

# High Level Financial Analysis of Court Reform Initiatives

Attorney-General's Department

Final Report  
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Building a better  
working world

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## NOTICE

The results of EY's work, including the assumptions and qualifications made in preparing this Report, are set out in the enclosed Report ("Report"). You should read the Report in its entirety including the applicable scope of our work and any limitations. A reference to the Report includes any part of the Report, including the supporting cost models developed for each proposed Court reform initiative. No further work has been undertaken by EY since the date of the Report to update it.

Ernst & Young has acted in accordance with the instructions of the Attorney-General's Department ("The Department") in conducting its work and preparing the Report, and, in doing so, has prepared the Report for the benefit of the Department. EY has not been engaged to act, and has not acted, as advisor to any other party. Accordingly, EY makes no representations as to the appropriateness, accuracy or completeness of the Report for any other party's purposes. No reliance may be placed upon the Report or any of its contents by any party other than the Department ("Recipient") for any purpose and any Recipient receiving a copy of the Report must make and rely on their own enquiries in relation to the issues to which the Report relates, the contents of the Report and all matters arising from or relating to or in any way connected with the Report or its contents.

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## Acknowledgements

In the course of undertaking our work we would like to formally acknowledge the assistance provided to us by representatives from the Attorney-General's Department, the Federal Court of Australia, the Family Court of Australia and the Federal Circuit Court of Australia.

Our review was undertaken in a compressed timeframe over the Christmas and New Year holiday period, however representatives from all three Courts and the Department made themselves available at short notice for interviews, meetings and workshops, and also assisted with the collection and provision of data over the holiday period.

We would therefore like to thank the Courts in particular for their cooperation, professionalism and assistance, especially given the nature of some of the proposed reforms, and the limited timeframes in which they had to respond.

## 1. Summary

The purpose of this review was to provide high level financial analysis of savings and implementation costs associated with four federal court reform areas as defined by the Attorney-General's Department ("The Department") [REDACTED]

The four scope areas included;

- ▶ Amalgamation of Court Back Office Functions
- ▶ Jurisdiction of the Family Court
- ▶ Court Fee Analysis
- ▶ Efficiency Dividend Analysis

It should be noted that due to the tight timeframes within which to complete our review, the approaches used for each of these scope items was highly collaborative and relied on the information provided by the Courts.

Provided below is a high level summary of the costings and savings associated with each of the above scope areas, with the exception of reforms to the existing Family Law jurisdiction. This specific scope area was discussed with the Department during the course of our review, but did not proceed to have any costings prepared.

### 1.1 Amalgamation of Court Back Office Functions

Two possible structural options were proposed for the amalgamation of existing back office functions between the Federal Court of Australia, the Family Court of Australia and the Federal Circuit Court. Under the first of these two options, it was determined by the Department that the Federal Court of Australia would lead the provision of shared back office services ("shared services") for the Family Court of Australia and the Federal Circuit Court, and that under this arrangement each Court would have a dedicated CEO responsible for its court operations. The second option (referred to as 'the 4 CEO model') was developed to allow each of the three Courts to have dedicated CEO, with the shared services function having its own CEO.

To determine the estimated net savings under each of these two options, analysis was conducted on the current state corporate services functions of each of the three Courts, and future state structures were developed for each of the in-scope shared services functions agreed with the Courts and the Department to be included as part of the proposed shared services model. The impact of this proposed amalgamation on future operating costs was then assessed, and the likely costs of implementing the new arrangements were also estimated. The net result of the current state costs, less the estimated future state and implementation costs produced the estimated net savings from these two options, as shown in the table below.

Summary							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	TOTAL
Option 1 - 3 CEOs	(\$857,756)	(\$2,449,261)	\$260,734	\$2,267,492	\$4,756,958	\$ 5,454,264	\$ 9,432,431
Option 2 - 4 CEOs	(\$857,756)	(\$2,862,918)	(\$157,082)	\$1,845,475	\$4,330,700	\$ 5,023,720	\$ 7,322,139

### 1.2 Family Law Jurisdiction

The scope of potential changes to the jurisdiction of the Family Court was not sufficiently defined by the Department within the timeframe available to allow for any cost analysis to be included within this Report.

## 1.3 Courts Fees

Two approaches were used to estimate court fee revenue that may be available for retention by the Courts. The reason two approaches were used was due to the quality of the data maintained by the Courts in relation to revenue. Only high level historical data is currently captured, and no transactional level data is available. Notwithstanding that each Court has detailed schedules of fees and charges, the lack of historical and projected transaction level data means it is not possible to prepare detailed, volume based revenue projections. The Department advised that the analysis was to be based on the current fee structure and that no changes to fee rates or categories were to be included in the analysis.

Based on historical trends, the total estimated court fee revenue over the forward estimates is \$396 million. Conversely, based on Portfolio Budget Statement (PBS) data, the total estimated court fee revenue over the forward estimates is estimated to be \$269.8 million. Given the considerable difference between these two estimates, EY sought clarification from the Courts regarding the basis of the PBS revenue estimates.

The Courts explained that the projected decrease in fee revenue in the PBS was due to a change in their fee structures (effective from 1 January 2013) which they believed had resulted in applicants choosing to have their matters heard under State jurisdiction where the fees and charges were lower. More specifically, the Federal Court of Australia explained that there was a shift of matters by public authorities (largely the Australian Taxation Office) and publicly listed companies from the Federal Courts to the State Courts from 1 January 2013 where the fee differential was the greatest for current matters with concurrent jurisdiction (such as winding up applications). This shift is apparent in the actual fee revenue collected by the Federal Court during the 2014 calendar year and therefore is expected to materialise during the 2014/15 financial year (rather than in 2012/13 and 2013/14 financial years). The timing of this impact is further confirmed by the audited financial results for the 2012/13 and 2013/14 financial years which did not show a decrease in fee revenue for the Federal Court of Australia.

The following table summarises the projected fee revenue based on the historical analysis and the PBS data.

