

## PROGRAM 8: DEFENCE PERSONNEL EXECUTIVE

### OBJECTIVE

To develop integrated personnel policies and services that meet current and future Defence capability and support needs.

### DESCRIPTION

The Defence Personnel Executive develops ADF and civilian personnel policies and provides personnel support services. The Defence Personnel Executive also conducts ADF recruiting and provides ADF health services.

The Program Manager is the Head of the Defence Personnel Executive. The Program comprises four Sub-Programs: Personnel Executive; Personnel Policy; Personnel Management; and Defence Health Services.<sup>1</sup>

### PROGRAM SUMMARY

The Defence Personnel Executive has been tasked with achieving resource savings in excess of \$180m through a combination of staff reductions, increasing efficiencies with the introduction of an integrated Defence personnel management system, the collocation and integration of like functions, and process re-engineering.

By the end of 1997-98, Service personnel numbers in the Program were reduced by 125, and the civilian average staffing level was down by 141, which includes 68 voluntary civilian redundancies.

Planning and implementation for a reduction in the permanent ADF to 50,000, of which 65% will be in combat or combat-related positions, is continuing. The distribution of the 50,000 to Programs by Service has been completed and the establishment definition of the associated military structure is now under way.

To support the efficient and effective control and planning of military and civilian personnel costs, a personnel funding program is being developed. This program is intended to outline how funds are to be provided to support personnel requirements.

One of major projects being undertaken within the Program is the *Personnel Management Key Solutions* (PMKEYS) to select and implement a single personnel management information system throughout the organisation. During the reporting period, a project team evaluated software products and Peoplesoft was selected as the preferred supplier. A progressive rollout across the organisation commenced in July 1998.

Two major workplace agreements were concluded during the year. The *ADF Productivity-Based Remuneration Arrangement 1997-99* became effective from 30 October 1997 and, in May 1998, the civilian *Defence Employees Industrial Agreement 1998-99* was certified. Both agreements provide recognition of the Defence Reform Program and its objectives and prescribe appropriate pay and conditions outcomes for staff. Broadly, the agreements achieved a 6% wage rise for Defence staff

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<sup>1</sup> Following the 1997-98 Additional Estimates, the Program was restructured from five to four sub-Programs. Financial reporting has been finalised on the basis of the five sub-Program structure. See page 39 for more information.

whilst providing for the introduction and implementation of a number of major initiatives including a performance appraisal system, an improved redundancy process and the streamlining of a number of personnel processes.

## PERFORMANCE MEASURES FOR 1997-98

The Defence Personnel Executive's performance is measured by the extent to which:

- a. the Defence Reform Program was implemented without significant personnel or industrial disputation;
- b. the personnel aspects of Defence longer-term capability planning were completed;
- c. career management, conditions of service, personnel policies, and support services met the needs of the Defence organisation, its personnel, and their families;
- d. there was improved access to, and availability of, personnel data for management planning purposes and more effective processes and standard systems were introduced for the provision of personnel services;
- e. compensation benefits were delivered in a timely and consistent manner;
- f. ADF Personnel Strategy initiatives were implemented;
- g. ADF Personnel strength targets were met;
- h. the Defence reserves policy met Government requirements and enhanced the effectiveness of the Reserve Force;
- i. the efficiency and effectiveness of health planning, health intelligence and health delivery across the ADF was maintained;
- j. the incidence of workplace hazards, the severity and duration of workplace illness and injury, and consequent compensation claims was reduced; and
- k. a working environment was created which provided all Defence personnel with an opportunity for personal development and the ability to participate and contribute to his or her full capacity.

## 1997-98 PERFORMANCE AGAINST FORECAST

*In accordance with the Defence Reform Program, implementation of the establishment of a joint personnel policy organisation for the ADF and initiation of the rationalisation of personnel management processes, systems, administration and staff for the total Defence organisation*

Following its establishment, the Program implemented a mid-year rearrangement of its organisational structure to ensure the aim of creating a totally-integrated personnel organisation based along functional lines was being achieved. The changes that flowed from this review allowed for the realignment of some of the military and civilian human resource processes and procedures and, where appropriate, their further integration. This included grouping of Personnel Policy and Personnel Management into distinct Sub-Programs. Work continued on the development of the *Personnel Management Key Solution*, or PMKEYS, which will provide a fully-integrated personnel management system across the organisation and enable and assist with the implementation of initiatives to achieve future savings both within the Defence Personnel Executive and other Programs.

