



2 May 2019

Sun Shine

Sent via email: foi+request-5239-28fe1434@righttoknow.org.au

Dear Sun Shine

Supplementary Decision under the *Freedom of Information Act 1982*

I refer to your request sent on 31 January 2019 as amended on 5 April 2019 under the *Freedom of Information Act 1982* (the FOI Act) seeking access to the following documents:

Meeting minutes and strategies from December 2016 to the present. Of interest are those documents that indicate the CEO's desire to increase annual licence charges, broaden cost recovery or expand involvement of agency staff in regulatory matters, the effect of which would be to increase future licence charges. As a minimum, this request includes Executive Group and Strategic Management Committee meeting minutes such as Item 2.5 of SMC paper dated 12 December 2016.

ARPANSA's most recent annual report refers to a strategy for enhancing the agency's revenue-generating activities, including regulatory cost recovery models. My request includes the document that describes this strategy.

No emails are requested.

I also refer to your email dated 29 April 2019, specifically requesting:

- 1) Item 2.5 of SMC paper dated 12 December 2016.
- 2) ARPANSA's strategy for enhancing the agency's revenue-generating activities. The most recent annual report refers to such a strategy, including regulatory cost recovery models. I assume this strategy exists in written form or forms.

I am an officer authorised under section 23 of the For FOI Act to make decisions with respect to applications for access to documents under the FOI Act and this letter sets out my decision on your request.

Decision

I have identified an additional two documents relevant to your request and have decided to release:

- 1 document in full
- 1 document in part

My reasons for making this decision are set out in Attachment A to this letter.

Attachment B is a schedule setting out each identified document and detailing my decision in relation to each document.

I have enclosed extracts of the provisions of the FOI Act relevant to your request and my decision at Attachment C to this letter.

Review Rights

You are entitled to seek review of this decision. Your rights in this regard are set out at Attachment D to this letter.

You may also complain to the Commonwealth Ombudsman about the way your request has been handled and Attachment D also sets out your rights of complaint and how to exercise them.

Contacts

If you require clarification of any of the matters set out in this letter please contact Gemma Larkins on 02 9541 8311 or foi@arpansa.gov.au.

Yours sincerely

Gemma Larkins

Gemma Larkins
Legal Officer
Office of the General Counsel



ATTACHMENT 'A' - REASONS FOR DECISION – COST RECOVERY - Supplementary decision

Material taken into account

In making my decision, I had regard to the following:

- The terms of your request and subsequent correspondence;
- The content of the documents to which you sought access;
- Consultation with ARPANSA officers responsible for matters relating to the documents to which you sought access;
- The relevant provisions of the FOI Act;
- ARPANSA's guidance material on the FOI Act; and
- Guidelines on FOI, available on the Office of the Australian Information Commissioner website.

Findings of fact and reasons for decision

Where the schedule of documents indicates an exemption claim has been applied to a part of a document, my findings of fact and reasons for deciding that the exemption provision applies to that document or part of document are set out below.

Section 22 deletion of exempt matter or irrelevant material

Section 22 of the Act allows for the deletion of information which is either exempt or which is irrelevant to the scope of the request.

The information has been redacted on the basis that it is not relevant to the terms of the request and is also commercially sensitive.

Section 22(1)(a)(i) – material which is exempt

Where a decision is made to refuse access to a document on the ground that it is an exempt document, section 22 allows an agency to make an edited copy of the document with the exempt material deleted. You have been provided with such edited copies of documents. The schedule identifies the relevant section of the Act under which the exempt material has been deleted. My reasons for claiming the particular exemption are set out below.

Section 47 - Documents disclosing commercially valuable information

Section 47 of the FOI Act, relevantly provides that a document is an exempt document if its disclosure would disclose any information having a commercial value that would be, or could reasonably be expected to be, destroyed or diminished if the information were disclosed.

The information redacted under section 47 contains is commercially sensitive information in relation to the profitability and viability of ARPANSA's commercial services. It includes commercially sensitive information on pricing, new business initiatives, commercial strategies and technology. This information is current, not widely known and could provide competitors with a commercial advantage.

This information does not relate to the applicant nor is it relevant to the request. It does not relate to cost recovery or regulatory activities.



ATTACHMENT 'B' – SCHEDULE OF RELEVANT DOCUMENTS – Supplementary decision

Doc No.	Document Description	Pages	Released	Section
1	Strategic Management Committee Paper – Item 2.5	13	Released in full	
2.	ARPANSA Sustainability and Funding Project – Phase 1 – Current Performance and Options – Final Report	37	Released in part	s. 22 (irrelevant) s.47



ATTACHMENT 'C' – RELEVANT FOI ACT PROVISIONS – Supplementary Decision

11A Access to documents on request

Scope

- (1) This section applies if:
- (a) a request is made by a person, in accordance with subsection 15(2), to an agency or Minister for access to:
 - (i) a document of the agency; or
 - (ii) an official document of the Minister; and
 - (b) any charge that, under the regulations, is required to be paid before access is given has been paid.

- (2) This section applies subject to this Act.

Note: Other provisions of this Act are relevant to decisions about access to documents, for example the following:

- (a) section 12 (documents otherwise available);
- (b) section 13 (documents in national institutions);
- (c) section 15A (personnel records);
- (d) section 22 (access to edited copies with exempt or irrelevant matter deleted).

Mandatory access—general rule

- (3) The agency or Minister must give the person access to the document in accordance with this Act, subject to this section.

Exemptions and conditional exemptions

- (4) The agency or Minister is not required by this Act to give the person access to the document at a particular time if, at that time, the document is an exempt document.

Note: Access may be given to an exempt document apart from under this Act, whether or not in response to a request (see section 3A (objects—information or documents otherwise accessible)).

- (5) The agency or Minister must give the person access to the document if it is conditionally exempt at a particular time unless (in the circumstances) access to the document at that time would, on balance, be contrary to the public interest.

Note 1: Division 3 of Part IV provides for when a document is conditionally exempt.

Note 2: A conditionally exempt document is an exempt document if access to the document would, on balance, be contrary to the public interest (see section 31B (exempt documents for the purposes of Part IV)).

Note 3: Section 11B deals with when it is contrary to the public interest to give a person access to the document.

- (6) Despite subsection (5), the agency or Minister is not required to give access to the document at a particular time if, at that time, the document is both:
- (a) a conditionally exempt document; and
 - (b) an exempt document:
 - (i) under Division 2 of Part IV (exemptions); or
 - (ii) within the meaning of paragraph (b) or (c) of the definition of *exempt document* in subsection 4(1).

11C Publication of information in accessed documents

Scope

- (1) This section applies to information if an agency or Minister gives a person access to a document under section 11A containing the information, except in the case of any of the following:
 - (a) personal information about any person, if it would be unreasonable to publish the information;
 - (b) information about the business, commercial, financial or professional affairs of any person, if it would be unreasonable to publish the information;
 - (c) other information of a kind determined by the Information Commissioner under subsection (2), if it would be unreasonable to publish the information;
 - (d) any information, if it is not reasonably practicable to publish the information under this section because of the extent of any modifications to a document (or documents) necessary to delete information mentioned in paragraphs (a) to (c).
- (2) The Information Commissioner may, by legislative instrument, make a determination for the purposes of paragraph (1)(c).

Publication

- (3) The agency, or the Minister, must publish the information to members of the public generally on a website by:
 - (a) making the information available for downloading from the website; or
 - (b) publishing on the website a link to another website, from which the information can be downloaded; or
 - (c) publishing on the website other details of how the information may be obtained.

22 Access to edited copies with exempt or irrelevant matter deleted

Scope

- (1) This section applies if:
 - a. an agency or Minister decides:
 - (i) to refuse to give access to an exempt document; or
 - (ii) that to give access to a document would disclose information that would reasonably be regarded as irrelevant to the request for access; and
 - b. it is possible for the agency or Minister to prepare a copy (an *edited copy*) of the document, modified by deletions, ensuring that:
 - (i) access to the edited copy would be required to be given under section 11A (access to documents on request); and
 - (ii) the edited copy would not disclose any information that would reasonably be regarded as irrelevant to the request; and
 - c. it is reasonably practicable for the agency or Minister to prepare the edited copy, having regard to:
 - (i) the nature and extent of the modification; and
 - (ii) the resources available to modify the document; and
 - d. it is not apparent (from the request or from consultation with the applicant) that the applicant would decline access to the edited copy.

Access to edited copy

- (2) The agency or Minister must:
 - a. prepare the edited copy as mentioned in paragraph (1)(b); and

- b. give the applicant access to the edited copy.

Notice to applicant

- (3) The agency or Minister must give the applicant notice in writing:
 - a. that the edited copy has been prepared; and
 - b. of the grounds for the deletions; and
 - c. if any matter deleted is exempt matter—that the matter deleted is exempt matter because of a specified provision of this Act.
- (4) Section 26 (reasons for decision) does not apply to the decision to refuse access to the whole document unless the applicant requests the agency or Minister to give the applicant a notice in writing in accordance with that section.

31B Exempt documents for the purposes of this Part

A document is *exempt* for the purposes of this Part if:

- a. it is an exempt document under Division 2; or
- b. it is conditionally exempt under Division 3, and access to the document would, on balance, be contrary to the public interest for the purposes of subsection 11A(5).

Note 1: A document is an *exempt document* for the purposes of this Act (see subsection 4(1) if:

- a. it is exempt under this section; or
- b. it is exempt because of section 7 (exemption of certain persons and bodies); or
- c. it is an official document of a Minister that contains matters not relating to the affairs of an agency or a Department of State.

Note 2: Access must generally be given to a conditionally exempt document unless it would be contrary to the public interest (see section 11A).

47 Documents disclosing trade secrets or commercially valuable information

- (1) A document is an exempt document if its disclosure under this Act would disclose:
 - (a) trade secrets; or
 - (b) any other information having a commercial value that would be, or could reasonably be expected to be, destroyed or diminished if the information were disclosed.
- (2) Subsection (1) does not have effect in relation to a request by a person for access to a document:
 - (a) by reason only of the inclusion in the document of information concerning that person in respect of his or her business or professional affairs; or
 - (b) by reason only of the inclusion in the document of information concerning the business, commercial or financial affairs of an undertaking where the person making the request is the proprietor of the undertaking or a person acting on behalf of the proprietor; or
 - (c) by reason only of the inclusion in the document of information concerning the business, commercial or financial affairs of an organisation where the person making the request is the organisation or a person acting on behalf of the organisation.
- (3) A reference in this section to an undertaking includes a reference to an undertaking that is carried on by, or by an authority of, the Commonwealth, Norfolk Island or a State or by a local government authority.



ATTACHMENT 'D' REVIEW & COMPLAINTS - Supplementary decision

You have the right to apply for an internal review of this decision in accordance with Part VI of the *Freedom of Information Act 1982* (FOI Act). If you make an application for review, the CEO of ARPANSA will appoint an officer of ARPANSA to conduct a review and make a completely fresh decision on the merits of the case.

If you wish to exercise this review right, you must apply in writing for a review of the decision within 30 days of receipt of this letter. You do not have to pay any fees or proceeding charges for internal the review. No particular form is required to apply for review although it is desirable to set out in the application the grounds on which you consider that the decision should be changed.

The application for review of the decision should be sent to foi@arpansa.gov.au or:
FOI & Privacy Officer
ARPANSA
619 Lower Plenty Road
YALLAMBIE VIC 3085

If you make an application for internal review and a decision is not made by us within 30 days of receiving the application, the original decision will be deemed to be affirmed in accordance with section 54D of the FOI Act and you will be entitled to make an application to the Information Commissioner in accordance with sections 54L and 54M of the FOI Act. Similarly, if you are dissatisfied with ARPANSA's decision on internal review, you may also apply for review of this decision to the Information Commissioner.

Review of Decision by the Australian Information Commissioner (AIC)

You do not have to seek an internal review of the decision directly from ARPANSA. You may wish to seek a review of the decision from the AIC. If so, you must apply in writing and you can lodge your application in a number of ways. More information is available on the AIC's website at: <https://www.oaic.gov.au/freedom-of-information/foi-review-process>.

Complaints to the AIC or the Commonwealth Ombudsman

You may complain to the Commonwealth Ombudsman or the AIC concerning action taken by an agency in the exercise of the powers or the performance of functions under the FOI Act. There is no fee for making a complaint. The Ombudsman or the AIC will conduct a completely independent investigation of your complaint.

You may complain to the Ombudsman either orally, in person, on-line or in writing and to the AIC in writing or by completing the on-line form. Relevant addresses are:

<p>Commonwealth Ombudsman GPO Box 442 CANBERRA ACT 2601.</p> <p>Web: www.ombudsman.gov.au</p>	<p>The Australian Information Commissioner GPO Box 2999 OR GPO Box 5218 Canberra ACT 2601 Sydney NSW 2001</p> <p>Web: https://www.oaic.gov.au/freedom-of-information/foi-complaints</p>
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Strategic Management Committee

PAPER

Title:	Draft regulatory policy for safety, security, radiation protection and emergency management
Date:	12 Dec 2016
Item #:	2.5

PURPOSE

For discussion and endorsement of proposed actions.

ISSUE

To establish a regulatory policy for ARPANSA that is international best practice and ensures protection of health and safety of people, and of the environment, from the detrimental effects of radiation.

BACKGROUND

At the SMC on 23 August, ARPANSA's regulatory activities were discussed against the backdrop of significant changes in ARPANSA's regulatory activities in recent years, such as implementation of the recommendations from IRRS's in 2007 and 2011; the 2014 ANAO Audit; and the development of the delivery and cost recovery 'models' for carrying out ARPANSA's day-to-day regulatory activities.

However, as discussed on 23 August, an over-arching policy for ARPANSA's regulatory activities does not exist. There is also no clear definition of what constitutes 'regulatory' activities although the cost recovery model discusses activities that are 'directly' regulatory' and 'indirectly' regulatory.

As the operational priorities and approaches are identified 'down-stream' of a policy I took it upon myself to develop a draft a regulatory for discussion at the December 2016 SMC.

Approach

In the absence of other specific guidance, and in agreement with the obligations under the ARPANS Act to consider international best practice, the draft policy (at ATTACHMENT 1) has been developed against the IAEA Safety Requirements GSR Part 1 (Rev. 1) *Governmental, Legal and Regulatory Framework for Safety*. GSR Part 1 outlines the requirements that to give effect to the ten Fundamental Safety Principles published by IAEA as SF-1 (this publication has been adjusted to suite the requirements for safety, security and radiation protection in the Australian context, and adopted through the publication of RPS F-1 *Protection against ionising radiation*).

Consideration has been given to 2013 IAEA Guidelines for the conduct of *Integrated Regulatory Review Services* (IRRS).

The draft policy has also been informed by discussions triggered by the SA Nuclear Fuel Cycle Royal Commission about a potentially revised regulatory framework that could support expanded nuclear fuel cycle facilities. No such activities are foreseen but the regulatory considerations are still relevant.

A mapping of elements of the draft policy against the 36 Requirements of GSR Part 1 is at ATTACHMENT 2. Note that these are the overarching requirements – subordinate to the overarching requirements are a number of ‘second-level’ requirements that give effect to the overarching requirements.

No mapping has as yet been performed against the IAEA Nuclear Security Guidance. While this is unlikely to change the overall structure and content of the draft policy, this exercise should still be carried out. It should also be noted that IAEA documents only consider ionising radiation, whereas ARPANSA’s mandate also covers non-ionising radiation for which a coherent international regulatory framework comparable to that of the IAEA currently doesn’t exist.

Is a policy needed?

There is no requirement in the Act for a regulatory policy. However GSR Part 1 emphasises the need for a “National Policy and Strategy for Safety” and it would be appropriate for ARPANSA to develop a policy for its own activities that promotes a national approach to safety and is aligned with the international framework for safety. One of the functions of the CEO of ARPANSA is to promote national uniformity in policies and practices involving radiation. The COAG process provides for a mechanism, albeit cumbersome, to establish a national policy that could be based on ARPANSA’s template. The 2018 IRRS mission to Australia will definitely consider the issue of a national policy.

SMC has previously agreed that ARPANSA should use the IRRS as an opportunity and inspiration for transformational change of its regulatory activities. This needs to be captured by the new planning framework and the Integrated Management System, which are currently under development. How a ‘policy’ fits within this framework is yet to be determined; however, it remains useful to consider the elements identified in the draft policy while the planning framework and the IMS are being developed and implemented

Organisational dimension

GSR Part 1 and the IRRS modules have been used for a first and crude mapping of ‘regulatory’ activities across ARPANSA’s branches and offices; the result is outlined in Table 1 together with indicative identification of ‘lead’ B/O and supporting B/O’s.