Data Type	2015/16	2016/17	2017/18	2018/19	TOTAL
Historical Analysis	\$ 82,012,600	\$ 92,483,980	\$ 105,253,204	\$ 116,251,213	\$ 396,000,997
PBS Data	\$ 68,713,000	\$ 67,154,000	\$ 67,402,000	\$ 66,571,810	\$ 269,840,810



## 1.4 Efficiency Dividend

The impact of the removal of the efficiency dividend from judges' remuneration is estimated to be approximately \$4.7 million over the forward estimates period as summarised below. The judges' remuneration is limited to the Chief Justices (FCA), Judges (FCA), Chief Justices (FCoA), Deputy Chief Justices (FCoA), Judges (FCoA), Chief Judges (FCC), Judges (FCC) remuneration. It does not include judicial registrars, Registrars or judicial support.

2015/16	2016/17	2017/18	2018/19	TOTAL
\$ 1,629,422	\$ 1,676,348	\$ 689,851	\$ 709,718	\$ 4,705,339

## 2. Purpose of the Review

The purpose of this review is to provide an analysis of estimated savings and implementation costs associated with four federal court reform areas as defined by the Attorney-General's Department ("The Department") [REDACTED]

This review used the report produced by KPMG "Review of the performance and funding of the Federal Court of Australia, the Family Court of Australia and the Federal Circuit Court of Australia" dated 5 March 2014 as its basis. The Department engaged KPMG to undertake a review of the performance and funding of the Courts to support future strategic decision-making. It then identified some of the recommendations to be implemented by the Courts Reform Taskforce (The Taskforce). Specifically, the Department, through the Taskforce, identified four specific initiatives to take forward in the NPP as follows:

- ▶ Amalgamation of Court Back Office Functions
- ▶ Jurisdiction of the Family Court
- ▶ Court Fee Analysis
- ▶ Efficiency Dividend Analysis

### 2.1 Background on the need for Reforms

The Department has advised that the proposed Court Reforms have dual aims including;

1. To ensure that the Courts are placed on a sustainable funding footing
2. To achieve \$30m of savings over the forward estimates by streamlining Family Court processes.

These aims are explained in further detail below.

#### 2.1.1 Sustainable Position

The 2014 KPMG review referred to the forecast deficits of the three Courts, resulting in a cumulative deficit of \$74.8 million across the forward estimates (refer to page 58 of the KPMG report for further information).

Updated projections provided by the Department in February 2015 are shown in Figure 1 below.

**Figure 1: Forecasted Deficits**

Court	2015/16 \$m	2016/17 \$m	2017/18 \$m	2018/19 \$m	Total \$m
Family Court and Federal Circuit Court	-8.978	-12.061	-13.513	-13.365	<b>-47.917</b>
Federal Court	0.130	0.024	0.086	-0.849	<b>-0.609</b>
<b>TOTAL</b>	<b>-8.848</b>	<b>-12.037</b>	<b>-13.427</b>	<b>-14.255</b>	<b>-48.526</b>

## 2.1.2 Streamlined Savings

The Government's original election commitment was to save \$30 million over four years through streamlining of Family Court processes.

**Figure 2: Original Streamlining Savings**

2013/14 \$m	2014/15 \$m	2015/16 \$m	2016/17 \$m	Total \$m
2.000	6.000	9.000	13.000	<b>30.000</b>

The Department has however advised that this equates to \$48 million over the forward estimates. The year on year breakdown of these savings is shown in Figure 3 below.

**Figure 3: Revised Savings Profile**

2015/16 \$m	2016/17 \$m	2017/18 \$m	2018/19 \$m	Total \$m
9.000	13.000	13.000	13.000	<b>48.000</b>

## 2.2 Objectives of this Review

The objectives of this review included;

- ▶ [REDACTED]
- ▶ Consulting with relevant stakeholders both within the Courts and the Department to understand the current state and assist in defining future state
- ▶ Providing options where possible given the time constraints
- ▶ Providing recommendations for future areas of costing savings that may be identified through the development of the costing information.

### 3. Scope

The scope of our review as outlined in the Terms of Reference (and discussed above) identified four key focus areas. These included;

- ▶ Amalgamation of Court Back Office Functions
- ▶ Jurisdiction of the Family Court
- ▶ Court Fee Analysis
- ▶ Efficiency Dividend Analysis

The detailed requirements of this work are presented in Figure 4 below which shows the requirements as defined in the Review Terms of Reference.

**Figure 4: Scope**

Area	Scope as defined in the Terms of Reference
Amalgamation of court back office functions	<ul style="list-style-type: none"> <li>(a) savings and implementation costs associated with options for amalgamating the back office functions of the Family Court and Federal Circuit Court with the Federal Court, such as amalgamating corporate services (including information technology services), or both corporate services and registry functions</li> <li>(b) governance arrangements of a single back office, including the savings and costs associated with having a Chief Executive Officer (CEO) responsible for the shared services and CEOs for each court, or with having a three-CEO arrangement, whereby one of the court's CEO is the CEO responsible for shared services (with delegations consistent with each court's independence)</li> <li>(c) current accommodation requirements of the courts and future requirements of a single back office, including the capacity for consolidation of existing facilities (such as office areas), with any net savings identified and costed</li> <li>(d) identification of opportunities to improve the provision of services, such as information technology, case management, use of registrars, records management, human resources, financial management, library and information management, and other corporate services, with any net savings identified and costed</li> </ul>
Family law jurisdiction	<ul style="list-style-type: none"> <li>(a) savings and implementation costs associated with reviewing the jurisdiction of the Family Court and the Federal Circuit Court, in areas of overlapping jurisdiction</li> <li>(b) savings and implementation costs associated with delineating more complex matters for the jurisdiction of the Family Court, and less complex matters for the jurisdiction of the Federal Circuit Court</li> <li>(c) savings and implementation costs associated with revised arrangements for transfer of proceedings between the Family Court and Federal Circuit Court, such as transfer by a judge or registrar of either Court of his or her own motion, or upon application by a party</li> </ul>

Court fees	(a) savings and implementation costs associated with options to enable the courts to retain all of their fee revenue as part of the development of a sustainable funding model  (b) savings and implementation costs associated with options to enable the courts to retain a portion of their fee revenue (such as 25%, 50% or 75%) as part of the development of a sustainable funding model
Efficiency dividend	(a) savings associated with the removal of the efficiency dividend from judges' salaries

## 4. Approach

Provided below is a high level summary of EY's approach to completing the review which involved four phases of work conducted across four different work streams. A more detailed methodology for each of the scope items is provided in the following sections.

