



Australian Government
Department of Home Affairs

Submission

For information
PDMS Ref. Number MS18-009729

To Minister for Home Affairs
Subject 2018-19 Departmental Budget Update
Timing Routine

Recommendations

That you:

1. note the 2018-19 Departmental operating position; and
2. note recent steps taken to ensure the alignment of planned activity in 2018-19 with current funding levels.

noted / please discuss

noted / please discuss

Minister for Home Affairs

Signature.....

A handwritten signature in blue ink, appearing to be 'P. Dutton', written over a dotted line.

Date: 11/12/2018

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Minister's Comments				
Rejected Yes/No	Timely Yes/No	Relevance <input type="checkbox"/> Highly relevant <input type="checkbox"/> Significantly relevant <input type="checkbox"/> Not relevant	Length <input type="checkbox"/> Too long <input type="checkbox"/> Right length <input type="checkbox"/> Too brief	Quality Poor 1.....2.....3.....4.....5 Excellent Comments:

Key Issues

1. As previously discussed with you, the 2018-19 Departmental operating budget was framed under significant pressure across the Department of Home Affairs and the Australian Border Force (ABF). This included meeting the Department and ABF's share of the savings measure associated with the establishment of the Home Affairs Portfolio (\$139 million over four years including \$16.7 million in 2018-19).^{s47C}
[REDACTED]
2. In determining the Department's internal budget allocations for FY2018-19, we commenced the financial year with a forecast.^{s47C} [REDACTED] Given past in-year expenditure trends, it was our assessment that a programmed overspend of this magnitude was manageable, as project and program slippage would see us underspending against planned activities, with the aim of a balanced budget by year's end and without incurring an end-of-year operating loss.
3. ^{s47C} [REDACTED]
4. Following the completion of the first quarter of the 2018-19 financial year and cognisant of the possible MYEFO outcomes for the Department, the Department's end of year projections^{s47C} [REDACTED] with the forecast^{s47C} [REDACTED]
[REDACTED] is broad based, both by expenditure category and organisationally.

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5. In the event that this forecast were to materialise, ^{s47C}

[REDACTED]

6. In these circumstances, Deputy Secretary Executive, Deputy Secretary Policy and the Chief Operating Officer were tasked to complete a desktop review of the Departmental financial position, current activities, investments and programs. The review was conducted at arm's-length from business areas and project sponsors.

7. The desktop review focussed on ^{s47C}

[REDACTED]

8. The review took into account:

- the Department's operating position to end of September 2018 and the major drivers of forecast expenditure by expenditure type and business area;
- a project-by-project review of the Department's Capital Investment Program;
- relevant feedback from business areas on their operating position and capital investment program;
- the expected MYEFO outcomes for the Department;
- the Department's financial position over the medium to long term as set out ^{s47C} [REDACTED]; and
- key organisational and capability priorities as set out in the Blueprint ^{s47C} [REDACTED].

9. Overall, the review identified a series of broad based measures to reduce the ^{s47C}

[REDACTED] This has reduced the forecast ^{s47C} [REDACTED]

[REDACTED] It is our assessment that this figure is manageable, noting that it does not allow financial headroom to accommodate any additional urgent, unforeseen or unavoidable expenditure that may emerge during the remainder of 2018-19. ^{s47C}

[REDACTED]

10. The measures are broad based and realign the Department and ABF's operations to the Portfolio Budget Statements (PBS) 2018-19 funding levels. They include:

- **ABF operations and support** ^{s47C} [REDACTED] The ABF are currently developing a series of measures to align its planned activity with their 2018-19 Budget funding, whilst minimising the impact on front line operations to the greatest extent possible. In addition to whole-of-Department/ABF corporate measures identified below, ^{ABF} specific measures currently being developed include:

- workforce optimisation and improved workforce practices ^{s47C}

[REDACTED]

- maximising the efficiency of irregular and intermittent employees (IIE's) ^{s47C}

[REDACTED] ensure the

s47C, s47E(d)

- **Non-project contractor and consultant freeze** s47C

Adoption of an immediate freeze across the Department and ABF in the engagement of new contractors and consultants and a reduction of the Department's/ABF's numbers of existing contractors and consultants. This expenditure category includes expenditure on major corporate contracts that underpin core functions s47E(d) that can include fixed base and variable demand driven cost elements as well as more discretionary activities s47C

s47C From an initial desktop review by the Corporate and Enabling Group, this includes engagements with s47E(d)

s47E(d) This measure will see approximately and information communications technology (ICT) support contractors and consultants released or not engaged in coming weeks. To minimise the impact on core functions and front line services, Groups are identifying targeted areas for reduction in consultation with the Chief Finance Officer. Going forward, any variation or new engagement of contractors or consultants in the Department or ABF will require the approval of the Chief Operating Officer.