While this ‘mapping’ can be considered both somewhat subjective and arbitrary, it is clear that activities that are captured by GSR Part 1 and the IRRS guidelines, sit across all B/O’s. This is commensurate with ARPANSA being the ‘regulatory body’ as per IAEA definitions.

It can also be concluded that very few of these activities are carried out in isolation. As the matter of fact, efficient and effective activities would benefit from drawing on expertise that sits across the agency. It can even be said that it would be remiss of ARPANSA to *not* make use of the competence and resources that sit across the Agency, in carrying out the regulatory activities. An important consideration here is that any real, potential or perceived conflict between the CEO’s regulatory and other functions must be identified and effectively dealt with.



No.		RSB	RHS	MRS	OCEO	LO	CO	CEO
1	Policy and framework							
2	Regulatory independence							
3	Coordination with regulatory bodies							
4	System for reduction of unregulated risks							
5	Decommissioning, RW and SF management							
6	Competence for safety							
7	Technical services							
8	Global safety regime							
9	Organisation and staffing for safety							
10	Effective independence							
11	Liaison with support bodies							
12	Liaison with licence holders							
13	Stability and consistency of reg control							
14	Safety related records							
15	Consultation with interested parties							
16	Management system							
17	Authorisation							
18	Review and assessment							
19	Inspection							
20	Enforcement							
21	Regulatory guides for LH							
22	EPR							
23	Transport							
24	Medical exposure							
25	Occupational exposure							
26	Discharges and clearance							
27	Environmental monitoring and protection							
28	Chronic exposure and remediation							
29	Security							
30	National uniformity							
31	Protection against non-ionising radiation							

Advisory, complementary or support function

Lead or necessary function

Table 1. 'Mapping' of regulatory activities (based on GSR Part 1 and the IRRS Manual) across branches and offices of ARPANSA

Sensitivity:

These are internal considerations and not particularly sensitive

Legislation

N/A

Financial Implications

It can be hypothesised, based on Table 1, that ARPANSA has unnecessarily limited the basis for recovering regulatory costs. This needs consideration before the next revision of the licence charges. This represents a financial opportunity for ARPANSA.

Risk Analysis

There may be some internal resistance to broadening the basis for regulatory activities and a consultative approach should be taken to launching a new policy. The potential for a conflict of interest between the CEO's regulatory and other functions should be recognised and real, potential and perceived risks for Col should be mitigated.

Timing/Handling:

Following consultation, including with the General Counsel and the Audit and Risk Committee, the policy should receive EG sign-off at the end of Q1 2017.

COMMUNICATION

Consultation

The draft policy, after edits following the December SMC, should be put to all ARPANSA staff for comments.

Communication activities

N/A

RECOMMENDATIONS

- That the SMC **NOTE** the contents of this paper
- **ENDORSE** the approach outlined in the paper
- **COMMENT** on the draft policy at ATTACHMENT 1..

CONTACT

Author details:
Carl-Magnus Larsson
x8501
CEO

ATTACHMENTS:

1. Draft policy for regulatory activities
2. Mapping against GSR Part 1

Regulatory Policy for Safety, Security, Radiation Protection and Emergency Management

The CEO of ARPANSA has regulatory functions under the *Australian Radiation Protection and Nuclear Safety Act 1998* (the ARPANS Act). The regulatory functions contribute to the effective and effective management of **radiation risks**¹, and in doing so to achieving the object of the Act: *to protect the health and safety of people, and to protect the environment, from the harmful effects of radiation.*

Policy

Regulation is one of ARPANSA's strategies for management of radiation risks. As part of the **regulatory body**, ARPANSA carries out its regulatory function through oversight of holders of licences issued by ARPANSA; by developing guidance that provides applicants for an ARPANSA licence with an understanding of the regulatory requirements; by establishing partnerships with State and Territory regulators in developing regulatory frameworks for nation-wide implementation; and through import and export permits. Other activities may be considered regulatory in a broad sense if they are associated with an expectation of compliance.

ARPANSA promotes an approach to leadership and management (internally, among its licence holders, and nation-wide) that ensures that health and environmental protection; protection of assets, property and infrastructure; and measures directed towards safety, security, radiation protection and emergency management; are carried out to the highest standards and in accordance with international best practice.

In carrying out its regulatory activities, ARPANSA provides for:

- sound and predictable regulatory arrangements, independent of promoting interests;
- a graded approach to the management of radiation risks, so that actions are commensurate with the level of hazard and risk and do not unduly impede on justified activities that involve radiation;
- intergenerational and transboundary protection;
- arrangements for stakeholder engagement; and
- transparency and accountability in regulatory decision making.

A number of principles, based on international best practice, support the realisation of the policy. These are outlined below.

Supporting Principles

1. A regulatory framework that is international best practice

International best practice shall guide ARPANSA's regulatory decision making.

In order to appropriately reflect international best practice, ARPANSA maintains a high level of engagement with international **standard** setting bodies and monitors adherence to international conventions as the designated Point of Contact or Competent Authority. ARPANSA takes into account international experience in countries with an advanced regulatory infrastructure. ARPANSA

¹ Terms in bold at first mention are defined at the end of this document.

ATTACHMENT 1

supports activities aimed at promoting implementation of best practice regulation internationally, such as peer review missions, and will invite such missions at appropriate intervals. ARPANSA provides regulatory feedback to national and international stakeholders and counterparts through its international engagement and through its website. ARPANSA's international activities are underpinned by an *International Engagement Policy and Plan*.

2. A nationally uniform approach

ARPANSA shall establish partnerships with state and territory regulators.

An effective collaboration with state and territory regulators that is characterised by mutual trust is necessary to promote and implement consistent regulatory arrangements and requirements across all jurisdictions. These arrangements promote international best practice and contribute to the elimination of unnecessary obstacles to the nation-wide establishment of safe and secure practices involving radiation. ARPANSA takes into account advice provided by the Radiation Health Committee, established under the ARPANSA Act to advise the CEO of ARPANSA on implementation of policies and practices across jurisdictions. Agreed requirements and guidance are recorded in the Radiation Protection Series suite of publications, including the National Directory for Radiation Protection, or otherwise and are available from the ARPANSA website. The requirements and guidance may refer directly to international standards, provided these have been deemed appropriate to the Australian context. ARPANSA maintains currency of the requirements and guidance, and removes obsolete elements.

3. National collaboration

ARPANSA shall establish effective and efficient means of collaboration with other organisations that form part of the regulatory body.

The regulatory functions of ARPANSA interface with responsibilities of other national bodies. ARPANSA seeks to establish effective and efficient collaborative arrangements with such bodies, thus avoiding duplication of efforts and unnecessary regulatory burden. As appropriate, these arrangements are formalised in Memoranda of Understanding, or through arrangements to the same effect.

4. Independence

ARPANSA shall act independently of promoting interests.

ARPANSA acts independently of any external interests in its regulatory decision making. While ARPANSA engages with, and strives to understand the needs and views of licensees, applicants for an ARPANSA licence, and other stakeholders; the regulatory decisions are taken in the interest of protection of people and the environment, independent of such interests. This extends to internal handling of ARPANSA's licensed activities and sources, which are overseen by third parties. ARPANSA staff is obliged to declare any interests in matters related to regulatory decision making to enable determination whether such interests may constitute a real, potential or perceived conflict of interest. Potential conflicts of interest between the CEO's regulatory and non-regulatory functions are managed.

ATTACHMENT 1

5. Prime responsibility rests with the operator

ARPANSA shall establish and maintain clear demarcation of responsibilities between the regulator and the operator.

While ARPANSA actively engages its licence holders, and stakeholders more broadly, in regulatory matters, this is on the understanding that the licence holder (operator) assumes the prime responsibility for protection, safety, security and on-site emergency management. ARPANSA will not through its licensing decisions relieve the licence holder from their responsibilities. Likewise, ARPANSA will not recommend specific technical, managerial, administrative or otherwise; arrangements pertaining to protection, safety, security and emergency management that could be perceived as relieving the licence holders of their responsibilities, or be perceived as pre-empting the regulatory decision making.

6. Organisational structure and external advisors

ARPANSA shall optimise its structure and allocation of responsibilities and resources to promote best practicable regulatory performance.

The CEO of ARPANSA is the independent regulator of Commonwealth entities; and a promoter of a nationally uniform regulatory framework. ARPANSA as the regulatory body supports the CEO in their regulatory activities. The supporting expertise and functions are spread across ARPANSA. Branches and offices work collaboratively and manage potentially conflicting interests. Special care is taken with regard to licensing and enforcement decisions, which in terms of legality, potential conflicts and other aspects, are vetted by the General Counsel. Additionally, the CEO of ARPANSA is advised by three statutory external bodies and may seek advice via contractual arrangements from third parties as necessary.

7. Integrated Management System

ARPANSA shall capture the regulatory processes in its Integrated Management System

ARPANSA develops and implements an *Integrated Management System* (IMS) that incorporates and connects existing systems for Quality Management. The IMS captures all regulatory processes, including authorisation (licensing); review and assessment; inspection; enforcement; and regulations and guides. The IMS allows for management of ARPANSA's regulatory activities in a manner that is proportionate to hazards and risks, takes interdependencies into account, and mitigates risks for any conflict of interest. It also supports the development, retention and recruitment of staff with the appropriate qualifications and skillset.

8. Graded approach and optimisation

ARPANSA's regulatory approach shall be based on understanding of hazards, risks and interdependencies.

ARPANSA's regulatory approach is based on firm understanding of hazards and risks associated with activities, facilities and sources, supported by a framework for risk management. The degree of regulatory control is commensurate with the hazards and risks, and the regulatory actions do not unduly impede on justified practices. There are interdependencies between protection, safety, security and emergency management that need consideration in the regulatory decision making. Different management options may need to be assessed by the license holder so that protection can

ATTACHMENT 1

be optimised. ARPANSA recognises that regulation is not the only means of mitigating radiation risks, and strives to establish a mitigation strategy where regulation is used when necessary and appropriate and relevant weight is given to other measures such as operational and incident feedback, information, communication, education, and engagement. To this end, ARPANSA also provides services that support management of radiation risks.

9. Accountability

ARPANSA shall act transparently and engage with stakeholders.

ARPANSA promotes its accountability by being transparent in regulatory actions, which includes publicising inspection reports, statement of reasons for regulatory decisions, annual incident summaries and analyses, and guidance material, on its website. As a matter of course, regulatory documents are consulted on and feedback taken into account. ARPANSA is accountable to licence holders in terms of the annual charges being reflective of actual regulatory work including its overheads. ARPANSA periodically reviews the efficiency and effectiveness of its regulatory activities against the Key Performance Indicators of the Australian Government's Regulator Performance Framework, and publishes the result of the reviews. ARPANSA engages not only with licence holders and applicants as part of its regulatory oversight, but also with the broader community. ARPANSA develops mechanisms to be a visible and recognised partner in relation to the potential establishment of contentious facilities, where the lead time is long and considerable interaction may be necessary long before an application has been received.

Explanation of terms

Radiation risks	<p>Detrimental health effects of exposure to ionising radiation including the likelihood of such effects occurring, and other risks including environmental risks, that might arise from exposure to ionising radiation; the presence of radioactive material (including radioactive waste) or its release to the environment; or a loss of control over a nuclear reactor core, nuclear chain reaction, radioactive source or any other source of radiation; alone or in combination.</p> <p>Health effects and health risks associated with acute or prolonged exposure to non-ionising radiation such as ultraviolet radiation, radiofrequency radiation, optical radiation and other types of non-ionising radiation; either in occupational settings or as members of the public.</p>
Regulatory body	<p>An authority or a system of authorities designated by the government of a State as having legal authority for conducting the regulatory process.</p>
Standards	<p>A collective term for international requirements, recommendations, guidance and other instruments; with which compliance can be considered good practice. These include but are not limited to: the International Atomic Energy Agency (IAEA) safety standards and security guidance, recommendations of the International Commission on Radiological Protection (ICRP) and the International Commission on Non-Ionising radiation Protection (ICNIRP); the World Health Regulations issued by the World Health Organization (WHO); Conventions to which Australia is a Contracting Party; Codes with which Australia has declared its intention to comply; and IAEA General Conference Resolutions.</p>

Mapping of policy against Requirements of GSR Part 1

No	Requirement	Draft ARPANSA Policy
RESPONSIBILITIES OF GOVERNMENT		
1	National policy and strategy for safety The government shall establish a national policy and strategy for safety, the implementation of which shall be subject to a graded approach in accordance with national circumstances and with the radiation risks associated with facilities and activities, to achieve the fundamental safety objective and to apply the fundamental safety principles established in the Safety Fundamentals.	There is no national policy: It may be pieced together from various pieces of legislation. The draft policy is aimed at outlining ARPANSA's policy responsibilities; ARPANSA may pursue a national policy through RHC but decisions ultimately rest with COAG
2	Establishment of a framework for safety The government shall establish and maintain an appropriate governmental, legal and regulatory framework for safety within which responsibilities are clearly allocated.	N/A
3	Establishment of a regulatory body The government, through the legal system, shall establish and maintain a regulatory body, and shall confer on it the legal authority and provide it with the competence and the resources necessary to fulfil its statutory obligation for the regulatory control of facilities and activities.	N/A
4	Independence of the regulatory body The government shall ensure that the regulatory body is effectively independent in its safety related decision making and that it has functional separation from entities having responsibilities or interests that could unduly influence its decision making.	Principle 4
5	Prime responsibility for safety The government shall expressly assign the prime responsibility for safety to the person or organization responsible for a facility or an activity, and shall confer on the regulatory body the authority to require such persons or organizations to comply with stipulated regulatory requirements, as well as to demonstrate such compliance.	Principle 5

ATTACHMENT 2

6	<p>Compliance with regulations and responsibility for safety The government shall stipulate that compliance with regulations and requirements established or adopted by the regulatory body does not relieve the person or organization responsible for a facility or an activity of its prime responsibility for safety.</p>	Principle 5
7	<p>Coordination of different authorities with responsibilities for safety within the regulatory framework for safety Where several authorities have responsibilities for safety within the regulatory framework for safety, the government shall make provision for the effective coordination of their regulatory functions, to avoid any omissions or undue duplication and to avoid conflicting requirements being placed on authorized parties.</p>	Principle 3
8	<p>Emergency preparedness and response The government shall make provision for emergency preparedness to enable a timely and effective response in a nuclear or radiological emergency.</p>	Emergency management is within scope of the policy
9	<p>System for protective actions to reduce existing or unregulated radiation risks The government shall establish an effective system for protective actions to reduce undue radiation risks associated with unregulated sources (of natural or artificial origin) and contamination from past activities or events, consistent with the principles of justification and optimization.</p>	Covered by the regulatory system as far as potential ‘prescribed legacy sites’ are concerned in the IMS (principle 7), and by the national uniformity provisions (principle 2).
10	<p>Provision for the decommissioning of facilities and the management of radioactive waste and of spent fuel The government shall make provision for the safe decommissioning of facilities, the safe management and disposal of radioactive waste arising from facilities and activities, and the safe management of spent fuel.</p>	The IMS addresses these issues as far as Commonwealth entities (principle 7) and national uniformity (principle 2) goes.
11	<p>Competence for safety The government shall make provision for building and maintaining the competence of all parties having responsibilities in relation to the safety of facilities and activities.</p>	Applies to Government
12	<p>Interfaces of safety with nuclear security and with the State system of accounting for, and control of, nuclear material The government shall ensure that, within the governmental and legal framework, adequate infrastructural arrangements are established for interfaces of safety with arrangements for nuclear security and with the State system of accounting for, and control of, nuclear material.</p>	While this requirement applies to Government, ARPANSA seeks to establish collaborative relationships with other bodies, including ASNO, through MoUs. Principle 2.
13	<p>Provision of technical services The government shall make provision, where necessary, for technical services in relation to safety, such as services for personal dosimetry, environmental monitoring and the calibration of equipment.</p>	Identified as one of the functions of the CEO of ARPANSA and is covered by this policy in principles 4 and 8.