### 4.1 Phases

The review was undertaken in four phases as set out below, with phases 2 and 3 involving the bulk of the analysis and fieldwork:

- ▶ Phase 1 - Background Analysis
- ▶ Phase 2 - Current State / Baseline
- ▶ Phase 3 - Future State (includes Costing and Saving Identification and Quantification)
- ▶ Phase 4 - Report Preparation

Each of these phases is described below. Please note that stakeholder consultation was conducted throughout all four phases. A list of the stakeholders engaged throughout the review is provided in Appendix A.

#### Phase 1 - Background Analysis

Key activities undertaken during this phase included:

- ▶ Review of the KPMG Report dated 5 March 2014, and supporting analysis and data used to inform the Report findings and recommendations
- ▶ Review of other background documentation made available relevant to the proposed Court reform initiatives

The background documentation provided EY with information relevant to understanding the scope of the proposed reforms, the different reform options available, analysis already performed and any high level or detailed costing and savings data previously derived.

#### Phase 2 - Current State / Baseline (Current State)

Key activities undertaken during this phase included:

- ▶ Understanding of the current state (including associated functions, structures, resources, funding arrangements and costs)
- ▶ Modelling and validation of the current state / baseline positions

The focus of this phase was to understand the current revenue, costs and service delivery structures (in the relevant areas) of the Federal Court of Australia, the Family Court of Australia and the Federal Circuit Court of Australia. The baseline was used as a basis for estimating any costs and savings arising from the proposed Court reforms.

#### Phase 3 - Future State (includes Costing, Saving Identification and Quantification)

Key activities undertaken during this phase included:

- ▶ Understanding the scope of each of the proposed reform areas
- ▶ Modelling the future state requirements, including their impact on the current state arrangements. This included assessing the extent to which existing recurrent and capital costs were impacted by the reforms, any financial benefits or savings arising from the proposed changes, as well as any associated implementation costs

- ▶ Preparing a gap analysis between the current and future state requirements
- ▶ Validating our findings, preliminary costings and supporting data analysis and assumptions

The focus of this phase was on modelling and validating implementation costs associated with the reforms and their impact on the future funding required, based on the projected future costs of operations. Our modelling included:

- ▶ Analysis of documentation, resourcing, accommodation, activity and financial data
- ▶ Qualitative and quantitative information gathered through engagement of key stakeholders
- ▶ Development and refinement of the proposed future state requirements
- ▶ Analysis of available activity, transactional and performance metrics
- ▶ Scenario analysis of potential changes to processes and operations
- ▶ An assessment of the adequacy of existing funding requirements
- ▶ Validating of preliminary savings and cost estimates with relevant stakeholders

#### Phase 4 - Report Preparation

Key activities undertaken during this phase included:

- ▶ Drafting the results report
- ▶ Submission of the report to the Department and Courts for consideration and feedback
- ▶ Finalisation of the report

## 4.2 Work Streams

Within each of the four phases described above, four work streams were run concurrently. These work streams included:

- ▶ Stream 1 - Amalgamation of Court Back Office Functions
- ▶ Stream 2 - Jurisdiction of the Family Court
- ▶ Stream 3 - Court Fee Analysis
- ▶ Stream 4 - Efficiency Dividend Analysis

**Figure 5: Work Streams**

Work Streams	Key Activities
Amalgamation of Court Back Office Functions	<ul style="list-style-type: none"> <li>▶ Understanding the proposed shared Corporate Services model to be implemented</li> <li>▶ Understanding the scope and definition of back office functions to be included within the new shared services arrangement</li> <li>▶ Understanding the impact of the proposed shared services model on services such as:                             <ul style="list-style-type: none"> <li>▶ Information Technology</li> <li>▶ Case Management</li> <li>▶ Records Management</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>▶ Human Resource Management</li> <li>▶ Financial Management</li> <li>▶ Library and Information Management</li> <li>▶ Other Corporate Services</li> <li>▶ Identifying key cost and activity drivers</li> <li>▶ Estimating the extent and size of potential implementation costs for the proposed shared services model (both in terms of capital and operating expenditure)</li> <li>▶ Assessing the ongoing impact of the proposed changes to future operating and capital funding</li> <li>▶ Identifying the potential savings arising from the new shared services model</li> <li>▶ Quantifying and validating the potential savings identified, including their timing</li> </ul>
Jurisdiction of the Family Court	<p>The scope of the potential changes to the jurisdiction of the Family Law Court was not sufficiently defined by the Department within the timeframe available to allow for any costs analysis to be included within this Report.</p>
Court Fee Analysis	<ul style="list-style-type: none"> <li>▶ Understanding the proposed changes to enable the Courts to retain part or all of their fee revenue</li> <li>▶ Understanding the impact of the proposed changes to Court fees and charges on the current funding arrangements</li> <li>▶ Identifying any associated implementation costs and benefits associated with the proposed changes</li> <li>▶ Identifying and quantifying the impact to future funding requirements as a result of allowing the Courts to retain all or part of their fees</li> </ul>
Efficiency Dividend Analysis	<ul style="list-style-type: none"> <li>▶ Assessing the impact of the removal of the efficiency dividend from the judges' remuneration</li> <li>▶ Assessing the impact to other budget items of the removal of the efficiency dividend from judges' salaries</li> </ul>

## 5. Disclaimer and Scope Limitations

Our work has been prepared in accordance with our Terms of Reference and performed within compressed timeframes. The review commenced on 18 December 2014 with data being provided on 23 December 2014 and the first draft costings due on 16 January 2015. As advised by EY during the proposal process, all EY offices were closed for the Christmas and New Year period from 20 December 2014 until 5 January 2015. Similarly, a number of stakeholders from the Department and the Courts were also not available due to the holiday period until the week commencing 5 January 2015.

