AFP? Please provide details of such measures, including specific cuts, amount of such cuts and the areas where the cuts were made.
- e) What percentage of the AFP's annual budget has been saved through efficiency dividends?
- f) Were there any proposals for efficiency dividends in the AFP that were not actioned?
- g) Were there any proposals for cuts that were considered but not acted on?
- h) Why were those proposals for efficiency dividends not acted upon?

The answer to the honourable senator's question is as follows:

The one off 2% Efficiency Dividend was introduced with effect from 1 March 2008 and applied for part of the 2007-08 financial year with a full effect in the 2008-09 year.

The Portfolio Additional Estimates Statements 2007-08 included a savings measure in relation to the implementation of the 2% Efficiency Dividend in accordance with Government policy. The reduction in AFP appropriation as a result of this measure is \$4.523m in 2007-08, \$19.626m in 2008-09, \$20.647m in 2009-10 and \$20.420m in 2010-11. These reductions equated to 0.45% of appropriated revenue in the 2007-08 financial year and 2% of appropriated revenues from 2008-09, the first financial year to have full effect of this measure.

The government also announced the existing Efficiency Dividend would remain at 1.25% per annum.

To minimise the impact of the Efficiency Dividends on AFP operational capability the AFP sought through its internal budgeting processes for 2008-09, to re-balance its budget between employee and suppliers, in particular to seek to manage its discretionary supplier expenditure and to achieve savings in supplier costs through improved arrangements with suppliers where possible. As a result the AFP increased the employee budget as a percentage of its total budget from approximately 54% to 57%.

To deliver these savings the AFP is undertaking a number of procurement initiatives during 2008-09 to achieve cost containment and the reduction of supplier expenditure including:

- An across the board contraction in supplier budgets for discretionary costs such as travel and office products;
- The decrease in the scope of key supplier relationships with a commensurate reduction in fees payable under existing contracts such as records management;
- The active pursuit and ongoing implementation of supplier policies such as best fare of the day for business air travel in order to extract cost efficiencies;
- The investigation of co-operative agency procurements in sourcing expenditure categories such as electricity;
- The transfer of contractors to employee arrangements where possible;
- The participation in procurement scoping studies coordinated by the Department of Finance and Deregulation in areas such as travel, financial services and telecommunications; and
- The tendering and development of panels of preferred suppliers for the provision of information technology products and services.

The AFP has sought to manage the effects of the Efficiency Dividend primarily through supplier expenses where possible. The AFP has also sought to use voluntary redundancy processes to restructure the AFP workforce to ensure the optimum mix and location of required resources and that operational outcomes are achieved within the overall AFP budget.

The AFP sought an exemption from the two per cent efficiency dividend through the 2008-09 Budget process. This request was not agreed to by the Government. The relevant documents are Cabinet documents and as such cannot be publicly disclosed.