ATTACHMENT 2

GLOBAL SAFETY REGIME		
14	International obligations and arrangements for international cooperation The government shall fulfil its respective international obligations, participate in the relevant international arrangements, including international peer reviews, and promote international cooperation to enhance safety globally.	Principle 1
15	Sharing of operating experience and regulatory experience The regulatory body shall make arrangements for analysis to be carried out to identify lessons to be learned from operating experience and regulatory experience, including experience in other States, and for the dissemination of the lessons learned and for their use by authorized parties, the regulatory body and other relevant authorities.	Principle 1
RESPONSIBILITIES OF THE REGULATORY BODY		
16	Organizational structure of the regulatory body and allocation of resources The regulatory body shall structure its organization and manage its resources so as to discharge its responsibilities and perform its functions effectively; this shall be accomplished in a manner commensurate with the radiation risks associated with facilities and activities.	Principle 6
17	Effective independence in the performance of regulatory functions The regulatory body shall perform its functions in a manner that does not compromise its effective independence.	Principle 4
18	Staffing and competence of the regulatory body The regulatory body shall employ a sufficient number of qualified and competent staff, commensurate with the nature and the number of facilities and activities to be regulated, to perform its functions and to discharge its responsibilities.	Principle 6
19	The management system of the regulatory body The regulatory body shall establish, implement, and assess and improve a management system that is aligned with its safety goals and contributes to their achievement.	Principle 7
20	Liaison with advisory bodies and support organizations The regulatory body shall obtain technical or other expert professional advice or services as necessary in support of its regulatory functions, but this shall not relieve the regulatory body of its assigned responsibilities.	Principle 6
21	Liaison between the regulatory body and authorized parties The regulatory body shall establish formal and informal mechanisms of communication with authorized parties on all safety related issues, conducting a professional and constructive liaison.	Principle 9
22	Stability and consistency of regulatory control The regulatory body shall ensure that regulatory control is stable and consistent.	Principle 7
23	Authorization of facilities and activities by the regulatory body Authorization by the regulatory body, including specification of the conditions necessary for safety, shall be a prerequisite for all those facilities and activities that are not either explicitly exempted or approved by means of a notification process.	Principle 7

ATTACHMENT 2

24	Demonstration of safety for the authorization of facilities and activities The applicant shall be required to submit an adequate demonstration of safety in support of an application for the authorization of a facility or an activity.	Principle 7
25	Review and assessment of information relevant to safety The regulatory body shall review and assess relevant information — whether submitted by the authorized party or the vendor, compiled by the regulatory body, or obtained from elsewhere — to determine whether facilities and activities comply with regulatory requirements and the conditions specified in the authorization. This review and assessment of information shall be performed prior to authorization and again over the lifetime of the facility or the duration of the activity, as specified in regulations promulgated by the regulatory body or in the authorization.	Principle 7
26	Graded approach to review and assessment of a facility or an activity Review and assessment of a facility or an activity shall be commensurate with the radiation risks associated with the facility or activity, in accordance with a graded approach.	Principles 7 and 8
27	Inspection of facilities and activities The regulatory body shall carry out inspections of facilities and activities to verify that the authorized party is in compliance with the regulatory requirements and with the conditions specified in the authorization.	Principle 7
28	Types of inspection of facilities and activities Inspections of facilities and activities shall include programmed inspections and reactive inspections; both announced and unannounced.	Principle 7
29	Graded approach to inspections of facilities and activities Inspections of facilities and activities shall be commensurate with the radiation risks associated with the facility or activity, in accordance with a graded approach.	Principles 7 and 8
30	Requirement 30: Establishment of an enforcement policy The regulatory body shall establish and implement an enforcement policy within the legal framework for responding to non-compliance by authorized parties with regulatory requirements or with any conditions specified in the authorization.	Principle 7
31	Requiring of corrective action by authorized parties In the event that risks are identified, including risks unforeseen in the authorization process, the regulatory body shall require corrective actions to be taken by authorized parties.	Principle 7
32	Regulations and guides The regulatory body shall establish or adopt regulations and guides to specify the principles, requirements and associated criteria for safety upon which its regulatory judgements, decisions and actions are based.	Principles 1, 2, 7 and 8

ATTACHMENT 2

33	Review of regulations and guides Regulations and guides shall be reviewed and revised as necessary to keep them up to date, with due consideration taken of relevant international safety standards and technical standards and of relevant experience gained.	Principle 7
34	Promotion of regulations and guides to interested parties The regulatory body shall notify interested parties and the public of the principles and associated criteria for safety established in its regulations and guides, and shall make its regulations and guides available.	Principles 7 and 9
35	Safety related records The regulatory body shall make provision for establishing, maintaining and retrieving adequate records relating to the safety of facilities and activities.	Principle 7
36	Communication and consultation with interested parties The regulatory body shall promote the establishment of appropriate means of informing and consulting interested parties and the public about the possible radiation risks associated with facilities and activities, and about the processes and decisions of the regulatory body.	Principle 9



Australian Government
**Australian Radiation Protection
and Nuclear Safety Agency**



ARPANSA Sustainability and Funding Project Phase 1 – Current Performance and Options Final Report

Contents

1.	<i>Executive Summary</i>	4
2.	<i>Proposed Action</i>	5
3.	<i>Purpose of this paper</i>	5
4.	<i>Scenario Modelling</i>	5
5.	<i>Proposed Action – Scenario Modelling</i>	6
6.	<i>An Agency view of Modelling projections</i>	6
7.	<i>PGPA Act requirements</i>	8
8.	<i>Project Scope</i>	8
9.	<i>Definitions of key terms</i>	9
10.	<i>Project Approach</i>	10
11.	<i>Proposed Action – Project Approach</i>	11
12.	<i>Revenue</i>	11
13.	<i>Appropriation</i>	11
14.	<i>Licensing</i>	12
15.	<i>Own-Source</i>	12
16.	<i>Cost Recovery Arrangements for Regulatory Activities</i>	13
17.	<i>Proposed Action - Cost Recovery Arrangements for Regulatory Activities</i>	13
18.	<i>Analysis of existing fee-for-service activities</i>	14
19.	<i>Radiation Protection Services</i>	14
20.	<i>Contribution Margin Analysis</i>	14
21.	<i>UPF & swing tags</i>	15
22.	<i>Proposed Action – Radiation Protection Services</i>	16
23.	<i>Medical Radiation Services</i>	18
24.	<i>Approach to pricing services</i>	18
25.	<i>Proposed Action – Approach to Pricing Services</i>	19
26.	<i>Technology</i>	19
27.	<i>Technology – Overview</i>	19
28.	<i>Technology – Current State</i>	20
29.	<i>Technology – Opportunities</i>	20
30.	<i>Technology – Integration</i>	21
31.	<i>Proposed Action - Technology</i>	21
32.	<i>The role of New Policy Proposals (NPPs) to supplement the funding shortfall</i>	22
33.	<i>Proposed Action – New Policy Proposals</i>	23
34.	<i>Organisational model considerations and Resourcing Requirements</i>	23

35.	<i>Engineering Support Services (ESS) team and Property Manager</i>	24
36.	<i>Expanding Financial Delegations in RPS</i>	24
37.	<i>Recruitment of suitably qualified staff to enhance the current and future viability of the RPS team</i>	25
38.	<i>Proposed Action – Organisation Model and Resourcing Requirements</i>	25
39.	<i>New Revenue Opportunities</i>	26
40.	<i>Proposed Action – New Revenue Opportunities</i>	26
41.	<i>Workforce</i>	26
42.	<i>Workforce Observations</i>	27
43.	<i>Data analysis</i>	29
44.	<i>Enterprise agreement</i>	29
45.	<i>Training and competencies development and maintenance</i>	30
46.	<i>Proposed Action - Workforce</i>	30
47.	<i>Non-salary expenditure</i>	31
48.	<i>Main non-salary expenditure assessment</i>	31
49.	<i>Proposed Actions – Non-Salary Expenditure</i>	34
50.	<i>Agency corporate overhead allocation model</i>	34
51.	<i>Proposed Action – Agency corporate overhead allocation model</i>	35
52.	<i>Managing for the future</i>	35
53.	<i>Financial Performance metrics</i>	35
54.	<i>Approach to Sustainability</i>	36
55.	<i>Key Performance Indicators (KPIs)</i>	36
56.	<i>Proposed Action – Managing for the future</i>	37

1. Executive Summary

As a Non-Corporate Commonwealth Entity that is not 100% funded by Government, ARPANSA is well positioned to create or grow its fee-for-service opportunities. The benefit of having such opportunity is that the agency can afford to sustain other parts of its operation as it continues to drive its program of work; whilst at the same time, not having the revenue from these services subjected to the Government's efficiency dividend.

However, creating or growing the agency's fee-for-service opportunities is harder to put into practice than it is to write. A number of legacy issues need to first be addressed. Firstly, the Strategic Management Committee (SMC) will need to prioritise and then decide on how to fund resolution of such legacy. The review found a number of areas that required attention of the agency if the opportunities were to be truly exploited. Secondly, these issues require the agency to all pull in the same direction and minimise the level of distraction that an over-subscribed program of work often presents.

Central to this potential is for the SMC to debate the strategic positioning of its main fee-for-service revenue that resides almost exclusively in the Radiation Health Services (RHS) branch. Resolving this requires a discussion on what is the purpose of the Radiation Protection Service (RPS) section. Is it purely as a commercial play; to maximise profit? As it stands, the collection of those services fund over 9 FTE elsewhere in the agency. But if its remit is broader and instead to provide an accredited, radiation protection service, than the approach it will take may differ.

In no particular order, the review found that the potential to grow revenue and maximise profit does exist, however, further work is required to address both the strategic positioning and the following issues:

- Marketing – development of a strategic marketing campaign
- Technology – address bespoke solutions that only meet the need of how work used to be done and bring the customer experience to the centre of any future development
- Business Models – bring service delivery in line with a customer centric model and move away from inward facing, process centric technology
- Resourcing – recruit for specific Commercial Management skills that will drive a future business model
- Pricing – develop a consistent methodology for the uplift of prices across all service offerings
- Contribution Analysis – review the prices charged and the cost of inputs (including corporate overheads) for individual services and determine why most services are currently sold at a *loss*
- Provide the RPS Director with the runway to focus exclusively on the service and therefore any non-essential activities not central to growing revenue should be decoupled from the role
- Upskilling staff – there is significant opportunity to grow staff capability to enable a revenue-first strategy

The review did not identify any new revenue opportunities and recommends that existing revenue services be assessed and further exploited, where that upside exists.

A deep-dive into non-salary expenditure revealed some opportunities there. However it is recommended that any savings identified be returned to the budget as the agency has, over time, already cut deeply in this area.

The reviewer believes that there is a case for enhanced Financial Key Performance Indicators as a subset to those already presented in the Quarterly Performance report to allow early identification of future sustainability or funding issues that may affect agency viability.

The breadth of the recommendations; coupled, in some cases, with the degree of complexity to implement, requires considered thought on how best to manage the implementation of those recommendations that are approved.

2. Proposed Action

The optimal outcome is to run each approved recommendation through the Project Management Advisory Group (PMAG) process (where the PMAG criteria is met) using the oversight of the Chief Financial Officer (CFO) as the Executive Group (EG) member; reporting to the EG on a regular basis to ensure continuity of delivering against the recommendations is maintained.

3. Purpose of this paper

This report is for the use of the SMC to assist it in understanding a number of constraints and opportunities on the horizon for the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA). These include:

- Sustainability of the organisation in its current form into the future;
- Addressing declining revenue and increasing costs that are placing financial constraints on the agency threaten a balanced budget; and
- Provide the greater agility to shift the agency's focus into emerging areas to support financial growth and sustainability given the high fixed cost base of the agency.

Interviews with a selection of stakeholders were conducted across the Agency in combination with a desktop review of the agency's financial position and other relevant information, which informs the recommendations outlined in the report. Further, to ensure that similar scenarios are managed in the future and to support the agency for enduring financial control, performance measures for defining the financial sustainability parameters, within which ARPANSA needs to consider operating to underpin its sustainability throughout the forward estimate period, are proposed.

4. Scenario Modelling

Observation
Long-term assessment of the Agency's operating and financial environment on the basis of known facts and assumptions occurs on at least an annual basis. This holds for financial conditions, current and emerging risks as well as macro environment driving-forces such as political factors, economic forces, social factors and technological trends. These assessments are performed independently of one another and creates disconnect between changes to the macro environment and the financial implication of those changes.

At its December 2017 meeting, the SMC discussed the analysis presented on the future sustainability of the agency across the forward estimate period (through to Financial Year (FY) 2020/21). The analysis was driven by the implementation of long term scenario analysis to assist in adjusting its business course based on shifting financial assumptions. Consideration was given towards critical uncertainties such as reduced appropriation, declining fee-for-service revenues or availability (and cost) of recruiting or retaining skilled professionals.

Ideally, scenario analysis or forward-looking exercises should also take into consideration macro environment driving forces such as political factors, economic forces, social factors and technological trends. However, the scenario analysis/modelling and environmental scanning processes were undertaken as separate and discrete activities.

It was agreed at the time that whilst the staffing levels and the organisational structure required to deliver our statutory obligations to our stakeholders could possibly be fine-tuned as part of this work, the biggest opportunity to enhance sustainability (and consequently, increase funding without the need to rely on Government) is to focus on revenue-generating activities; specifically, ensuring the delivery of the regulatory cost recovery model and strategies for increasing both revenue and profitability of services provided to external stakeholders.

The SMC had formed a view that there was an over-reliance on Government funding and that alternative sources of revenue needed to be identified and exploited. The aim over the next few years was to substantially increase this revenue to around \$12-\$13m per annum (from around \$10.9m-\$11.1m as is now the case).

In January 2018, the CEO requested that the Head of Corporate Office be seconded onto the project to develop a series of strategies to sustain the agency's financial position for the purposes of continuously improving delivery against its statutory obligations.

Throughout February 2018, a number of presentations were made to the Leadership Cohort (19 Feb), an all staff Talk shop (22 Feb) and the Audit and Risk Committee (28 Feb) to set the context of why this project was both necessary in needing to commence action immediately and important for the agency for future sustainability. This has also assisted in preparing staff for any likely impacts the project may recommend to the SMC at its 23 April meeting.

5. Proposed Action – Scenario Modelling

- Financial Scenario Modelling is to be undertaken in conjunction with the agency's annual Environmental Scanning and Risk Management workshop to create the connection between changes to the macro environment and government policy and the financial implication of those changes into the Forward Estimates period.

6. An Agency view of Modelling projections

Observation
In its 2016 Federal Budget, the Government announced additional efficiency dividends, over and above those ARPANSA had already been expecting in the normal course of the Forward Estimates. The broad impact of the reduced appropriation on the agency is \$970k over three years.

The budget papers informed the agency that Government will achieve efficiencies in the operation of the Australian Public Service, by increasing the standard annual efficiency dividend by 1.5 per cent in 2017-18, 1.0 per cent in 2018-19 and 0.5 per cent in 2019-20 impacting as follows:

- 2017-18: \$198k reduction
- 2018-19: \$330k reduction
- 2019-20: \$440k reduction

Financial year	\$(‘000s)	Loss of funding	% change
2017/18	\$12,839	\$200k	1.5%
2018/19	\$12,729	\$330k	2.6%
2019/20	\$12,729	\$440k	3.5%

NB: The % change includes other Government policy interventions that affect the Agency’s appropriation funding

Table 1: Expected appropriation funding and impact of increased efficiency dividend

A scenario model was then developed to factor these changes in funding as well as other staffing and operating expense assumptions based on our knowledge of the historical context of what’s financially possible.

The model revealed that the financial outlook for the agency from 2018-19 required prompt consideration and strategic planning by the SMC. Stressing that the assumptions made were those of the author of the model at that time, it however served to inform that from the 2018/19 FY, the agency’s financial resources will need to be carefully managed so as to avoid the potential to operate in a deficit position as the following illustrates.

- 2018-19 -\$118k (deficit)
- 2019-20 -\$315k (deficit)
- 2020-21 -\$454k (deficit)

The assumptions made to derive these estimates were as follows:

- Modest targets for revenue growth of between 1%-2%;
- Factoring in known pay increases already negotiated through the Enterprise Agreement (EA);
- Minor staff turnover and implications of large leave balances;
- Average Staffing Levels (ASL) set at ceiling allowable;
- Integrated Regulatory Review Service (IRRS) costs recognised; and
- Non-salary expenditure growth capped at 2%

7. PGPA Act requirements

Observation

As a Federal Commonwealth agency there are legislative requirements that support the obligation for the Agency Head (and by extension, the whole agency) to undertake appropriate planning to meet its obligations under the PGPA Act.