Due to the tight timeframes, EY had to adapt the methodology it would typically use for these types of shared services redesign and costing processes. It has also had to work with the information which could be collected and provided by the Department and the Courts within the available timeframes, and limited our ability to fully consult with affected stakeholders.

As a result of these limitations, EY has produced high level costings only. These costings were produced in collaboration with the Department and the Courts. EY has relied on the information provided by the Attorney General's Department and the Courts being accurate and complete. EY has indicated within this Report and the associated costing models the sources of the information we have been provided. We have not sought to independently verify this information unless otherwise noted within our costings or Report.

None of our work constitutes an audit, and we have not tested or examined any internal controls, processes or systems as part of our review. We are also not responsible for any defect or problem arising out of or related to data provided to us, or management representations made to us during the course of our work.

In undertaking our costings, EY has had to make a range of assumptions which should be read before examining the costings. These assumptions cover, amongst other things, assumptions regarding staffing, property, ICT and implementation costs, as well as the timeframes within which the proposed arrangements will be implemented. In the absence of any existing ICT strategy which considers the proposed shared services model, EY has relied upon information on estimated ICT costs provided to us by the Courts.

EY has not assessed the capability and capacity of the Federal Court of Australia to deliver the proposed shared services, nor have we undertaken any comparative analysis, assessment or benchmarking of existing and future service levels. We have also not reviewed or advised on the governance arrangements that would be required under the proposed shared services model, or the way future appropriations to cover the cost of shared services between the Courts should be formulated. These considerations and others should be addressed as part of any subsequent detailed implementation planning stage, including the development of a supporting ICT transition strategy, workforce strategy, accommodation strategy and IR strategy.

## 6. Costing Models

Due to the nature of this work, this Report is supported by cost models; one for each work stream / scope item. The cost models for each scope item contain the high level analysis and supporting information for each initiative. This Report must be read in conjunction with the costing models.

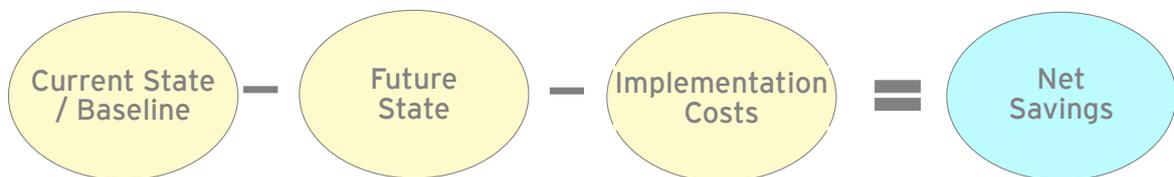
### 6.1 Model Overview

The costing models are Microsoft Excel based and have been designed to model the following;

- ▶ Current state / baseline position (i.e., the expected operating costs if the reform was not implemented) over the forward estimates
- ▶ Future state position (the expected operating costs if the reform was to be implemented) over the forward estimates
- ▶ Costs associated with the implementation of the reform

These three calculations can be compared to determine the estimated net savings over the forward estimates if the reform was to be implemented within the timeframe identified. Essentially the net savings are calculated using the equation shown in Figure 6 below.

Figure 6: Costing Equation



In addition to the current state / baseline position, future state position and implementation costs, the costing models also contain the following information specific to the particular scope item;

- ▶ Summary reports
- ▶ Details of any assumptions made in preparing the costings
- ▶ Details of calculations performed

## 7. Amalgamation of Court Back Office Functions

Scope Summary	
(a)	savings and implementation costs associated with options for amalgamating the back office functions of the Family Court and Federal Circuit Court with the Federal Court, such as amalgamating corporate services (including information technology services), or both corporate services and registry functions
(b)	governance arrangements of a single back office, including the savings and costs associated with having a Chief Executive Officer (CEO) responsible for the shared services and CEOs for each court, or with having a three-CEO arrangement, whereby one of the court's CEO is the CEO responsible for shared services (with delegations consistent with each court's independence)
(c)	current accommodation requirements of the courts and future requirements of a single back office, including the

### 7.1 Savings and Implementation Costings Summary

#### 7.1.1 Option 1: Shared Services - 3 CEOs

Based on the data provided and key assumptions, the following potential savings, illustrated in Figure 7, were identified through the amalgamation of Court back office functions under the 3 CEO model outlined in Section 7.4.1.

Figure 7: Projected Savings Summary - Option 1: 3 CEO Model

Summary							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	TOTAL
Current State / Baseline	\$ 18,775,825	\$ 18,948,610	\$ 19,123,121	\$ 19,299,379	\$ 19,477,398	\$ 19,657,198	\$ 115,281,531
Less: Future State*	\$ 18,775,825	\$ 18,728,400	\$ 17,211,432	\$ 16,226,934	\$ 15,587,180	\$ 15,332,841	\$ 101,862,612
Add: Reduction in Operating Costs	\$ 83,615	\$ 458,728	\$ 619,225	\$ 1,014,352	\$ 1,355,805	\$ 1,349,029	\$ 4,880,754
Less: Implementation Cost (Operating)	\$ 254,100	\$ 1,400,970	\$ 1,280,868	\$ 696,617	\$ 489,065	\$ 219,122	\$ 4,340,743
Less: Implementation Cost (Capital)	\$ 1,374,542	\$ 3,454,458	\$ 1,978,625	\$ 2,245,375	\$ -	\$ -	\$ 9,053,000
Add: Courts Contribution to IT Implementation Costs	\$ 687,271	\$ 1,727,229	\$ 989,313	\$ 1,122,688	\$ -	\$ -	\$ 4,526,500
<b>TOTAL PROJECTED SAVINGS</b>	<b>(\$857,756)</b>	<b>(\$2,449,261)</b>	<b>\$260,734</b>	<b>\$2,267,492</b>	<b>\$4,756,958</b>	<b>\$5,454,264</b>	<b>\$9,432,431</b>

#### 7.1.2 Option 2: Shared Services - 4 CEOs

Based on the data provided and key assumptions, the following potential savings, illustrated in Figure 8, were identified through the amalgamation of Court back office functions under the 4 CEO model outlined in Section 7.4.2.