*Improvement in the quality of input on personnel issues to the Defence capability planning process*

The strategic workforce planning process has been redesigned to enable the analysis of both military and civilian personnel requirements and to record future demand against capability requirements.

The outcome is that senior management will be able to make more informed decisions about implementing new initiatives or introducing new capabilities to Defence as direct input on personnel issues is now being provided to the capability planning process. As a result, workforce transition plans have been raised for the new Airborne Early Warning and Control and the upgraded P-3C Orion capabilities.

*Continued improvement in personnel policies and practices and implementation of standard processes*

Improvements to current personnel policies were initiated under the Workplace Agreements concluded during the year. Improvements to personnel practices occurred, including the continued rationalisation of civilian personnel operations resulting in the reduction of regional pay processing centres from 20 to 14; the creation of a single, collocated military personnel administration cell for Canberra-based personnel; and the transition to delivery of civilian personnel services through the Defence Corporate Support Program shopfronts.

The Service Housing Authority Rationalisation Plan was also finalised, and this will result in the creation of Defence Relocation Centres to rationalise the operations of the Defence Housing Authority along regional lines. Eventually 42 centres will reduce to 13.

*Continued progress in improving equity in the workplace and integration of the EEO and Service Good Working Relationships programs*

The creation of the Defence Equity Organisation, on 1 July 1997, combined the management of all military and civilian equity programs into a single integrated organisation. The Defence Equity Organisation has developed a unified reporting system of unacceptable behaviour across Defence; reviewed policies and practices to deal with sexual harassment offences at the Australian Defence Force Academy and delivered recommendations that are in the process of being implemented within the Academy and, where appropriate, across the ADF; and developed the Defence Equity and Diversity Plan.

*Progress in the revision of administrative arrangements and processes for the provision of civilian personnel services in accordance with the Achieving Cost Effective Personnel Services Project*

The 1998-99 Defence Employees Industrial Agreement provided for the introduction and implementation of a number of major initiatives including an improved redundancy process and the streamlining of a number of personnel processes, including flextime and personal leave. Work commenced on the development of a number of key initiatives prescribed in this Agreement, including a performance management scheme and flexible remuneration packaging.

*Continued refinement of the actuarial estimates for the Commonwealth's military compensation liabilities, and, in cooperation with the Defcare project, development of systems and procedures which will improve the delivery of compensation benefits*

Consultation continued between Defence and the Australian Government actuary. The respective information management needs of both agencies are being implemented progressively. The Australian Government actuary also commenced work on data for the Review of Military Compensation that was initiated in May 1998.

*Achievement of recruiting targets for regular and reserve personnel while enhancing recruiting strategies and policies to meet the increasingly competitive recruiting environment*

The Defence Force Recruiting Organisation achieved over 97% of its recruitment target for 1997-98, compared with a 92% achievement for the previous year. Recruiting difficulties in the areas of health services, particularly doctors and medical assistants for all Services, pilots and observers for the Navy, trades entry for the Army and navigators and air defence officers for the RAAF were encountered. A number of retention and recruiting initiatives have been implemented. New entry requirements for the Army Reserve were also introduced on a trial basis and an initial mid-year enlistment total of 915 Army Reservists was achieved against a target of 1,200. By the end of the year, 1,000 members had completed the new common induction training.

*The continued rationalisation and implementation of joint health policies and advice which assists ADF operational effectiveness*

Rationalisation of single-Service health policies and plans commenced with the development and publication of new and revised Health Policy Directives, Bulletins, ADF Publications and Defence Instructions. The Joint Health Support Agency commenced in January 1998, and is tasked with responsibility for technical control and improved financial management of all non-operational health support. Significant rationalisation of instructions has occurred to update and rationalise previous single-Service policies and practices. This includes the issuing of two manuals, a training handbook and instructions in over 20 subjects. A similar volume of redrafted material is awaiting internal clearance.

*The publication of an integrated Defence Occupational Health and Safety Manual*

The development of the Defence Occupational Health and Safety Manual was completed, and publication and distribution is expected by late 1998. Further information on occupational health and safety activity during the year is contained in Part Three of this report.