- **Reduced Project Operating Expenses** s47C

Following a project-by-project desktop review s47C reductions have been generated by stopping and slowing current and planned project expenditure, including those aimed at s47C

This equates to approximately s47C project operating expenses and a further s47C project operating expenses s47C

s47C This measure will also impact project capital expenditure, which does not s47C but may free up some project capital expenditure to redirect to priorities s47C

Release of project contractors and consultants will also be necessary.

- **Recruitment controls and workforce alignment** s47C

To support existing initiatives to align workforce numbers with Departmental funding, an immediate introduction of recruitment controls across the Department and ABF will be implemented. Going forward, the recruitment of any non-SES staff in the Department or ABF will require the approval of the Chief Operating Officer and for SES staff, approval by the Secretary. s47C

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- **Travel** ^{s47C} [REDACTED] in travel expenses will be implemented. The impact of this measure will be broad based and all Groups will be affected. To promote further long-term savings, no support staff are to travel, all travel is to be booked online and greater use of teleconferencing made. Additionally, all overseas travel will require approval from the Chief Operating Officer.

- ^{s47C, s47E(d)} [REDACTED]

- **Productivity and corporate efficiency** ^{s47C} [REDACTED]: Corporate and Enabling Group, in consultation with other Groups, will identify specific measures in addition to the Department's \$14.5 million share of the efficiency savings target from the establishment of the Home Affairs Portfolio. Savings initiatives to boost productivity and efficiency include, but are not limited to, ^{s47C} [REDACTED]

- **Duplication** ^{s47C} [REDACTED]: Corporate and Enabling Group will examine the removal of potentially duplicative functions and assess the scope for amalgamation of functions across the Department and ABF where existing functions may be inconsistent with the intent of the operating model ^{s47C} [REDACTED]. Areas for review include, but are not limited to, ^{s47C} [REDACTED]

11. In addition to these measures, Corporate and Enabling Group has identified three measures that are forecast to further reduce the operating deficit ^{s47C} [REDACTED]

- **Additional Variable Visa Funding:** The Department's funding mechanism for visa finalisations has a variable component. ^{s47C} [REDACTED]

- ^{s47C, s47E(d)} [REDACTED]

- ^{s47C} [REDACTED]

12. Further detail on these impact of these measures is set out below, but it is evident that the Department and ABF has very limited capacity to generate further savings in the short-term without impacting program performance. More broadly, the Department has calculated that its ^{s47C} [REDACTED]

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Capability Implications

13. ^{s47C}

14. ^{s47C}

been developing a capability view of the budget. Whilst the work is at an early stage, and the mapping and attribution will be subject to continued refinement, it provides a capability focus to the major cost drivers. Using direct and indirect attribution of savings, ^{s47C}

^{s47C}

15. ^{s47C, s47E(d)}

Way Forward

16. ^{s47C}

17. Given the broad nature of the proposed measures, and that the Department and ABF had been planning to risk manage its 2018-19 operations to balance tempo with funding levels, the implementation of these measures will impact the Department and ABF's planned performance levels. ^{s47C}

18. To carefully manage any risks, or possible degradation in performance levels as set out below, all Deputies and the ABF have been tasked to carefully review implementation of all measures, ^{s47C}

^{s47C} whilst reducing adverse impact on the public or industry. The strategy will be revisited after six weeks (to allow time to align activity to internal budgets) and monthly thereafter to assess the implementation of these options by Groups to ensure Groups are within their approved budget allocations. Additionally we will assess any emergent risks or unintended impacts on operations and activities and identify further measures as needed in light of financial performance.

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Background

19. Following the completion of the first quarter of the 2018-19 financial year, the Department and ABF's operating position, financial results to the end of September 2018 included:

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20. Notwithstanding the pressure on employees expenses, the introduction of Full-time Equivalent (FTE) ceilings in September 2018 had seen all Groups being within their FTE ceilings with the exception of the

s47C



21. Separately, the 2018-19 Home Affairs Portfolio Budget Statements included \$227.4 million efficiency savings over 2018-19 and the forward estimates with a direction to provide advice on how the \$227.4 million savings measure will be allocated across all Portfolio agencies. The Department and ABF's share of these savings is \$139 million over four years including \$16.7 million in 2018-19.

Consultation – internal/external

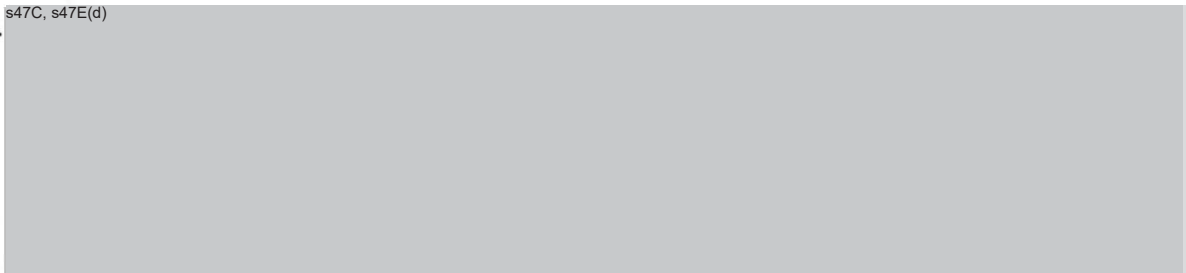
22. All Deputy Secretaries in the Department and Deputy Commissioners in the ABF have been consulted on this exercise and will oversee implementation of the individual measures as they affect their Group.