Section 15 of the PGPA Act relates to the duty to govern the Commonwealth entity. The accountable authority of a Commonwealth entity must govern the entity in a way that:

- promotes the proper use and management of public resources for which the authority is responsible;
- promotes the achievement of the purposes of the entity; and
- promotes the financial sustainability of the entity.

Also recalling that Finance Minister approval is required for an agency to record a deficit against its annual results.

Whilst it is possible to engage the Department of Health into providing more funding to support delivering on the agency's objectives, it was determined that it was more appropriate to initially undertake an internal review of our revenue opportunities and cost drivers prior to ensure that any approach to the Department was undertaken in a considered way.

8. Project Scope

Observation

During the analysis phase of the project, it became evident that the project scope, in only relying on revenue as a basis for a financial recovery, would be a limiting factor in the long-term success of the project achieving its scope. This is despite fee-for-service revenue generated by the agency not being subjected to the Government's efficiency dividend.

The project initially sought to deliver on the following scope:

Develop a strategy for maintaining the agency's financial position for the purposes of continuously improving delivery against its statutory obligations.

This strategy will specifically look at enhancing the revenue-generating activities of the agency; including but not limited to: regulatory cost recovery models and strategies for increasing both revenue and profitability of services provided to external stakeholders.

The limiting factors to a revenue-only approach were:

- Lead time to develop sustainable revenue streams are measured in years, not months;
- It was not immediately clear that a new revenue pipeline of products or services was even ready to commercialise;

- Even if a potential revenue pipeline existed, careful understanding and consideration would need to be given to the level of capital expenditure required for set-up costs and the trade-offs required elsewhere in the agency that have high capital investment needs;
- That the agency does not have a business structure and marketing nous that enables the successful commercialisation of existing products and services, let alone new ones;
- Need to determine whether the private sector is actually more efficient at delivery that same product or service;
- Assuming a degree of commercial success was possible, excessive and consistent surpluses potentially send a signal to government that this agency is being over-appropriated and this may create unintended consequences for the agency in terms of claw-backs; and
- The Executive's focus and the agency's enabling legislation is not primarily driven by commercial imperatives

On the basis of the above rationale, the CEO agreed to broaden the scope to as follows:

- Investigate the creation of an enhanced revenue-generation model that can deliver an additional \$1m in non-appropriated funding by June 2021;
- Identify opportunities for the efficient and sustainable allocation of the agency's working cash flow to underpin both its financial operating and capital investment program over the next 5-10 years; and
- Development of Financial Performance Indicators that the SMC needs to manage and ensure are met that ultimately underpin a series of further strategies that allow the agency to deliver on its wide mandate and financial position well beyond fiscal year 2020/21.

These factors therefore need to be considered in conjunction with one another to achieve the ultimate objectives of the project.

9. Definitions of key terms

Term	Definition
Sustainability	The avoidance of the depletion of the agency's resources in order to maintain an ability to deliver against our program of work.
Funding	The provision of financial resources to finance a need, program, or project.
Financially Sustainability	When an organisation is able to maintain its financial operating and capital investment program over the long-term.
Financial Operating	Productive capacity provided by the agency's working cash flow to undertake day-to-day operations.
Capital Investment	Productive capacity provided by the capital investment made to deliver advice and services

Term	Definition
Long Term	Period of up to ten years which creates an enduring legacy for others that follow

Table 2: Glossary of key terms

10. Project Approach

Observation
Similarly to the Sustainable Future’s strategy in late-2013 and early-2014 in response to the agency’s declining cash reserves, the development of a scenario model has been instrumental in assisting the SMC understand the depth of a potential problem and provide sufficient lead-time to consider an orderly response. With over 12-months before the commencement of the 2019/20 FY (when the material deficits are assumed to set-in), the SMC is presented with enough time to rationally consider the recommendations identified in this report

In considering the analysis and review undertaken, the proposed recommendations have been reflected in a way that looks at both sides of the profit and loss equation, revenue and expenses. In the past few years, the SMC has almost exclusively focussed on reducing expenses. The levers used tend not to vary greatly; reduced headcount via redundancies following an organisational review, fewer international trips, less investment in staff development by way of training, deferring or cancelling capital expenditure to preserve cash for severance payments. This approach has been beneficial to an extent. The obvious question that follows is that despite all that work, why does the SMC remain to be presented with this situation?

Whilst we have reduced the workforce to a more affordable level and taken a strategic decision to ramp up numbers (in the right areas, with the requisite skills) during the past 18-months, our reduction in non-salary expenses has also had a deep cut.

With this in mind, the project analysed many of the revenue services and their respective contribution as well as better understanding the driver of our major costs. So it was with this analysis in mind that some possible options were initially considered (in no specific order):

- **Continue to strategically reduce head count in service areas that the agency no longer wishes to pursue** - much work has already taken place to take advantage of this opportunity in the past; but there may still be some benefit to explore deeper into some areas that to date have escaped review;
- **Set long-term discretionary expense targets for each Branch and Office to not exceed over the forward estimates** - this has been an approach used in the past with some moderate success; although the observation has been made of reduced investment in non-salary expenditure to underwrite the agency’s financial position;
- **Set-up an appropriate organisational structure that allows for planning, decision-making and further investment in the agency’s commercial intellectual property** - non-appropriated, non-licence fee income will make-up 29% (or \$6.8m) of the agency’s revenue over the next three FYs. This presents the agency with an opportunity to not only achieve the shortfall in appropriations caused by the efficiency dividends, but allow growth in our cash reserves to do other things such as recruit, engage temporary support, invest in capital, reorganise and grow the agency’s profile and presence in the community. Subject to affordability and ASL ceiling;

- Consider strategic commercial alliances with other Commonwealth agencies and other similar organisations around the commercialisation of our relevant products and services - this approach will be dependent on the position that is determined regarding further investment in commercial intellectual property (IP) because it follows that if there is no investment in commercial IP, then strategic commercial alliances become less relevant; and/or
- Examine the cost of workforce levels at ARPANSA and develop a plan which, over time, will seek to reduce non-economic conditions that some aspects of the existing EA creates for the agency - this may be harder to achieve given the Government’s Bargaining framework. Even so, with about two-and-a-half years to go before commencement of negotiation for a new agreement, there is no short-or-medium term benefit available from this option.

11. Proposed Action – Project Approach

- Any review of the agency’s FTE and/or expense profile in response to addressing the financial issues presented here should only be considered firstly by undertaking a ‘pulse check’ of the agency to get a feel for what staff are feeling in relation to this.

12. Revenue

Observation
The results of our modelling indicate that over the forward estimate period of 2018/19 to 2020/21, with the agency’s revenue of \$24.0m - \$24.5m will not reach the levels that were averaged during the benchmark period (2010-2017) of \$25.3m. This decline presents an opportunity for the SMC to address that shortfall.

It’s important to note that what drove the increased revenue during the benchmark period was \$6.5m in one-off funding for projects such as construction of CTBT monitoring stations, building renovation to remove asbestos and Government funding for a redundancy program. What appears to have occurred during this period was that whilst the one-off projects were completed, the agency used some of that funding to build a fixed cost base (predominantly staffing) on the back of one-off revenue streams.

	10-17	17-18	18-19	19-20	20-21
Total \$	25.3m	23.9m	24.0m	24.2m	24.5m
% change		-5.4%	0.2%	0.9%	1.3%
% appropriation	53%	54%	47%	47%	48%

Table 3: Summary of changes in revenue generated by the agency

13. Appropriation

The largest decline is in appropriation funding, where the agency now expects \$12.8m in the forward estimates against \$13.4m on average received between FY 2010-17. It’s also important to note that the funding is still subject to further government policy efficiencies. This is best illustrated in the graph below where the ‘purple’ bar represents what the agency *actually* received or is *forecasted* to receive from

Government. This is compared to the 'green' bar which represents what the agency was *expecting* to receive at the time the PBS was first published with that financial year included. The point here is that the SMC must expect that there will be further erosion of appropriation funding that needs to be carefully managed and supplemented.

It's also interesting that ratio of appropriation funding when compared to other revenue sources is also declining from around 54% of total revenue to about 47%. This means that the agency can no longer rely predominantly on appropriation funding as its major source of revenue.



Chart 1: Change in Appropriation funding between PBS projections and what is received/forecasted to be received

The breakdown of revenue in the Forward Estimates and the assumptions that underpin those are as follows:

Financial year	Licensing	Own-source	Revenue/ASL
2010/17	4,324	6,605	\$184
2017/18	4,282	6,811	\$179
2018/19	4,385	6,879	\$179
2019/20	4,495	6,982	\$181
2020/21	4,607	7,122	\$183

Table 4: Revenue totals and metrics

14. Licensing

- Application of Labour Cost Index as the only source of growth;
- Full cost recovery will soon be resolved – finalisation of this project will add to revenue (subject to separate SMC approval); and
- No impact of future application fees as these are offset by cost incurred to assess those applications.

15. Own-Source

- Application of modest increases of 1%-2% (average growth during 2010-17 was 2.8% per annum); and

- No provision for one-off project funding as assume future projects are fully cost offset;

16. Cost Recovery Arrangements for Regulatory Activities

Currently ARPANSA annual licence charges are fixed for the three largest licence holders - ANSTO, CSIRO and Defence. These annual licence charges are based on averaged annualised regulatory activity with these licence holders obtained from the RSB Cost Recovery Tracker.

The next step in the cost recovery process is to extend this simplified annual charge model to the medium and small source licence holders.

A Cost Recovery Project team comprising the General Counsel and RSB and CO staff met on several occasions to discuss and review different models to achieve an equitable outcome for medium and small source licence holders.

Three models for cost recovery were investigated, and the conclusions and recommendations to the Project team have been made mainly on the basis of transparency and simplicity. The proposed cost distribution model applied only to source licence holders other than ANSTO, CSIRO and Defence. It was proposed to extend this to ANU source charges by fixing them according to effort expended in a similar manner.

The three models can be best summarised as follows:

- **Model 1 – Per Source Cost Model** - A licence holder will be charged for a fixed amount per source, for up to 200 sources. A source which is exclusively for storage or display (“inactive sources”) will be charged at 1/10 of this amount. At 100 sources or more a reduced cost per source is proposed. For active sources above 100 sources the cost per additional source is proposed to be halved;
- **Model 2 – Cost for Groups of Sources Model** - A licence holder will be charged based on the average regulatory effort spent on licence holders with similar numbers of sources. This model is similar to the current system with the 5km rule removed. While more closely related to regulatory effort, individual licences are not related to effort and may vary drastically; and
- **Model 3 – Status Quo** - A licence holder is charged per site within a 5 km radius, and is dependent on the hazard and the number of sources on a site. This system is complex and takes considerable manual processing by ARPANSA Staff.

It will be recommended by the project team that Model 1 is adopted due to its ease of understanding and low effort to implement. Under this model source licence holders will be charged a single annual charge per source. Model 2 was not recommended due to a high cost for small licence holders and also due to large annual charge increases when a licence holder acquires additional sources and crosses thresholds. Model 3, which represents the status quo, is not recommended due to the complexity in calculation which is difficult to understand by licence holders and is time intensive for ARPANSA to administer.

Currently, it is estimated that only 85% of regulatory costs incurred in delivering licence holder regulation are recovered. The revenue leakage to bring Model 1 to life is circa. \$146k; however, it is anticipated that the re-distribution of Overheads based on the new calculation method will provide for a revenue uplift of \$750K per annum once the cost recovery model is fully implemented— see section 50 for further information.

17. Proposed Action - Cost Recovery Arrangements for Regulatory Activities

- The Regulatory Services Branch Head present for endorsement the Proposed ARPANSA Licence Cost Distribution Model, including a recommendation regarding the time period that will be required to achieve 100% cost recovery.

18. Analysis of existing fee-for-service activities

Observation

As a general statement, it is not entirely clear that the RPS section is clear about its purpose. Why does it do the things it does? What is the 'story' that underpins what it does, why it does it and how it goes about it?

19. Radiation Protection Services

Background

There are two possible angles that a 'story' of RPS's purposes could take.

- RPS has often been described as being in the commercial business. That is, it delivers services in return for a commercial margin. In fact, the contribution analysis assessment indicates that the section alone delivers a net 'profit' to the agency of in excess of \$1.2m in FY 16/17. Therefore, the service can be characterised as underpinning the delivery of the statutory obligations to our other stakeholders. With an average FTE cost that year of \$128.6k, the service contributes the salaries of about 9.3 FTE per annum. If the SMC agrees with this proposition, then any blueprint for what a forward-looking RPS looks like needs to approach this task with a marketing-led focus, coupled with how the service will:
 - Innovate its service offering;
 - Compete for customers on a local or even international scale;
 - Understand the real cost of delivering its services;
 - Implement technology with the customer and user at the centre of that technology; and
 - Develop strategic marketing plans
- But it is the view of the reviewer that its mandate is far broader. The service:
 - Protects people from the harmful effects of radiation;
 - Provides a high quality, accredited service;
 - Allows companies to maintain a productive workforce and provide a safer working environment; and
 - Affords our agency the ability to demonstrate radiation protection evidence.

The agency can decide to have a 'foot in both camps' but that will be a dangerous space to play in. Many businesses fall into the trap of being "stuck in the middle" of the generic strategies of both differentiation and cost leadership. They don't offer the high value for money and distinctive product or service that you get from a differentiated business. And they don't offer the low prices that can come from buying from the cost leader.

20. Contribution Margin Analysis

There is the common assertion that RPS delivers a positive financial outcome for the agency. At a *Gross Margin* level (i.e. revenue *minus* salaries *minus* direct costs to deliver the service), that is a correct assertion. However, once consumption of corporate overheads are included into the financial assessment,

the *Net Margin* reduces into deficit. That is, RPS incurs more money than it brings in and therefore the service loses money. This is the result for each of the financial years reviewed. However, caution should be used when drawing conclusions from these results. The corporate overhead allocation was merely a theoretical exercise applied to this analysis for the purpose of understanding the drivers into the inputs consumed to deliver the RPS services. The reasons for the deficit can be many and varied and not necessarily a product of inefficiency on the part of the service. For example, during 2016, PRMS went through a significant reform with the introduction of the optically stimulated luminescence (OSL) technology. The implementation of that technology; coupled with other changes incurred significant start-up costs.

The amount of time allocated to this project did not afford the opportunity to deep dive into the reason for the Net Margin deficit by the various service offerings. Rather at a high level, it is likely a combination of several factors, including:

- Pricing of services are insufficient to cover the cost of delivering that service. This is likely to be true of the OSL service when, despite in excess of \$3m capital investment and four years of implementation, the move to a *premium-priced* service has yet to materialise. This is likely as a result of a service with no strategic positioning in mind;
- The salaries and/or direct costs incurred to deliver the service are too high and efficiencies should be considered;
- The costs incurred to deliver the service are predominantly fixed in nature and there is insufficient sales volume to achieve economies of scale. In relation to this point, the PRMS robotic system processes 1-1.5 cycles per day; however can comfortably process 3 cycles per day subject to demand and provision for work shifts outside of standard hours of operation; and/or
- Corporate Overheads are too high in themselves (as opposed to the allocation method used to charge RPS and other services) and should be reviewed from a whole-of-agency perspective as a way of driving efficiency across those services that consume the overhead.