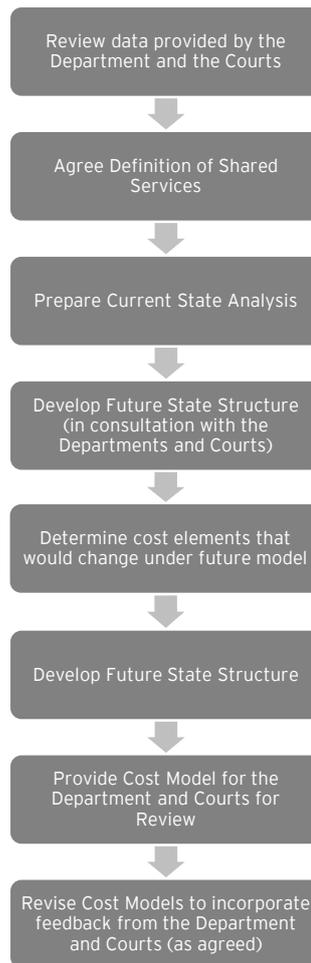
Figure 8: Projected Savings Summary - Option 2: 4 CEO Model

Summary							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	TOTAL
Current State / Baseline	\$ 18,775,825	\$ 18,948,610	\$ 19,123,121	\$ 19,299,379	\$ 19,477,398	\$ 19,657,198	\$ 115,281,531
Less: Future State*	\$ 18,775,825	\$ 19,144,287	\$ 17,631,479	\$ 16,651,181	\$ 16,015,669	\$ 15,765,615	\$ 103,984,057
Add: Reduction in Operating Costs	\$ 83,615	\$ 460,958	\$ 621,456	\$ 1,016,583	\$ 1,358,035	\$ 1,351,260	\$ 4,891,907
Less: Implementation Cost (Operating)	\$ 254,100	\$ 1,400,970	\$ 1,280,868	\$ 696,617	\$ 489,065	\$ 219,122	\$ 4,340,743
Less: Implementation Cost (Capital)	\$ 1,374,542	\$ 3,454,458	\$ 1,978,625	\$ 2,245,375	\$ -	\$ -	\$ 9,053,000
Add: Courts Contribution to IT Implementation Costs	\$ 687,271	\$ 1,727,229	\$ 989,313	\$ 1,122,688	\$ -	\$ -	\$ 4,526,500
<b>TOTAL PROJECTED SAVINGS</b>	<b>(\$857,756)</b>	<b>(\$2,862,918)</b>	<b>(\$157,082)</b>	<b>\$1,845,475</b>	<b>\$4,330,700</b>	<b>\$5,023,720</b>	<b>\$7,322,139</b>

### 7.2 Costing Approach and Methodology

The approach outlined diagrammatically in Figure 9 below was used to determine the impact of amalgamating Court back office functions.

**Figure 9: Costing Approach and methodology**



Due to the tight timeframes in which to complete the analysis, the approach used for this work was highly collaborative and relied on information and advice provided by the Courts. This advice included obtaining the Courts' collective agreement on the scope shared services to be included and excluded from the proposed reforms, as well as seeking their input and agreement to the proposed future state shared services structures. Key stakeholders from all Courts and the Department were involved in these discussions and workshops.

Additionally, there was insufficient time to understand the current structure of all of the Courts operating costs. An assessment therefore was undertaken to determine those operating costs that would be directly impacted by the proposed shared services model, and an estimation of these impacts was included in the costing model as reductions in operating expenditure.

It was originally agreed with the Courts to model the impact of the shared services over the forward estimates (ie 2015/16 to 2018/19). Upon the Department receiving feedback from the Courts following their review of the costing model, it was decided by the Department to extend the modelling to a six year period (ie 2015/16 to 2020/21). As a result of the extension of the timeframe of the model, the impact of the proposed shared services model on property operating costs also needed to be assessed.

## 7.3 Background

### 7.3.1 Federal Court of Australia

The Federal Court of Australia (FCA) is a single prescribed agency for the purposes of the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act). From 1 July 2012, the corporate and mediation of claims functions of the National Native Title Tribunal (NNTT) were transferred to the FCA. The NNTT remains an independent and separate statutory authority, but is no longer a separate agency for the purposes of the PGPA Act 2013. The NNTT also no longer receives a separate budget appropriation.

### 7.3.2 Family Court of Australia and Federal Circuit Court of Australia

The Family Court of Australia and the Federal Circuit Court is a single prescribed agency for the purposes of the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act). The agency consists of three components including;

- ▶ The FCoA
- ▶ The FCC
- ▶ The FCoA and FCC Administration.

The administration function is overseen by a CEO and provides a range of services to both the courts. The specific components of the NSO are summarised in Figure 10.

In November 2008, the FCoA and the then Federal Magistrates Court (now the FCC) decided that it was timely, sensible and opportune to make a range of changes which supported shared service delivery. The changes involved merging all corporate and administrative services and having one CEO to head the joint administrative function. As a result of these changes, a single person held the office of CEO of the FCoA and FCC.

The shared administrative functions were not supported by legislation until 2013-14. Prior to this time the two entities were acting as two separate prescribed entities under the *Financial Management and Accountability Act 1997* (Cth) (FMA Act).

In the 2013-14 Federal Budget, the shared administrative arrangements which had been operating since 2008 were formalised with funding for the two courts combined into a single agency under the FMA Act known as the 'Family Court of Australia and the Federal Circuit Court of Australia.'