*The further implementation of initiatives to increase the operational effectiveness and contribution of the Reserve Force*

The organisation of the Office of the Assistant Chief of the Defence Force (Reserves) and the Defence Reserves Support Committees have been enhanced by introduction of permanent officers with administrative support in each state to liaise between employers, the committees and units. Further policy initiatives have been identified as a result of a review of *Reserves and the Community in the 21<sup>st</sup> Century* which addressed planning for capability issues out to the year 2010. As a result of changes to industrial relations legislation, the Assistant Chief of the Defence Force (Reserves), through the Defence Reserves Support Committees, has commenced direct negotiation with employers to ensure the continued availability of reservists through military leave arrangements. These measures will ensure the continued contribution of the reserves to the 'Total Force' concept through substitution of permanent forces in, and increased contribution to, combat and support capabilities.

The enhancement of the Australian Services Cadets Scheme has continued through the planned conversion of many Army units from limited support to full support of cadet units and implementation of joint State/Commonwealth funding of school cadet units in Western Australia, Victoria and Queensland.

## RESOURCES

Table 8.1: Defence Function Outlays Summary

Sub-Program		1997-98	1997-98	1997-98	Variation	
		Budget Estimate	Revised Estimate	Actual Outcome	(97-98 Actual less Revised Estimate)	
		\$m	\$m	\$m	\$m	%
8.1	ADF Personnel Policy	319.9	303.0	338.8	35.8	11.8
8.2	Civilian Personnel Policy	35.5	176.3	153.3	-23.0	-13.0
8.3	Personnel Management	593.2	421.2	285.5	-135.7	-32.2
8.4	Defence Force Recruiting	54.2	52.3	46.6	-5.7	-11.0
8.5	Defence Health Services	101.2	161.9	153.0	-8.9	-5.5
<b>Program Total</b>		<b>1,104.1</b>	<b>1,114.8</b>	<b>977.2</b>	<b>-137.6</b>	<b>-12.3</b>

**Note:**

Figures may not add due to rounding.

Table 8.2: Staffing Summary

Sub-Program		1997-98	1997-98	1997-98	Variation	
		Budget Estimate	Revised Estimate	Actual Outcome	(97-98 Actual less Revised Estimate)	
		Personnel Numbers			%	
8.1	ADF Personnel Policy	288	254	264	10	3.9
8.2	Civilian Personnel Policy	168	187	114	-73	-39.0
8.3	Personnel Management	2,834	3,919	3,390	-529	-13.5
8.4	Defence Force Recruiting	1,276	1,276	926	-350	-27.4
8.5	Defence Health Services	710	1,722	1,589	-133	-7.7
<b>Program Total</b>		<b>5,276</b>	<b>7,358</b>	<b>6,283</b>	<b>-1,075</b>	<b>-14.6</b>

Table 8.3: Staffing Profile

Personnel		Sub-Program					Total
		8.1	8.2	8.3	8.4	8.5	
Permanent Force	97-98 Budget	107	3	769	406	515	1,800
	97-98 Revised	154	6	1,357	406	1,478	3,401
	97-98 Actual	154	32	1,324	406	1,360	3,276
Reserves	97-98 Budget	18	0	1,145	803	15	1,981
	97-98 Revised	0	0	1,163	803	15	1,981
	97-98 Actual	0	0	948	451	19	1,418
Civilian	97-98 Budget	163	165	920	67	180	1,495
	97-98 Revised	100	181	1,399	67	229	1,976
	97-98 Actual	110	82	1,118	69	210	1,589
<b>Total</b>	<b>97-98 Budget</b>	<b>288</b>	<b>168</b>	<b>2,834</b>	<b>1,276</b>	<b>710</b>	<b>5,276</b>
<b>Personnel</b>	<b>97-98 Revised</b>	<b>254</b>	<b>187</b>	<b>3,919</b>	<b>1,276</b>	<b>1,722</b>	<b>7,358</b>
	<b>97-98 Actual</b>	<b>264</b>	<b>114</b>	<b>3,390</b>	<b>926</b>	<b>1,589</b>	<b>6,283</b>

### 1997-98 Defence Reform Program Progress

The Defence Personnel Executive was formed to achieve increased commonality, integration and efficiency in the personnel management and administration of Defence Force and civilian personnel. As experience was gained, a review of the organisational structure was undertaken to create a more integrated organisation based along functional lines. These changes have allowed the Program to align some of the military and civilian human resource processes and procedures and, where appropriate, integrate them further.