21. UPF & swing tags

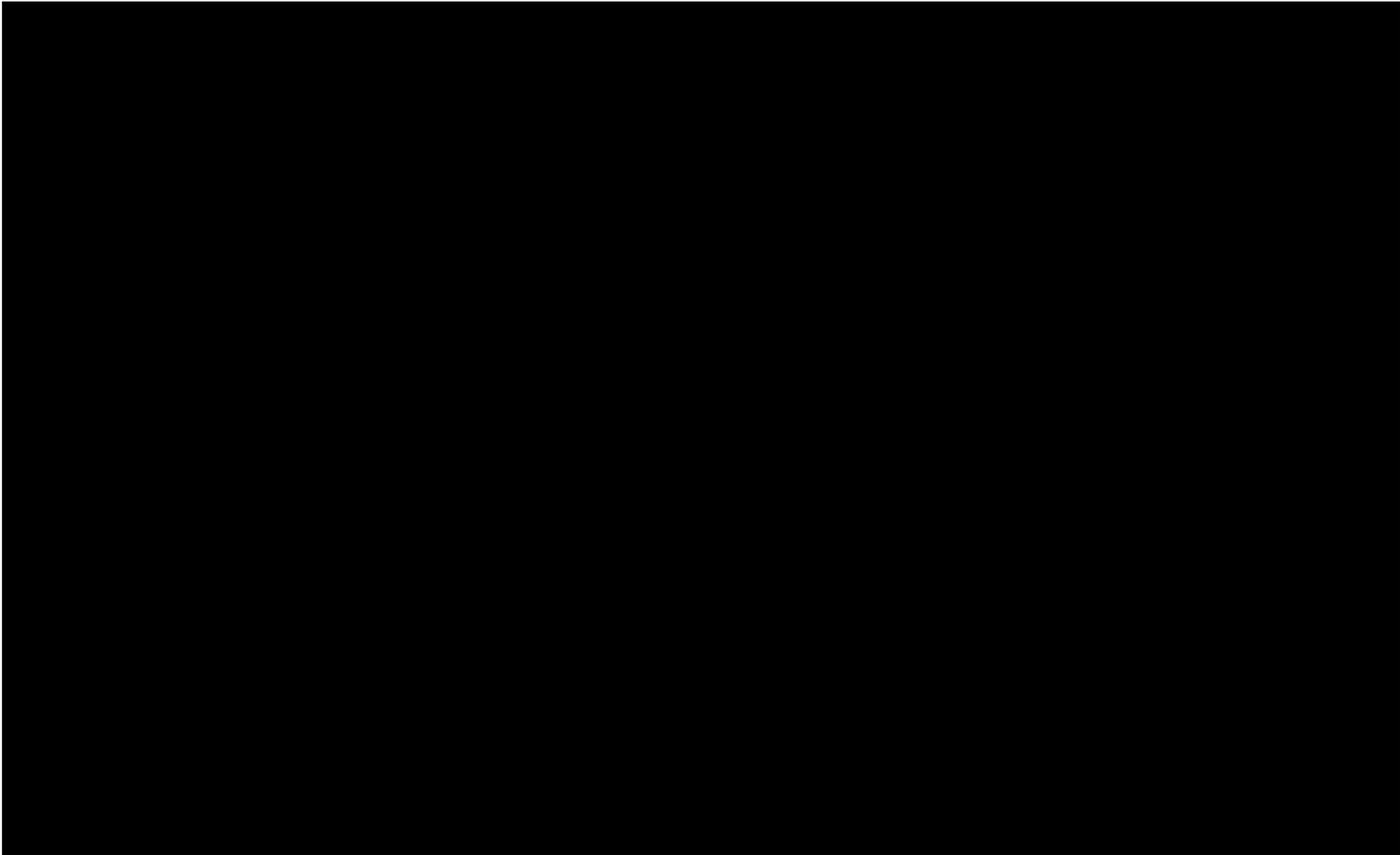
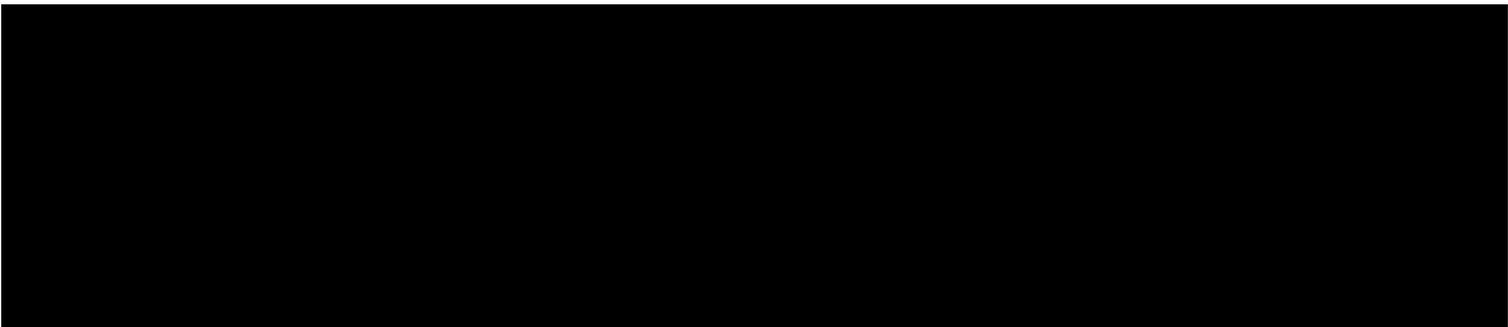
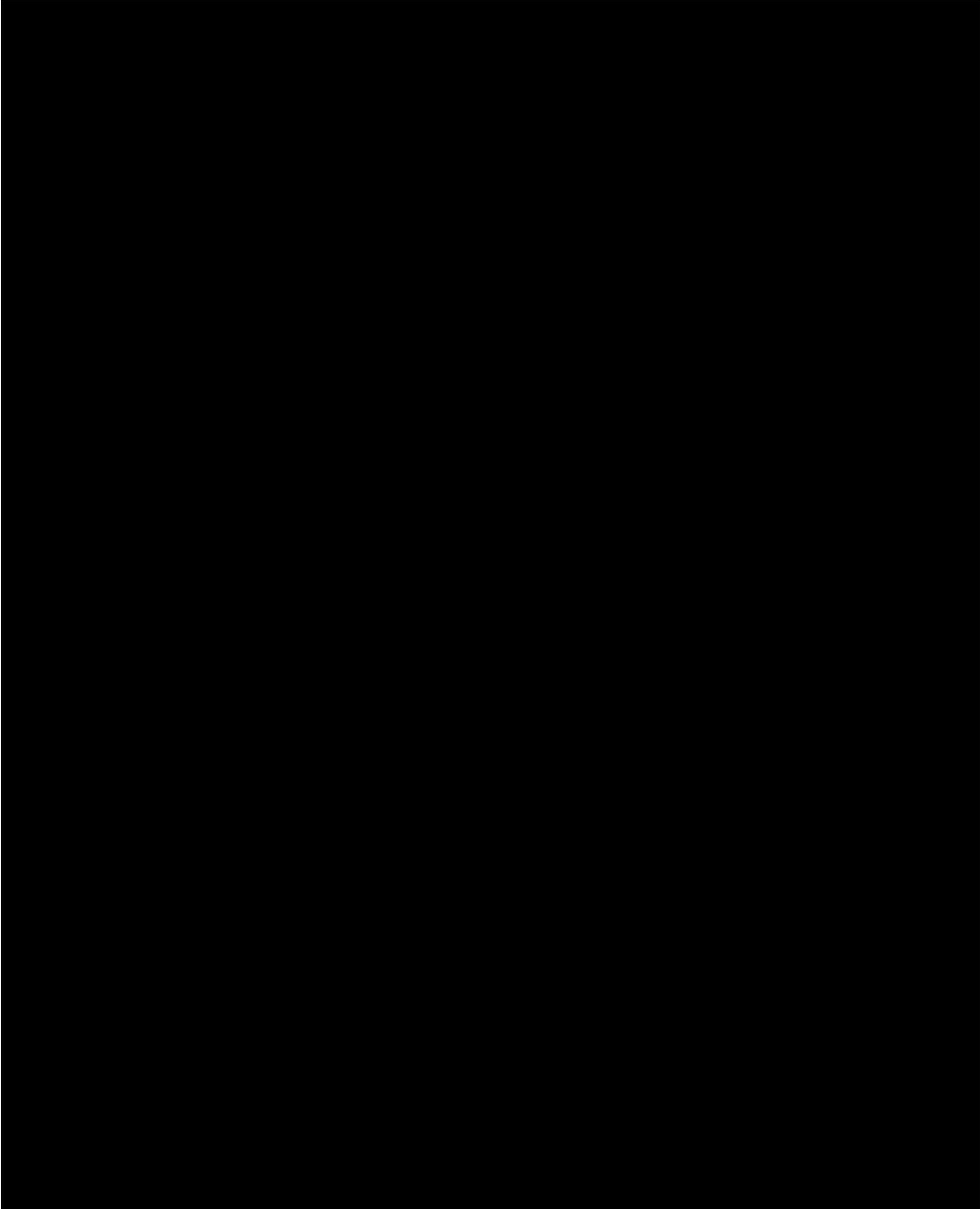


Table 5: UPF & Swing Tag metrics since FY 13/14



22. Proposed Action – Radiation Protection Services





23. Medical Radiation Services

24. Approach to pricing services

Observation

The adjustment of the prices set to recover the cost of the products and services varies across the agency.

The following services adjust pricing based on changes to the Labour Cost Index (LCI) on the 1st of July each year. The LCI measure changes in the price of labour in the Australian labour market. This index is calculated by the Bureau of Statistics and used to adjust prices for the following services:

- Regulatory Licence fees and Charges
- Medical and Non-medical Import and Export Permit Applications

Staff charge rates are generally adjusted annually on the basis of changes to rates of pay in the ARPANSA EA or approval of the next financial year's budget or both. The last update was in July 2016.

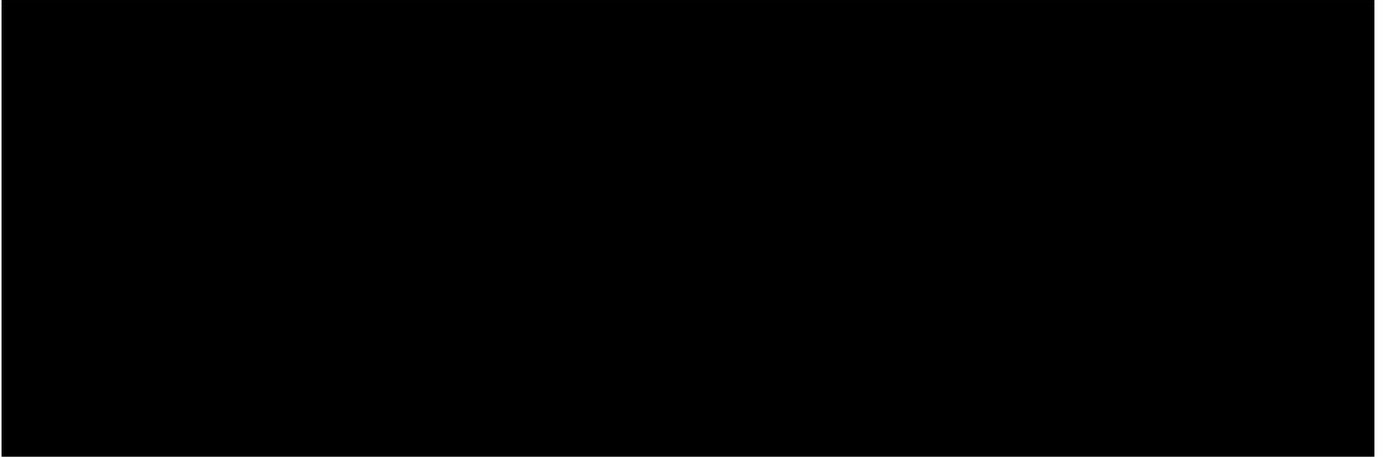
All other products and service process are adjusted on an ad-hoc basis as follows, with last price increases varying.

- PRMS – TLD/OSL no increase from \$15.40 since 2011 can be identified – despite the substantial capital and human investment in bringing the OSL technology to production;
- UPF fabric testing for clothing was last increase 2012;
- Licensing & swing tag charges last revised 7 years ago;
- Radio Frequency Calibrations increased the hourly calibration charge went up from \$190 to \$200 in July 2014; and
- Radiotherapy Calibrations experienced a 30% increase in mid-2012.

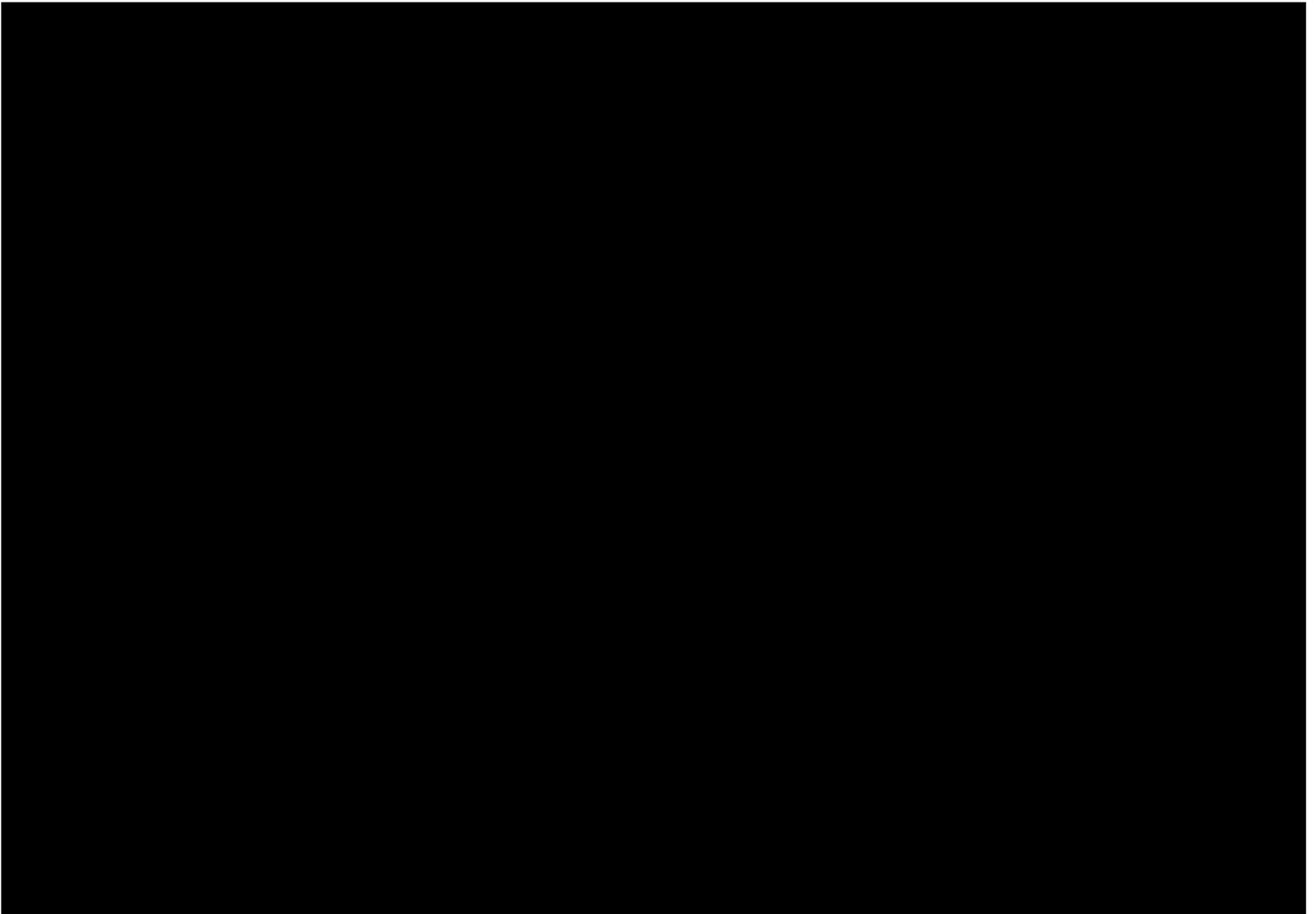
25. Proposed Action – Approach to Pricing Services

- That the agency’s commercial services adopted a consistent basis and timeframe for reviewing the prices charged for goods and services akin to the same consistency applied for cost recovered fees and charges.