### 7.3.3 Current Structure and Appropriation Funding Overview

The Federal Court of Australia and the Family Court of Australia and Federal Circuit Court of Australia are currently two separate prescribed agencies for the purposes of the PGPA Act 2013. Figure 10 below shows the structures and relationship between the two organisations, while Figure 11 below shows the components of the appropriation for each of the two agencies.

Figure 10: Current Structures

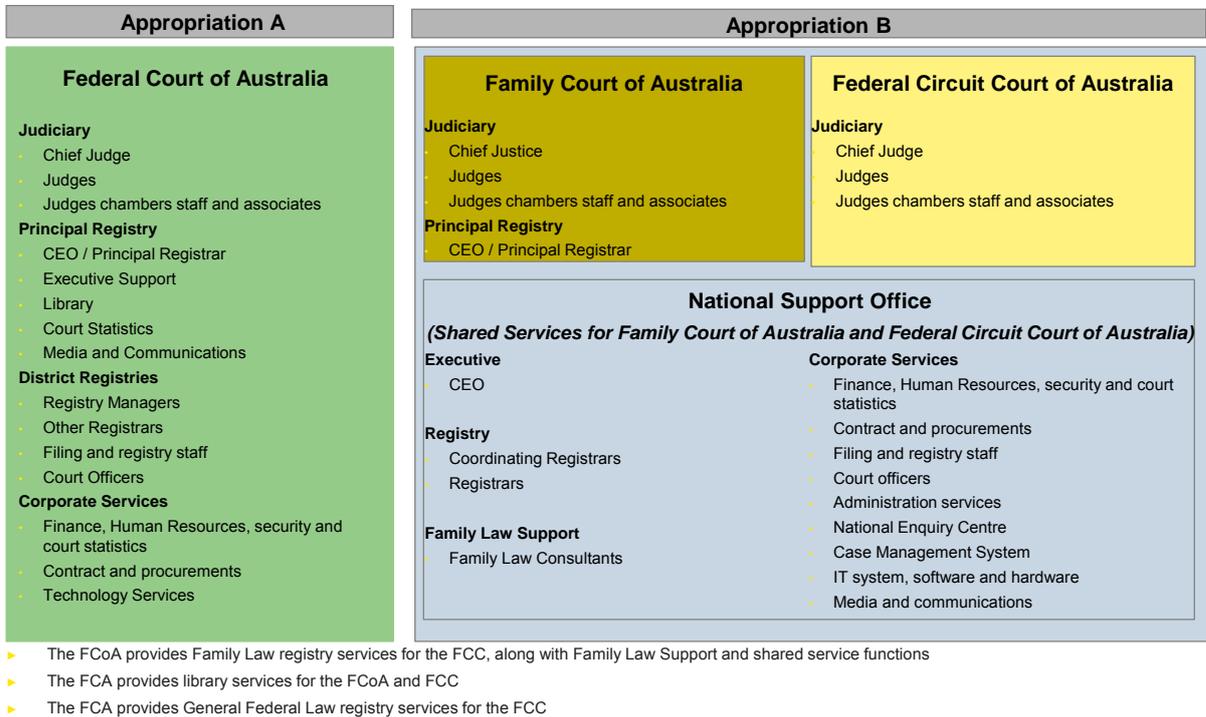
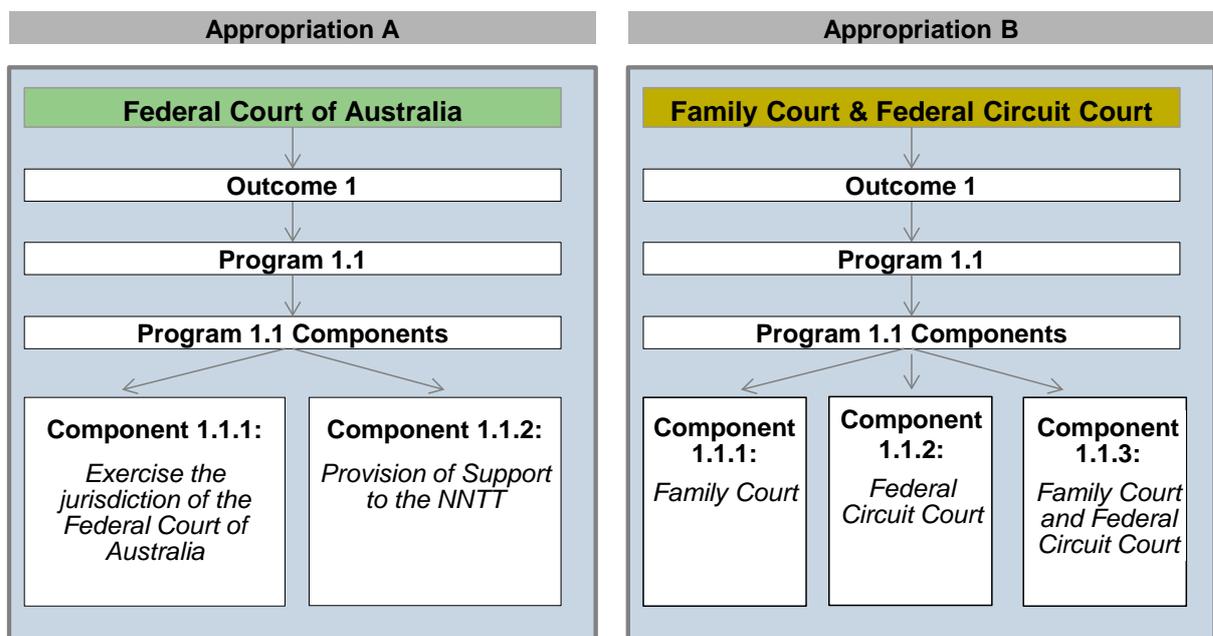