A single Defence Health Service was formed within the Defence Personnel Executive. This has centralised control of health activities and enabled the commencement of a rationalisation of single Service health policies and plans.

**Table 8.4: 1997-98 Defence Reform Program Savings**

Category	Personnel Savings		Savings
	ADF	APS	\$m
Logistics			0.2
Personnel Planning	80	68	9.0
<b>Total Savings</b>	<b>80</b>	<b>68</b>	<b>9.2</b>

**Table 8.5: 1997-98 Defence Reform Program Reinvestment**

Category	\$m
Transition costs related principally to redundancies	3.1

**Table 8.6 Reconciliation of Appropriations for the Defence Personnel Executive Program**

Division/Appropriation Item	1997-98	1997-98	1997-98	Variation	
	Budget Estimate	Revised Estimate	Actual Outcome	(97-98 Actual less Revised Estimate)	%
	\$m	\$m	\$m	\$m	%
180-01 RUNNING COSTS					
Service Personnel	305.4	351.5	237.6	-113.8	-32.4
Civilian Personnel	139.0	107.0	71.5	-35.5	-33.2
Administrative Expenses	455.7	450.8	483.3	32.5	7.2
Facilities Operations	0.3	0	0	0	0.0
180-02 OTHER SERVICES	101.6	121.2	105.5	-15.7	-13.0
181 EQUIPMENT AND STORES	2.5	4.6	3.6	-1.1	-22.9
184 DEFENCE HOUSING	253.6	253.6	253.6	0	0.0
Sub Total	1,258.1	1,288.7	1,155.1	-133.6	-10.4
SPECIAL APPROPRIATIONS					
- MSBS Retention Benefit	20.4	20.9	15.2	-5.7	-27.2
- Housing Loan Assistance Scheme	4.5	3.7	2.9	-0.8	-21.9

Division/Appropriation Item	1997-98	1997-98	1997-98	Variation	
	Budget Estimate	Revised Estimate	Actual Outcome	(97-98 Actual less Revised Estimate)	
	\$m	\$m	\$m	\$m	%
- DEETYA Subsidies	0	1.0	0	-1.0	-100.0
- Other Departments	-2.4	-2.4	-2.0	0.3	-13.7
<b>Total Defence Function Appropriations (A)</b>	<b>1,280.6</b>	<b>1,312.0</b>	<b>1,171.2</b>	<b>-140.8</b>	<b>-10.7</b>
Total Defence Function Receipts (offset within outlays) (B)	-176.6	-197.2	-194.0	3.2	-1.6
<b>Total Defence Function Outlays (C) = (A+B)</b>	<b>1,104.1</b>	<b>1,114.8</b>	<b>977.2</b>	<b>-137.6</b>	<b>-12.3</b>
<b>NON-DEFENCE FUNCTION OUTLAYS</b>					
- DFRDB Payments	932.3	970.3	952.3	-18.0	-1.9
- MSBS Payments	170.2	152.0	177.8	25.8	17.0
- DFRDB Contributions	-46.4	-48.2	-45.5	2.7	-5.6
- MSBS Contributions	-35.3	-38.2	-39.8	-1.7	4.4
<b>TOTAL NON-DEFENCE FUNCTION OUTLAYS (D)</b>	<b>1,020.7</b>	<b>1,035.9</b>	<b>1,044.7</b>	<b>8.8</b>	<b>0.8</b>
<b>TOTAL PORTFOLIO OUTLAYS (E) = (C+D)</b>	<b>2,124.8</b>	<b>2,150.8</b>	<b>2,022.0</b>	<b>-128.8</b>	<b>-6.0</b>

**Note:**

Figures may not add due to rounding.