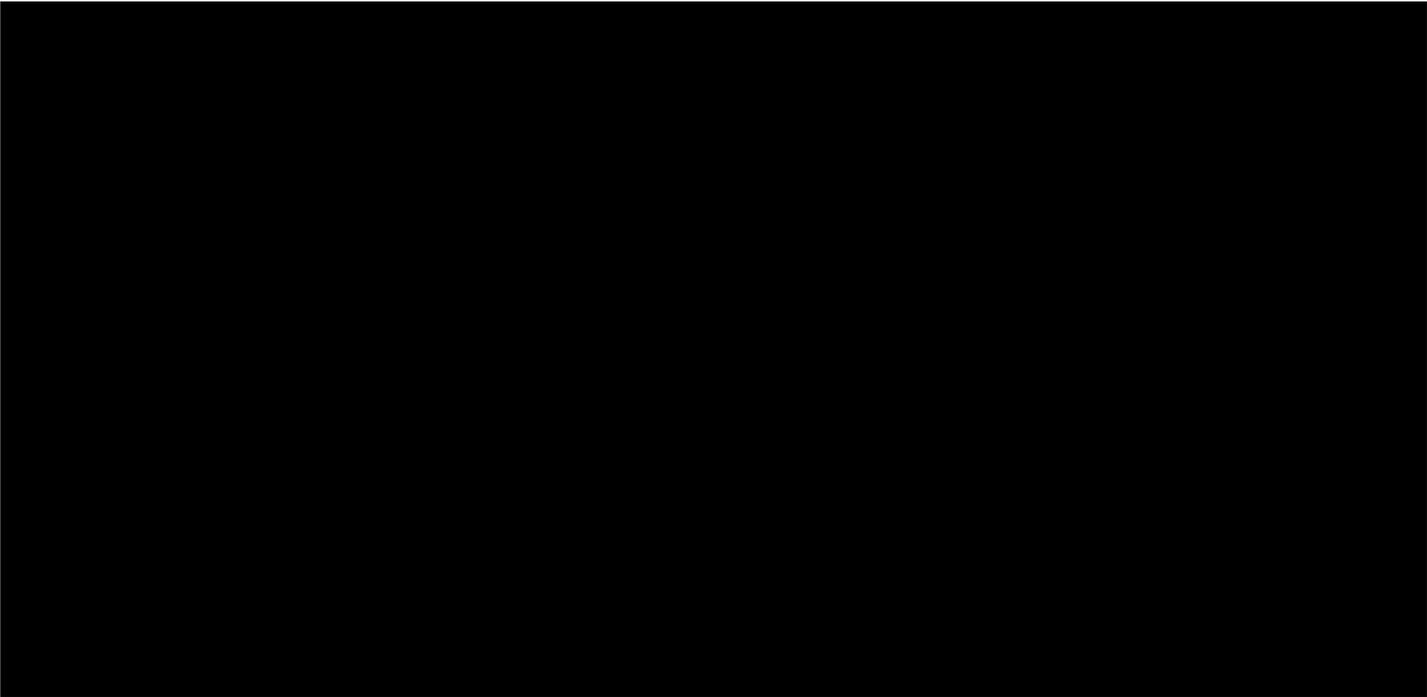
26. Technology



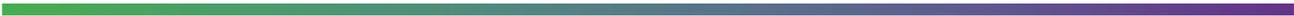
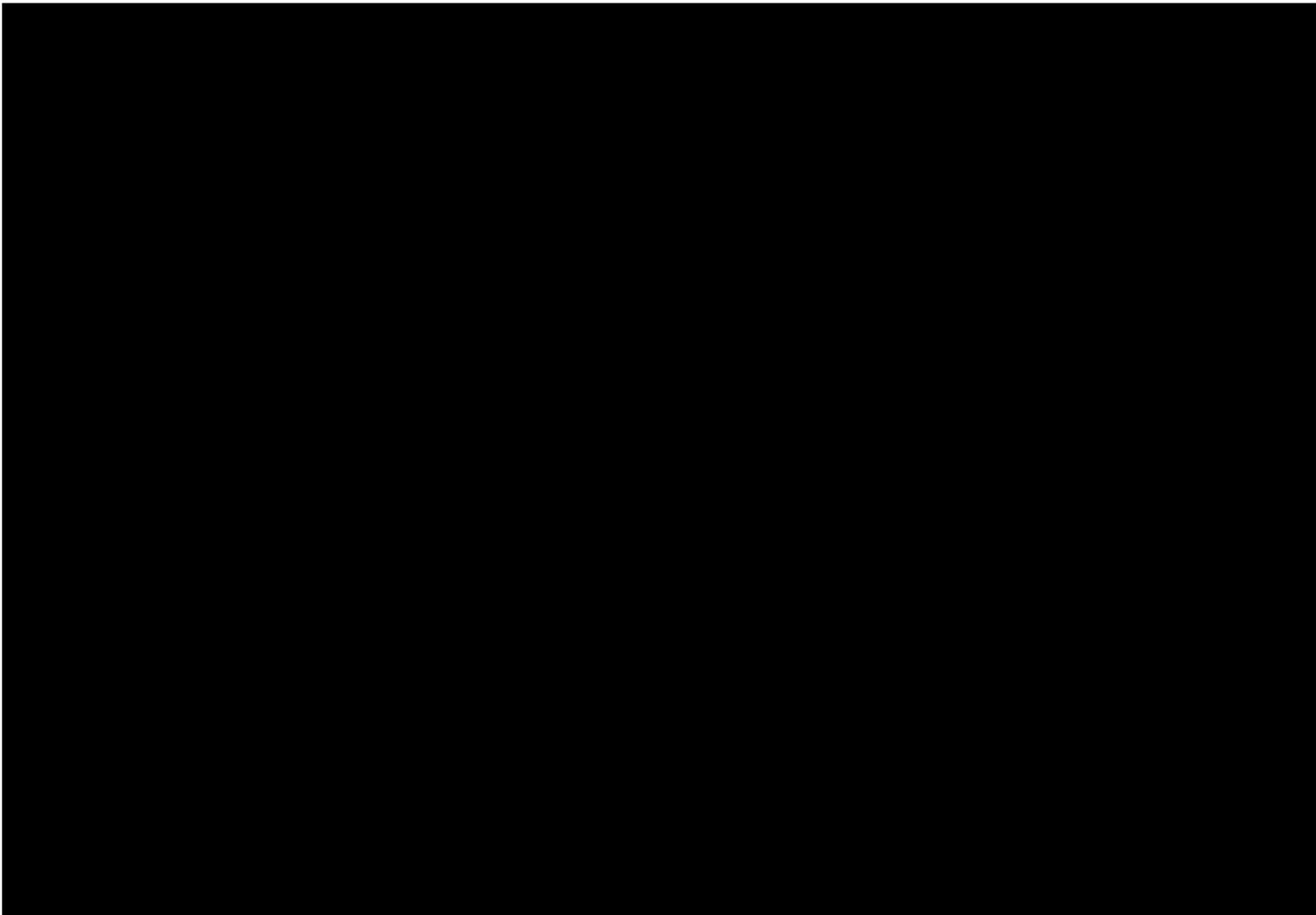
27. Technology – Overview



28. Technology – Current State



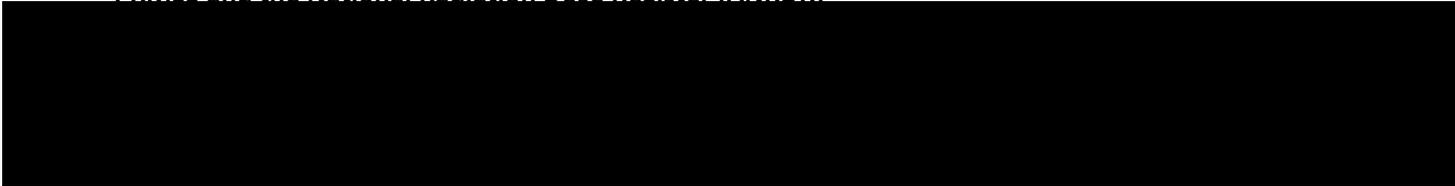
29. Technology – Opportunities



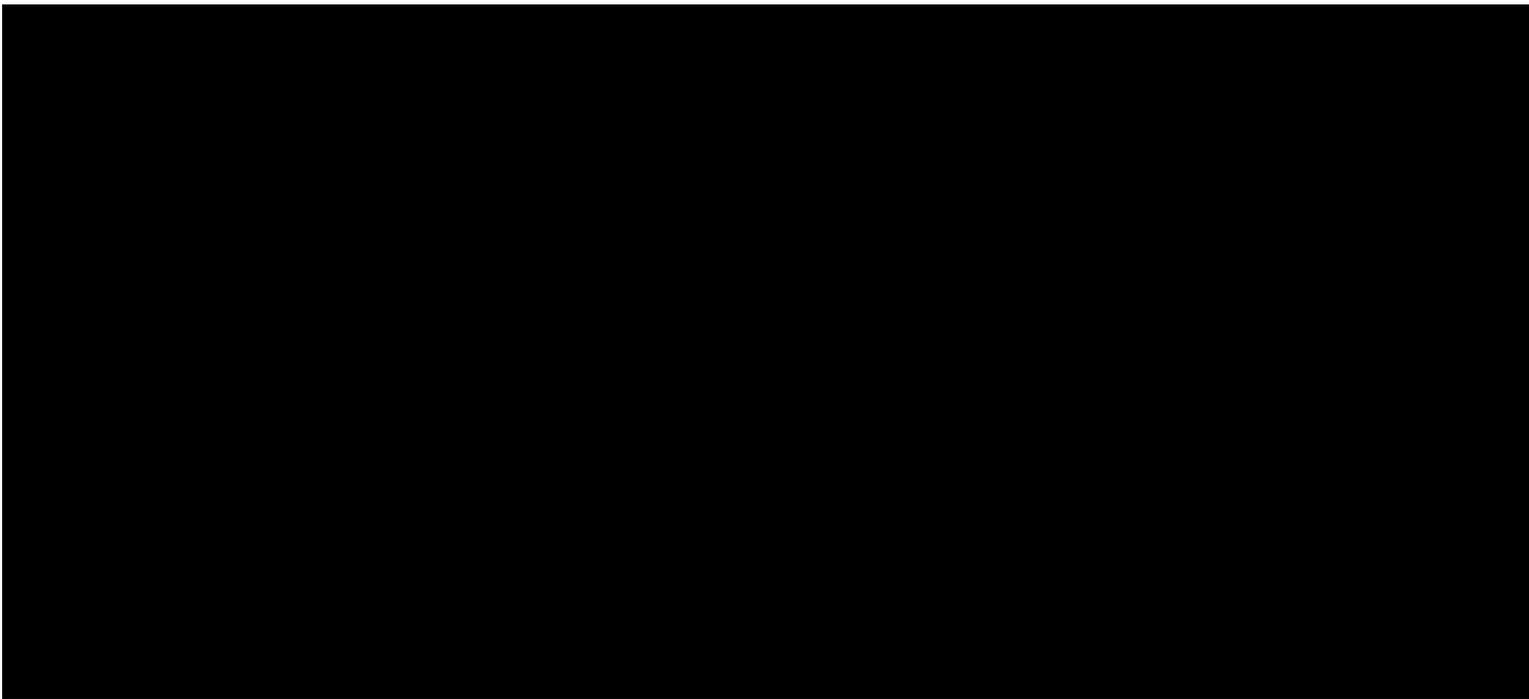


30. Technology – Integration

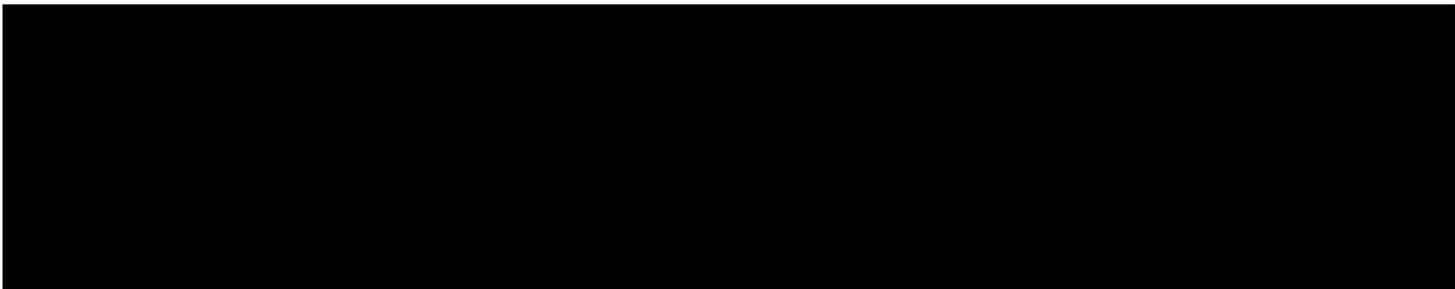
PRMSS and the National Radiation Dose Register (ANRDR)



PRMSS and the OSL Wrapping and Unwrapping Equipment and the TASL



31. Proposed Action - Technology



32. The role of New Policy Proposals (NPPs) to supplement the funding shortfall

Observation

NPPs present a previously tapped opportunity for the agency to seek further government funding to underpin a further program of work that enhances our contribution to a safe radiation environment for the Australian community.

In recent history, the agency has been successful in attracting NPP funding as follows:

- 2011/12 - \$2m over four years to continue the expansion of the Australian National Dose Register;
- 2011/12 - \$2.5m to remove asbestos from the Yallambie building; and
- 2017/18 - \$5m equity injection to replace Linear Accelerator.

A lot has been written and discussed during the past 12-months as this relates to Electromagnetic energy (EME) and the low investment level (currently \$300k per annum and subject to efficiency dividends) by the Communications industry. With the advent of 5G networks, there is an internal need to resolve this funding impasse as a decision is linked to the agency's decision of whether to upgrade the anechoic chamber and the level of expertise that is required to support this shift to 5G.

Part of the challenge for a small agency like ARPANSA is to develop an NPP narrative that demonstrates an underlying health message that attracts the attention of Government. Given that a Minor policy proposal is a proposal with total financial implications (except those with a tax revenue component) of \$75 million or less over the Budget and forward years, that is a difficult objective to achieve. It is important that the agency works collaboratively with both the Department of Health and other like agencies to aggregate needs into a broader health outcomes package. In fact, as part of the PGPA Act, there now exists an

Accountable Authority Instruction on Joining up with others (AAI 1.2). Essentially, this instruction encourages all officials to consider appropriate opportunities for efficient and beneficial joining up with other entities inside and outside the Commonwealth (these opportunities can take different forms – there is no one size fits all approach to joining up).

It was agreed with the OCEO that there were opportunities to skill-up Managers to improve their understanding of the NPP process.

So whilst there exist Department of Finance Estimates Memorandums (EM) on both:

- Guidance on the Consideration of Minor Policy Proposals
- Budget Process Operational Rules

there was still the need for the Government and International Relations team to roadmap the NPP processes and major contacts within the Department of Health. Coupled with the EMs, there was a need to link this roadmap into the SMC governance framework and its terms of reference to ensure that discussions of a strategic nature were both taking place and working their way into the overall NPP roadmap.

33. Proposed Action – New Policy Proposals

- The development of a robust cloud-based Stakeholder module will also support this initiative as it's important that all conversations that ultimately impact the 'work-up' of an NPP are centrally stored and mined to ensure no misstep in the process occurs;
- People & Culture identify suitable training to upskill managers in NPPs processes; and
- The agency explore additional pathways to extracting a greater proportion of funding to support the EME funding directly with the Department of Communications and the Arts. Once this funding position is known, the RPS section to develop business case for investing in the upgrade of the anechoic chamber and present to RHS management.

34. Organisational model considerations and Resourcing Requirements

Observation

The review concluded that it was difficult to provide a recommendation on an appropriate structure that governs *all* the revenue-generation activities of the agency.

A one-size-fits-all organisational model that oversees all of the agency's revenue-generation activities is difficult to recommend due to the following factors:

- Each of the three branches of the agency generate revenue (RHS \$5.0m, RS \$4.2m, MRS \$1.6m);
- The drivers of that revenue generation differ i.e. a mix of cost recovered fees and fee-for-service charges; and
- Revenue generated by RHS has a wider breadth of sources when compared to RS (licence fees and charges) and MRS (ACDS and Medical import permits).

Having said that, the EG could consider decoupling the RPS section (subject to the recommendation below) from the RHS branch. This would create a standalone entity operating inside the agency's administrative

structure; but provide RPS with a single-minded focus to deliver its services in a way that drives both customer loyalty and retention as well as growth in the its market share and/or product/service offering.

35. Engineering Support Services (ESS) team and Property Manager

In 2014, the Engineering Support Services (ESS) team and Property Manager were transferred from the Corporate Office to the RPS section of the RHS branch. The basis of that decision taken was two-fold:

1. The prime focus of the Agency's ESS Workshop is the provision of a range services covering:
 - equipment design and manufacture, and
 - repair and maintenance of ARPANSA's mechanical and electronic equipment.

Generally the design and manufacturing work undertaken is of a one off nature. Design frequently involves an iterative process with the internal client area. ESS is reactionary to breakdown maintenance and a high priority is given to return to service of equipment in the Agency's commercial areas. ESS is therefore pivotal to "keeping the business running" in the commercial areas (in particular the personal radiation monitoring services, and testing) and the UV network.