Figure 11: Current Appropriation Structures



## 7.4 Proposed Organisational Structures

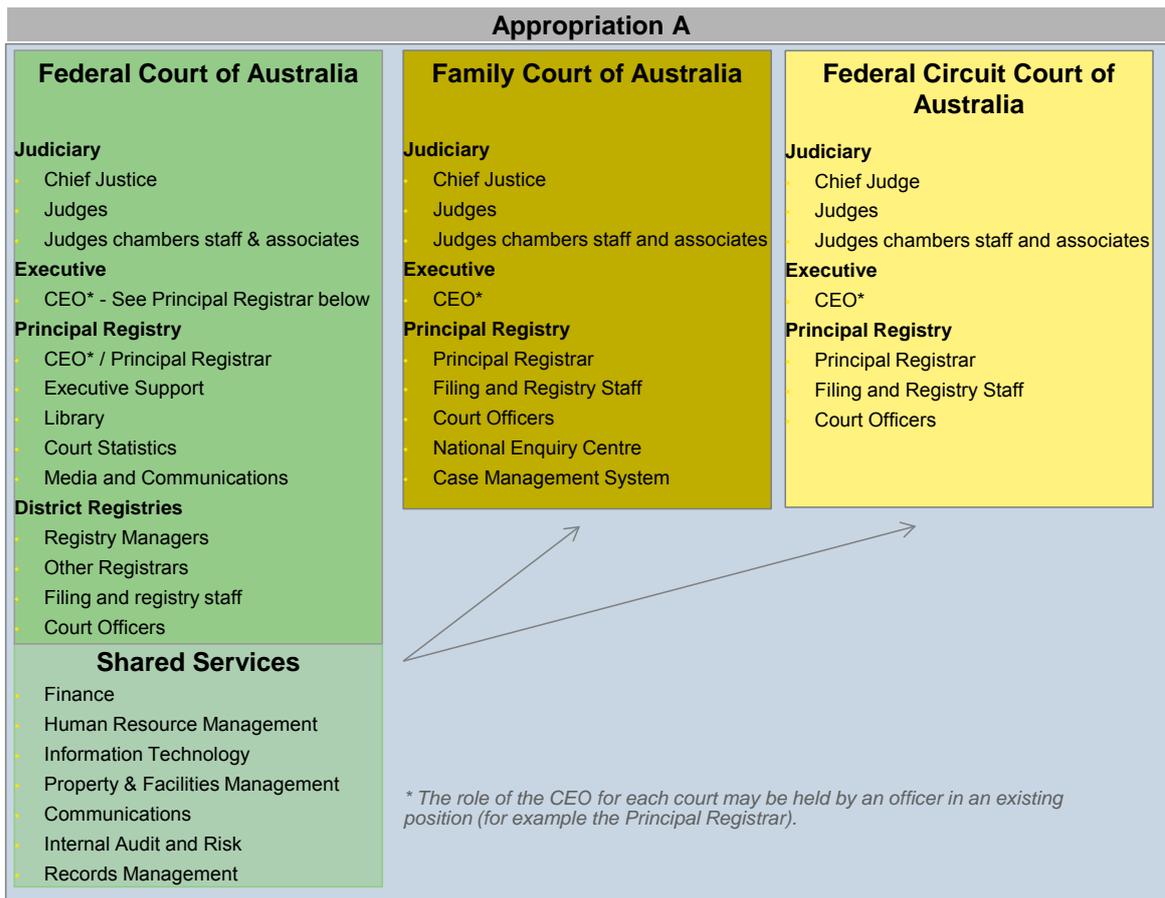
In accordance with the review Terms of Reference, there are two proposed structures to provide the proposed shared services. These two structures depend on the number of CEOs. The proposed structures with either 3 or 4 CEOs are explained below.

### 7.4.1 Option 1: Shared Services - 3 CEOs

The Department has advised under the proposed 3 CEO model, the shared services functions would be led and managed by the FCA. Figure 12 shows the proposed structure under these arrangements. Provided below is a summary of key components of this structure;

- ▶ The entity would be a Single Prescribed Agency
- ▶ There would be a single Appropriation
- ▶ Each Court would have a separate program identified within the Appropriation
- ▶ Each Court would have a separate CEO
- ▶ The FCA would be responsible for the Corporate Services functions for all three Courts
- ▶ All financial, HR and contractual responsibilities will be vested to the FCA Registrar/CEO
- ▶ The Registrar will delegate these to the CEOs of the other Courts
- ▶ The FCoA would continue to provide Family Law registry services for the FCC and Family Law Support.
- ▶ The FCA would continue to provide library services for the FCoA and FCC and General Federal Law registry services for the FCC.

Figure 12: Proposed Structure - 3 CEOs



#### 7.4.2 Option 2: Shared Services - 4 CEOs

The Department has advised under the 4 CEO model, each of the Courts would have a CEO, however the shared services functions would be led and managed by an additional CEO, rather than being provided from within the FCA. Figure 13 shows the proposed structure under the 4 CEO option. While this model allows for the combined shared services function to operate as a separate independent entity within the Single Prescribed Agency, the Department advised that the only difference between the 3 CEO and 4 CEO model for costing purposes should be the cost of an additional CEO.