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Client service implications

23. s47C, s47E(d)



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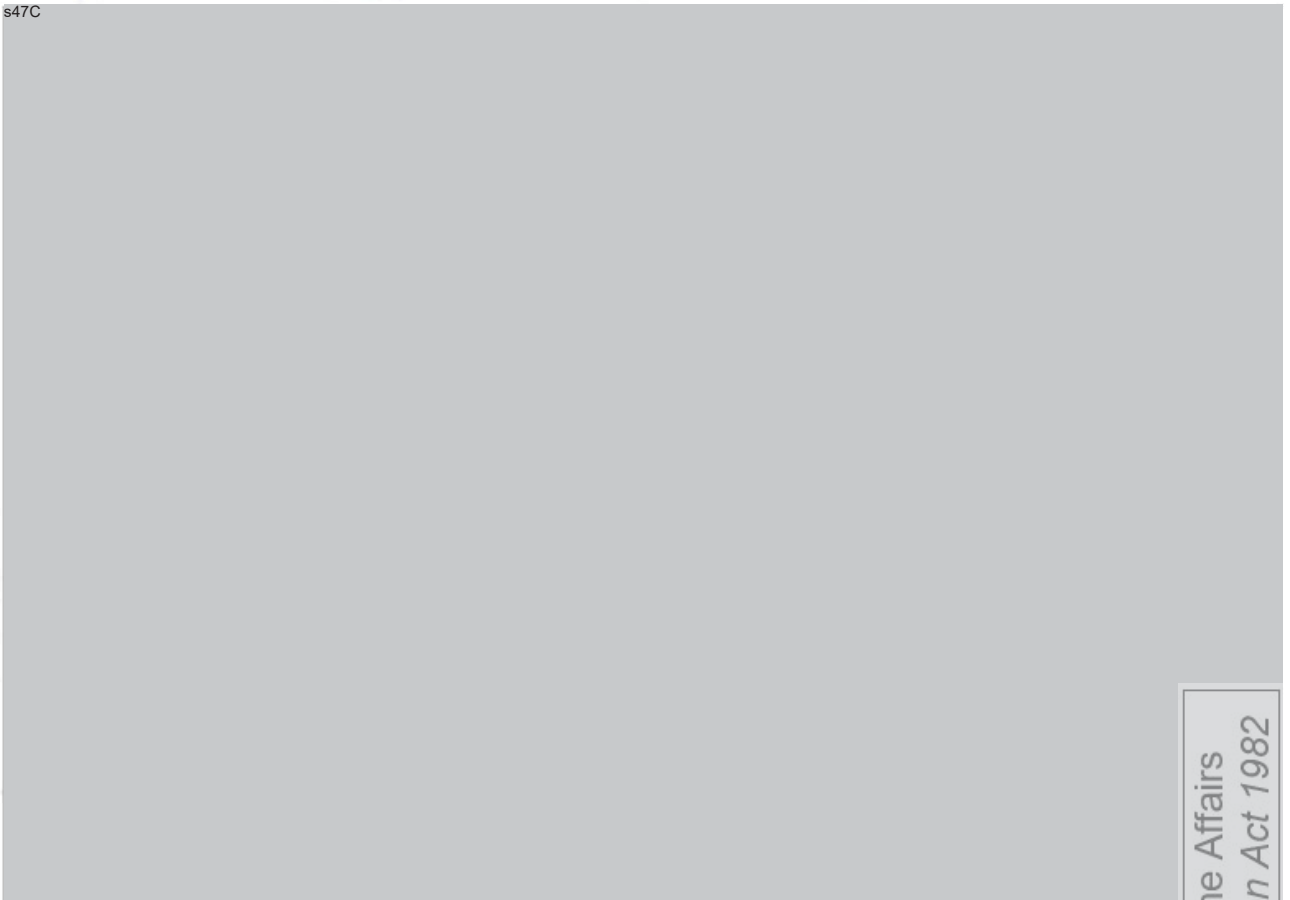
24. In relation to the ABF support and operations, the impact of measures will include:

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25. In relation to project stoppages/slowdowns and reductions in contractor/consultant numbers, the impact of the measures could include:

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Sensitivities

26. As noted in the submission.

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Attachments

Attachment A

s47C

Authorising Officer

Cleared by:

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Date: 19 November 2018

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