1. At around the same time, the concept of a Site Manager in each of the Yallambie, Miranda and Canberra locations was created. The purpose of such a role was to create a position responsible for the taking of action to protect the health and safety of workers and other persons affected by ARPANSA's undertakings and to protect the integrity of ARPANSA property and premises.

Whilst this model has served the agency well in the preceding four years, the EG needs to provide the incoming Director Radiation Protection Services every opportunity to strategically succeed in building the roadmap for a customer-focussed enhancement and uplift of the products and services that the section can offer. History has been illuminating in informing the agency that invariably, the section head can get bogged down in urgent property maintenance matters and the strategic aspects of the role can be relegated to less important.

To prevent a repetition of that situation, it is recommended that ESS and Property should be administratively moved to the Corporate Office to allow the revamped RPS section to have a single focus. The only qualifications to this recommendation are as follows:

- Both ESS and Property are moved as a single unit because of the nexus between these two functions; and
- That RPS have formalised and priority access to ESS, in particular, so that the requirements to maintain critical equipment is not hampered due to administrative control sitting elsewhere in the agency.

36. Expanding Financial Delegations in RPS

The agency should further support the RPS Director to maintain a clear and unencumbered focus on managing the service by expanding the financial delegations so that to remove some of the administrative workload associated with the inherent obligations placed on the position by the PRMSS. The expansion of those delegations will be to remove the need for the Director to have to approve each invoice and credit note raised and delegate this to their EL1 teams in each of the RPS services of PRMS, UPF and Calibration Services.

37. Recruitment of suitably qualified staff to enhance the current and future viability of the RPS team

If the EG ultimately decides to undertake the necessary investment and attention to truly exploit the benefits of radiation protection service offerings, then the capacity and capability of the RPS team needs to be assessed against the section's objective(s).

Notwithstanding what next looks like for RPS, the EG should give consideration to the recruitment of a Business executive (or Commercial Manager) with the following skills and experience:

- The ability to develop and execute a long term marketing strategy that underpins the commercial success of the agency's radiation protection services product offering.
- Defining and implementing systems, reports, processes and structures to ensure an efficient and productive management of the section.
- In conjunction with the OCEO, prepare and implement marketing plans for each product and service, including promotion product strategy, promotion activities, key messages, campaigns, marketing budget, sales volume forecasts, pricing development, profit targets and pipeline management.
- Maintaining the quality standards of service delivery within the section by leading, coaching and motivating the team.
- Ensuring build-up and maintenance of relationships with key opinion leaders (through advisory boards, round table discussions etc.) and key customers, associations and industry groups who are integral to the section's success.
- Ideally, the prospective candidate will have 5+ years' experience in marketing with previous experience in sales also desirable. They need the ability to use initiative and develop proactive solutions to business problems. Naturally, if the agency goes down this path, the successful person will require proven people management and leadership skills to ensure team commitment to a common purpose and ensure that energy is focused on common objectives. Finally, they will need to have proven project management skills and be comfortable with operating and managing at a detailed level whilst being able to contribute to wider strategic direction.

38. Proposed Action – Organisation Model and Resourcing Requirements

- Transfer the ESS team and Property Manager to the Corporate Office to afford the Director of RPS with the ability to solely focus on revenue and service delivery and enhancement of the overall customer experience without being marginalised and diverted into non-core activities such as building maintenance and the like;
- Expedite the recruitment of suitably qualified Commercial Manager to enhance the current and future viability of the prospective RPS business model. Over time, consider other skills to enhance the prospective business model such as a Marketing leader; and
- Consider updates to the financial delegations to allow the RPS Director to transfer some administrative roles that require a financial delegation to the EL1 positions in each of the RPS service delivery areas.

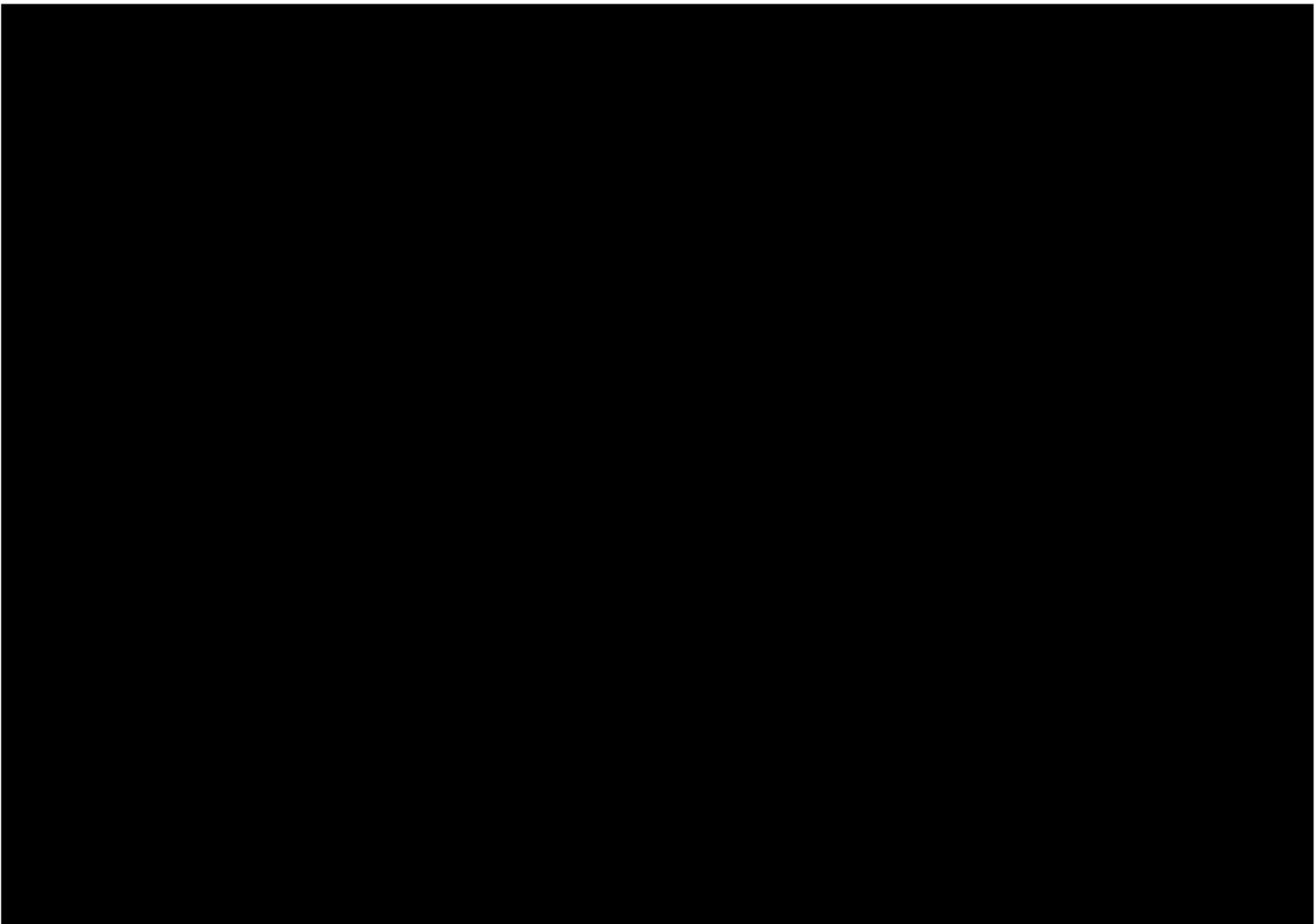
39. New Revenue Opportunities

Observation

The review concluded that there were no new, viable revenue opportunities that the agency should seriously consider investment in.

It is recommended that instead of the agency focussing on new IP and diverting attention away from its customer base via new offerings, it is more sustainable for the long-term to build enduring customer value. The review highlighted that there is greater potential to understand our current customer base, their strength and how to leverage value back into our business.

40. Proposed Action – New Revenue Opportunities



41. Workforce

On 7 March 2018 the EG endorsed the implementation of an agency workforce planning exercise. This will result in a Workforce Plan for each branch/office, and will support updating of the ARPANSA Workforce Plan.

The purpose of the workforce planning exercise is to:

1. define the workforce required to deliver on branch strategic objectives and performance outcomes

2. identify and plan for the implementation of solutions which enable this required workforce.

Workforce requirements are defined in terms of:

- capacity: the allocation of FTE/headcount/ASL across the agency
- capabilities: the skills, knowledge and abilities required to deliver performance outcomes
- criticality of positions and people: high consequence to the organisation if not available
- structure: the design of positions and team structures

The initiatives that result to support deliver the required workforce will aim to address identified gaps between supply and demand.

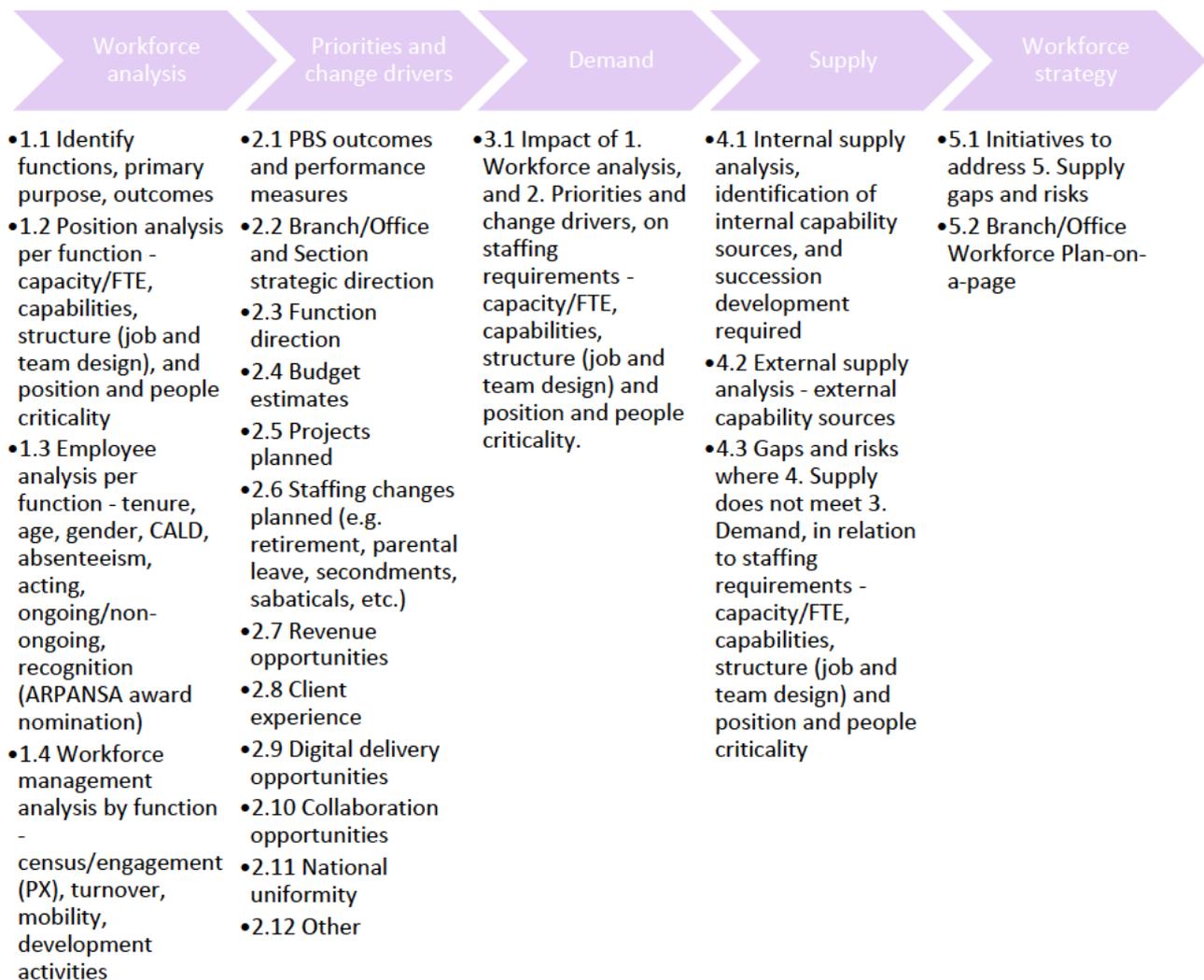


Figure 1: Workforce Planning Process Overview

42. Workforce Observations

- The cost per FTE is growing despite no increases through the EA being paid - The average cost per FTE has increased by 8.1% across the period of July 2013 – August 2017

- **Impact of hidden labour costs** – the wider financial impact of higher duties, Individual Flexibility Allowance, restriction, overtime and various allowances is not always seen and understood by those with the delegation to approve such arrangements.
- Analysis of the current workforce profile annual leave balances indicates a high risk regarding financial liability and cash impact, due to excessive accrued annual leave entitlements - this has significant financial and service delivery impact on the Agency and needs to be managed down wherever possible, to address both financial imperatives and comply with terms of the agency’s Enterprise Agreement.
- **The annual turnover of the ARPANSA workforce for 2016-17, was 8.7%** - this is at the same level as comparative specialist agencies in the APS at 8.9%.
- **The agency FTE totals have reduced from 156 in 2010/11 to forecast 128 in 2017/18** - in that same time, the % of EL staff has increased from 45% to 47%. Chart 2 below shows that ARPANSA has proportionally more EL1 staff than similar sized APS Specialist agencies, raising concerns regarding whether the work level for all positions at this level are correct.

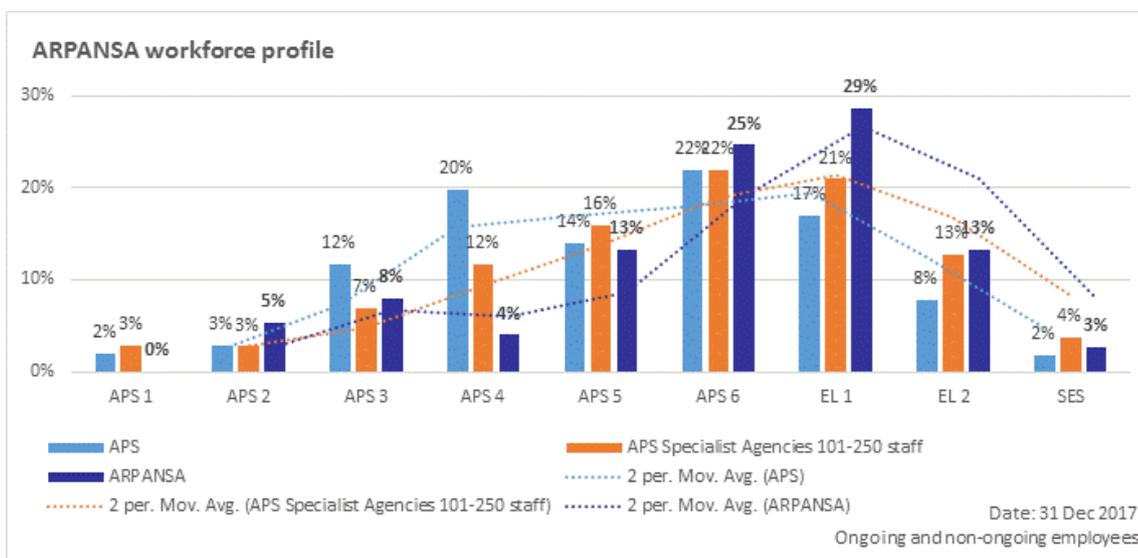


Chart 2: ARPANSA workforce profile versus other similar-sized APS specialist agencies

- **Assessment of the distribution of staff and how this is aligned with the agency delivering its strategic objectives** – how does the agency ensure that there is greater alignment of capabilities (Enterprise, Position specific and People Management) to achieve ARPANSA’s requirements?
- **The Government’s revised Bargaining Framework has recently been released** – the agency has not previously considered a negotiating approach sufficiently in advance of the commencement of negotiations.
- **Costs** - ARPANSA’s staff costs equate to \$16.9m of our operating costs.
- **Functional Analysis** - This year’s workforce planning cycle will pilot Functional Modelling to assist in developing strategic 12 month work plan. This model would also assist in developing a Resource-Loaded plan to support the agency in understanding its capacity.