**Table 8.7: Major Variations between 1997-98 Revised Estimate and 1997-98 Actual Outcome**

Appropriation	\$m
<b>180-01 RUNNING COSTS</b>	
<b>Service Personnel (-\$113.8m)</b>	
Higher than anticipated Accrual-Based Superannuation and 3% Productivity Benefit liability	0.5
Net effect of variations in AFS and rank profile changes	-2.4
Underachievement in Housing Allowances including Temporary Rental Assistance	-8.4
Allocation of centrally held provision for disability allowances, salary increase provision, Defence Reform Program transition costs and ADF Superannuation	-100.0
<b>Defence Reform Program Savings</b>	
Related to Personnel Planning	-3.5
<b>Civilian Personnel (-\$35.5m)</b>	
Impact of Additional Estimates provision for the initial assessment of reduced requirement due to Defence Reform Program savings not identified by Program	35.0
Provision for Defence Reform Program redundancies	2.5

<i>Appropriation</i>	<i>\$m</i>
Lower than anticipated Accrual-Based Superannuation and 3% Productivity Benefit liability	-2.7
Lower than anticipated requirement for civilian salaries, primarily related to slower than forecast recruitment	-2.8
Net Program transfers primarily associated with the Departmental Career Development Pool to Program 7	-2.9
Allocation of centrally held provision for productivity-based pay increase and Defence Reform Program transition costs to Programs	-63.8
<b>Defence Reform Program Savings</b>	
Related to Personnel Planning	-0.8
<b>Administrative Expenses (\$32.5m)</b>	
Variation in Fringe Benefits Tax liability	45.8
Net Program transfers primarily associated with Navy Leave Travel and the Departmental Career Development Pool	6.7
Provision for Commercial Support Program transition costs primarily associated with Albury Wodonga	0.6
Lower than anticipated requirement for Achieving Cost Effective Personnel Services project	-0.7
Lower than anticipated costs for non operational health	-1.7
Lower than anticipated requirement for Defence Reform Program transition costs	-5.1
Lower than anticipated requirement for removals and personnel operations	-7.6
Minor miscellaneous variations	-0.5
<b>Defence Reform Program Savings</b>	
Related to Logistics	-0.2
Related to Personnel Planning	-4.8
<b>180 OTHER SERVICES (-\$15.7m)</b>	
Lower than anticipated claims for one-off Ex Gratia Payments for ADF compensable injuries	-1.7
Reduced compensation and legal expenses due to a leveling off in the number of claimants in 1997-98	-13.8
Minor miscellaneous variations	-0.2
<b>181 EQUIPMENT AND STORES (-\$1.1m)</b>	
Reduced requirement for PMKEYS due to delay in source selection and contract signing	-1.0
Miscellaneous minor variations	-0.1

Appropriation	\$m
<b>SPECIAL APPROPRIATIONS (-\$7.2m)</b>	
<u>Housing Loan Assistance Scheme</u>	
Slower than anticipated take up of benefits following extension of the scheme to Reserves	-0.8
<u>DEETYA Subsidies</u>	
Lower than anticipated intake of Administrative trainees eligible for subsidies	-1.0
<u>MSBS Retention Benefit</u>	
Lower than anticipated number of members taking up the retention option	-5.7
<u>Other Departments</u>	
Lower than anticipated receipts from Commonwealth State Housing Authority	0.3
<b>DEFENCE PORTFOLIO RECEIPTS (\$3.2m)</b>	
Lower than anticipated rations and quarters receipts due to reducing Service personnel numbers	3.4
Lower than anticipated contributions from Group Rental Scheme	1.1
Lower than anticipated DEETYA receipts	0.4
Unanticipated administrative and other receipts, primarily related to a COMCARE premium refund	-1.7
<b>NON-DEFENCE FUNCTION (\$7.8m)</b>	
<u>MSBS</u>	
Higher than anticipated expenditure due to changes in superannuation legislation affecting personnel departing permanently for overseas	25.8
<u>Defence Force Retirements and Death Benefits (DFDRB)</u>	
Lower than anticipated expenditure due to smaller number of redundancies than predicted	-18.0
<b>NON DEFENCE FUNCTION RECEIPTS (\$1.0)</b>	
<u>Defence Force Retirement and Death Benefits (DFDRB) Contributions</u>	
Lower than anticipated administrative and other receipts due to reducing Service personnel numbers	2.7
<u>MSBS Receipts</u>	
Higher than anticipated receipts due to changes in superannuation legislation affecting personnel departing permanently for overseas	-1.7