43. Data analysis

This table outlines the salary movement that may be experienced based on current FTE levels in accordance with the EA. The agency is experiencing diseconomies of scale in that as the agency reduces its FTE levels, the cost of each FTE is rising. This can be explained by the following:

- As redundancy has usually been the main vehicle for staff to leave the agency, this intervention tends to impact the lower classification levels disproportionately;
- Recruitment of roles when financial conditions are favourable tend to favour higher-paying classifications;
- The cumulative impact of Individual Flexibility Agreements and Higher Duties adds to the cost impost of the agency; and
- Some of the skills required by the agency require a premium to be paid in the marketplace relative to other similar roles elsewhere in the Commonwealth

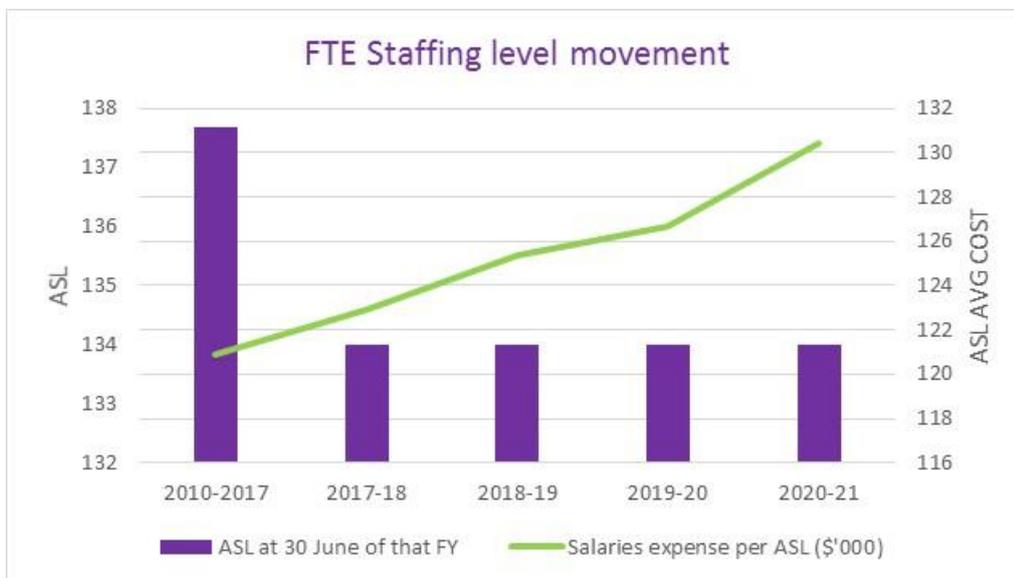


Chart 3: Movement of FTE Staffing levels and Average cost across financial years

44. Enterprise agreement

The current ARPANSA EA will expire on 31 August 2020 and normally negotiations between the parties to that agreement will commence within six months of that expiry. The EG has, in previous negotiations, not been an active participant in developing the negotiating strategy from a long-term management perspective. This has led to the EA incrementally growing in available conditions for employees (with associated cost impacts); yet little has come back to the agency in way of efficiencies or increased work productivity.

This problem is amplified when certain policies that flow from the EA are inconsistently applied through the delegates reduced knowledge of the impact of decisions made.

The SMC should consider a long-term strategy, over successive bargaining periods, and provide input to the agency's Agreement Making Committee.

45. Training and competencies development and maintenance

The role that learning and Development activities to equip decision-makers and delegates with the requisite skills and knowledge to better deal with observations and proposals in this report cannot be understated. Development opportunities are a demonstrated driver of STEM talent attraction and retention, in addition to a key source of increased organisational capability, productivity and performance.

The relevant programs that should be considered by the EG to enhance the capability include:

- **Crafting Quality New Policy Proposals program** - NPPs are the fundamental ‘vehicle’ that carries ideas to government to help determine budget priorities. Key agency staff require a deeper understanding into the role of NPP processes, conventions and practices as well as how to better work with the many collaborating agencies in the NPP process.
- **Key Financial Concepts program** – Staff with financial delegation are required to have a financial analysis mindset and develop the ability to understand and interpret key financial statements, financial concepts and undertake assessment of financial viability.
- **Customer Engagement and Retention** – It is often cited that it is much harder to attract new customers than it is to retain existing ones. A program is required to skill staff in the knowledge and processes needed to enhance the customer experience that improves the prospect of the customer not churning to our competitors. It follows that the correct application of these skills leads to customer loyalty and ultimately, increased profitability.

46. Proposed Action - Workforce

In order to have a sustainable workforce the Agency needs to take a forward thinking view of the challenges and opportunities that will present themselves over the next 3-5 years. Based on these the Agency can then begin to identify capability gaps such as skills and capacity gaps that will require attention and focus in the short-to-medium term.

- The EG develop a long-term strategy to identify and appropriately plan for the aspects of the EA where efficiency and/or productivity gains can be reasonably achieved. Such negotiating areas are to be developed in conjunction with the agency’s forward-looking strategy detailed in the Corporate Plan;
- The People & Culture section develop awareness sessions for delegates around the specific application of policies and procedures contained in the existing EA that have an inflationary impact on the agency’s employee expenses; and
- The People & Culture section consider the Learning & Development opportunities available to meet the upskilling requirements of relevant staff in the areas of: New Policy Proposals, Key Financial Concepts and Customer Engagement and Retention.

47. Non-salary expenditure

Observation

As a general intervention to bring balance to the agency budget, the non-salary expenditure allocations are generally adjusted downwards. By way of illustration, the average non-salary expenditure for the benchmark period 2010-17 period was \$7.5m (excluding one-off project expenses); compared to the full-year budget for FY 2017/18 of \$6.6m.

In that same time period, non-salary expenditure as a % of total expenditure has fallen from an average of 32% to a current low of 29%. Within our non-salary expenditure, in excess of 72% of these costs are fixed e.g. rent, building maintenance, software and hardware licences and library subscriptions. Couple with our fixed labour workforce, the agency operates with an estimated *fixed cost base* in FY 2017/18 of 92%. This is considered at the very upper limit of what would be considered financially healthy; however, this number is also consistent in a historical context where the agency has average 90% over the past four years. The challenge for the SMC is to bring this average down which requires more of its expenses to be shifted from fixed to variable. This affords the SMC two benefits:

1. Greater flexibility in its cost base to more easily reduce costs as the driver is quantity-driven e.g. domestic travel; and
2. Better matching of own-source revenue outcomes to effort so that if revenue is declining, it is possible to reduce costs proportionality.

Non-salary expense trend



Chart 4: Non-Salary expense trends over the review period

48. Main non-salary expenditure assessment

Of the fixed expenses in the non-salaries category, the top 10 expenses make-up 85% of the total of all fixed expenses and 61% of all non-salary expenditure. It is therefore that in this area that one should focus if any opportunities are to be extracted.

#	Expense category	GLBUD18	GLACT17	GLACT16	GLACT15	Average
1	IT	937,856	806,620	854,822	702,448	825,436
2	CTBT	673,148	601,719	601,816	560,555	609,310
3	Utilities	591,000	436,541	477,773	460,966	491,570
4	Communication	540,682	640,799	538,831	471,461	547,943
5	Library subscriptions & membership fees	341,775	313,540	274,190	262,687	298,048
6	Repairs & maintenance – bldng & grounds	285,600	446,253	383,458	376,986	373,074
7	Operating lease rent	256,777	254,852	397,343	452,979	340,488
8	Audit fees	166,000	170,426	169,561	242,462	187,112
9	Contractors – IT	133,084	274,104	452,602	255,859	278,912
10	Laboratory supplies	128,500	(48,579)	238,370	86,563	101,214

Table 6: Top 10 Non-salary Fixed expenditure categories

A deeper dive into the data suggests only a few opportunities in the areas of Library subscriptions, Building Repair and Maintenance and Internal Audit fees.

Expense Category	Opportunity Assessment	Opportunity Realisation	Rationale
IT – mainly MoU with Department of Human Services (DHS) for provision of internet gateway services and Software/Hardware maintenance	Low	Nil	Consist mainly of Whole of Government arrangements or via panels
CTBT – operation of monitoring stations	Low	Nil	Contracted costs mainly paid to Bureau of Meteorology
Utilities – energy, cleaning and statutory rates	Low	Nil	Cost of providing functioning building in both agency campuses
Communications – predominantly communications fees between agency offices and the DHS Gateway. Communication links for the Mitel Telephony system	Low	Nil	Requirements to enable agency to communicate and provide security coverage to critical information and systems
Library subscriptions and Membership fees – online library and HR journals and contributions to WHO	Medium	Medium	Consider future of the library and the level of agency investment in its current form. Beware of unintended consequences of cutting too deeply and

Expense Category	Opportunity Assessment	Opportunity Realisation	Rationale
			forcing staff to purchase learning materials independently
Repairs & Maintenance – both planned and unplanned building maintenance	Medium	Low	Discontinue ITM (contracted maintenance provider in Yallambie) and create panel arrangement in the short-term. However, Whole of Government arrangements will preclude the long-term benefits of such a strategy after June 2018
Operating Lease Rent – Miranda rent	Low	Nil	Contracted for further three years; space already reduced last year
Audit Fees – internal audits	Medium	Medium	Audits are necessary for good practice, however tender now due that may deliver savings. Take back secretariat role from the provider
Contractors – IT – Technology One and Concur licence and support fees	Low	Nil	Required business systems
Laboratory Supplies – consumables to support work in the laboratories	Low	Nil	Expensed on an as-needed (or consumed) basis

Table 7: Opportunity assessment of the Top 10 Non-salary fixed expense categories

Of the variable expenses in the non-salaries category, those expenses make-up 28% of the total of all of all non-salary expenditure. As these expenses are variable and therefore discretionary in nature, there does exist some potential opportunity, namely:

- Travel – circa \$1.2m is spent annually. This is a volume proposition (number of trips taken) rather than price (Whole of Government arrangement contracts apply) – consider reducing; especially for travel between Yallambie and Miranda
- Contractors and Consultants – the ‘hidden workforce’ cost, agency averaged circa \$600k during the past four years; equating to an additional 4.8 FTE – proportionately consider reducing the size of the workforce by this number of apply the same rigour to approving as for other General Recruitment and Expressions of Interest to fill vacancies.

Expense category	Budget 17/18	Actual 16/17	Actual 15/16	Actual 14/15	Average
Domestic travel	633,421	747,911	763,154	656,509	700,249
International travel	449,980	412,390	520,727	426,018	452,279
Other running expenses	258,322	441,397	458,569	358,340	379,157

Expense category	Budget 17/18	Actual 16/17	Actual 15/16	Actual 14/15	Average
Contractors – general	246,314	555,612	458,840	318,161	394,732
Training	232,450	332,105	363,055	205,890	283,375
Consultants	37,080	252,049	231,133	279,683	199,986
Total variable expenses	1,857,567	2,741,462	2,795,479	2,244,601	2,409,777

Table 8: All Non-salary variable expense categories

49. Proposed Actions – Non-Salary Expenditure

Whilst there is some scope in developing a more efficient cost base for non-salary expenses as already observed, this is already against a backdrop of reduce investment in non-salary costs. It follows therefore that even if savings were identified, those pool of savings should be made available for branches and offices to bid for value-adding and ready-to-go projects and activities. This is rather than using the savings to underpin future sustainability.

- Assess the expense reduction opportunities identified in Tables 7 & 8 relating to fixed expenses.

50. Agency corporate overhead allocation model

Observation
A review was recently concluded to improve the level of transparency of corporate support provided, the justification of the level of contribution and the basis of cost allocation. This led to the development of an overhead allocation model.

ARPANSA’s three branches receive corporate services. Services are provided through the functions of the Office of the CEO, Corporate Office and Office of the General Counsel

In an environment where a stable cost allocation methodology is applied, branches have clarity of the cost driver or allocation base. This provides those areas that deliver products and services to our stakeholders with a degree of control over their costs which then allows for appropriate prices and charges to be set that at least recover the cost to deliver that product or service, where the market can actually bear that price.

The cost allocation methodology allowed for the following key action items to be completed, including a summary of the implications for the broader pricing and cost recovery regime:

Overhead Calculation	Calculation Implication
Licence Cost Distribution Model	Cost recovery of fees and charges based on current allocation method is approx. 85% of the cost of delivery regulation across the agency. This approximate shortfall of 15% equates to \$750K.
Radiation Protection Services Pricing	As already illustrated through the Contribution Margin Analysis, RPS services deliver a negative

Overhead Calculation	Calculation Implication
	contribution to the agency after overheads are taken into account. The pricing of the services to ensure appropriate coverage of costs is subject to a specific recommendation earlier in the report.
Staff Charge Rates	The staff charge rates have been reviewed and will be updated following approval. The shift in the allocation of overheads from fixed cost per FTE to variable amount per FTE has seen the classification levels from APS4 through to EL2 upper increase in the range of 1% to 28%. The rates for APS2 and APS3 remain unchanged.

Table 9: Impact of Overhead rates of aspects of the Agency business

51. Proposed Action – Agency corporate overhead allocation model

- The SMC approve the allocation of Corporate Overheads to the endeavours of the RPS outputs to ensure that decisions made for reasons of: resource allocation, service and product pricing and measurement of efficiency and effectiveness, include total costs consumed in generating that revenue.

52. Managing for the future

Observation
The ongoing challenge for the SMC is to ensure that it has ongoing visibility of the long-term financial sustainability projections of the agency. Whilst the internal performance and accountability environment such as budgeting, variance analysis by delegates, full-year forecasting and long-term scenario modelling in their own way play a part in ensuring that sustainability, developing a comprehensive set of Financial Performance metrics is also required.

53. Financial Performance metrics

Financial Parameters are used to:

- Define the financial aims of the agency
- Set appropriate measures and targets to provide the baseline for ongoing sustainable accountability
- Set boundaries within which the agency must operate, unless the SMC specifically directs otherwise

In part, the SMC has already been reviewing financial performance information by identifying and tracking key performance indicators through the CFO report. The next stage is to further define the parameters that will help to drive growth and direction in line with the agency sustainability strategy.

The financial sustainability of ARPANSA is influenced by a number of factors, many of which are within the control of the agency, such as the health protection activities that it chooses to invest in. In order to ensure the parameters are dynamic and allow the agency to operate in a changing environment, a target range is set. If performance is within the ranges, it is considered satisfactory, with the targets to be achieved as an average over time.

ARPANSA is responsible for providing regulation, advice and services to Government and the public. This requires the agency to hold and maintain a significant base of infrastructure assets, which necessitates not only substantial initial investments, but also continued expenditure to maintain and renew assets over the course of their respective useful lives.

54. Approach to Sustainability

The agency should facilitate progression towards Sustainability by:

- encouraging an emphasis on long-term financial forecasting and asset management planning;
- encouraging tighter integration between financial and project management planning and risk management processes; and
- encouraging transparency through requirements to review and report key Sustainability measures on a regular basis through the CFO report.

55. Key Performance Indicators (KPIs)

The table below summarises the KPIs that enhance Sustainability that should be considered by the SMC:

KPI Description	KPI Rationale	KPI Target Range
Financial sustainability	Balanced budgets or consistent operating surpluses are expected on average, over the long-term	\$100k-\$500k
Working Capital	A financial metric which represents operating liquidity available to the agency. It is calculated as current assets minus current liabilities.	TBD
% of Regulatory Charges cost recovered	To ensure that Regulatory Charges are being fully cost recovered. The total of Regulatory fees and charges that are cost recovered as a percentage of the total cost	98%-100%
% of Revenue attributable to Own-Sourced revenue	To minimise reliance on Government appropriations to fund the agency. The total revenue generated by the agency through its own endeavours as a percentage of total revenue	30%-32%

KPI Description	KPI Rationale	KPI Target Range
Asset management and renewal	<p>There are no financial difficulties in funding the required long-term infrastructure asset renewals as .</p> <p>The infrastructure asset base is being renewed at a rate that is consistent with its long-term consumption.</p>	TBC

Table 10: Key Financial Indicators with suggested Target Ranges

In assessing the KPIs, the SMC should be seeking to ensure:

- there is a long sequence of operating surpluses delivered and projected;
- the cash position remains at adequate levels;
- there is evidence that working capital is being actively managed ;
- adequate levels of investment in capital asset renewals are being maintained ;
- availability of government funding to help balance future cash needs; and
- there is an expectation to maintain or increase its own-source revenues.

56. Proposed Action – Managing for the future

During the course of managing the Sustainability challenge, the SMC should agree to an enhanced set of Financial KPIs to ensure that future issues in this regard are identified and action well in advance of time.