Provided below is a summary of key components of the structure;

- ▶ The entity would be a Single Prescribed Agency
- ▶ There would be a single Appropriation
- ▶ Each Court and the Shared Services entity would have a separate CEO
- ▶ Each of the four entities would have a separate program identified within the Appropriation
- ▶ All financial, HR and contractual responsibilities will be vested to the Shared Services CEO
- ▶ The FCoA would continue to provide Family Law registry services for the FCC and Family Law Support
- ▶ The FCA would continue to provide library services for the FCoA and FCC and General Federal Law registry services for the FCC

Figure 13: Proposed Structure - 4 CEOs

Appropriation			
Shared Services	Federal Court of Australia	Family Court of Australia	Federal Circuit Court of Australia
<p><b>Executive</b></p> <ul style="list-style-type: none"> <li>CEO*</li> </ul> <p><b>Corporate Services</b></p> <ul style="list-style-type: none"> <li>Finance</li> <li>Human Resource Management</li> <li>Information Technology</li> <li>Property &amp; Facilities Management</li> <li>Communications</li> <li>Internal Audit and Risk</li> <li>Records Management</li> </ul>	<p><b>Judiciary</b></p> <ul style="list-style-type: none"> <li>Judges</li> <li>Judges chambers staff &amp; associates</li> </ul> <p><b>Executive</b></p> <ul style="list-style-type: none"> <li>CEO* - See Principal Registrar below</li> </ul> <p><b>Principal Registry</b></p> <ul style="list-style-type: none"> <li>CEO / Principal Registrar</li> <li>Executive Support</li> <li>Library</li> <li>Court Statistics</li> <li>Media and Communications</li> </ul> <p><b>District Registries</b></p> <ul style="list-style-type: none"> <li>Registry Managers</li> <li>Other Registrars</li> <li>Filing and registry staff</li> <li>Court Officers</li> </ul>	<p><b>Judiciary</b></p> <ul style="list-style-type: none"> <li>Judges</li> <li>Judges chambers staff and associates</li> </ul> <p><b>Executive</b></p> <ul style="list-style-type: none"> <li>CEO*</li> </ul> <p><b>Principal Registry</b></p> <ul style="list-style-type: none"> <li>Principal Registrar</li> <li>Filing and Registry Staff</li> <li>Court Officers</li> <li>National Enquiry Centre</li> <li>Case Management System</li> </ul>	<p><b>Judiciary</b></p> <ul style="list-style-type: none"> <li>Judges</li> <li>Judges chambers staff and associates</li> </ul> <p><b>Executive</b></p> <ul style="list-style-type: none"> <li>CEO*</li> </ul> <p><b>Principal Registry</b></p> <ul style="list-style-type: none"> <li>Principal Registrar</li> <li>Filing and Registry Staff</li> <li>Court Officers</li> </ul>

## 7.5 Corporate Services Definition

The definition of shared services was determined in collaboration with the Department and the Courts during the Court Reform Steering Committee meeting held on 8 January 2015. The following functions have been agreed by all parties to be included within the definition;

- ▶ Finance
- ▶ Human Resource Management
- ▶ Information Communications and Technology
- ▶ Procurement and Risk Management
- ▶ Facilities and Property
- ▶ Court Security
- ▶ Statistics
- ▶ Communication and Media
- ▶ Executive Management

A more comprehensive definition of the functions is included in Appendix D.

## 7.6 Registry Services Definition

The definition of Registry Services was discussed during the Court Reform Steering Committee meeting held on 8 January 2015. It was agreed that Registry Services should not be included within the scope of shared services, even though this was originally identified as potentially being in-scope in the Terms of Reference.

## 7.7 Current State Analysis

To determine the potential net savings that could be achieved through shared services it was necessary to understand the current state / baseline of both the FCA and FCoA / FCC corporate service functions (including FTE structures and costs).

Due to the tight timeframes in which this work was performed, the focus of our analysis was on those elements of the current state that would be impacted by the proposed shared services model, and in particular, staff costs, associated overheads and IT costs.

A summary of the current state analysis for each of the in-scope shared services functions is available at Appendix I. A high level summary of the current state analysis / baseline is provided below.

## 7.7.1 FTE

The current corporate services functions performed by the FCA require 46.8 FTEs compared to 98.6 FTEs required for the equivalent FCoA / FCC corporate services functions. This can be compared to the total FTE of 472 for the FCA and 767 for the FCoA / FCC. A comparison of the total FTE and Corporate Services FTE is shown below in Figure 14.

Figure 14: Corporate Staff to Total Staff Comparison

Court	Total FTE	Corporate Services FTE	Corporate Services FTE : Total FTE ratio
FCA	472	46.8	0.10
FCoA / FCC	767	98.6	0.13

Figure 15 provides a breakdown of the corporate services FTE for each Court by FTE.

Figure 15: Current State FTE by Level

Level	FCA	FCoA / FCC	Total
FCS2/APS02	-	1	1
FCS3/APS03	1	3	4
FCS4/APS04	2	6.9	8.9
FCS5/APS05	8.8	16.6	25.4
FCS6/APS06	13	25.1	38.1
FCM1/EL01	15	33	48
FCM2/EL02	6	12	18
SES01	-	1	1
SES02	1	-	1
<b>Total</b>	<b>46.8</b>	<b>98.6</b>	<b>145.4</b>

Figure 16 shows the number of FTE by location for each Court. The figures show the FCA uses a more distributed model than the FCoA / FCC. With the exception of some IT support officers, the majority of the FCoA / FCC Corporate Services officers are located in Canberra in the National Support Office (NSO).

Figure 16: Current State FTE by Location

Location	FCA	FCoA / FCC	Total
SA	1	2	3
VIC	5	6	11
NSW	28.8	5	33.8
ACT	-	80.6	80.6
WA	10	-	10
TAS	1	-	1
QLD	1	5	6
<b>Total</b>	<b>46.8</b>	<b>98.6</b>	<b>145.4</b>

Figure 17 provides a summary of the FTE by function for each Court.

Figure 17: Current State FTE by Function

Function	FCA	FCoA / FCC	Total
Executive Management	1	1	2
ICT Services	31	43.9	74.9
Finance	5.8	19.6	25.4
HR Management	6	12.2	18.2
Procurement & Contract Management	0	3.9	3.9
Facilities & Property Management	1	3.6	4.6
Court Security	0	3	3
Business Intelligence	1	3	4
Communications & Media	1	8.3	9.3
<b>Total</b>	<b>46.8</b>	<b>98.6</b>	<b>145.4</b>

## 7.7.2 Operating Costs

Figure 18 illustrates operating costs by Function for each Court. The figure shows that ICT Services is the most significant component of corporate services expenditure for the Courts. Figure 19 provides a breakdown of operating costs by Function for each Court.

Figure 18: Current State Operating Costs by Function

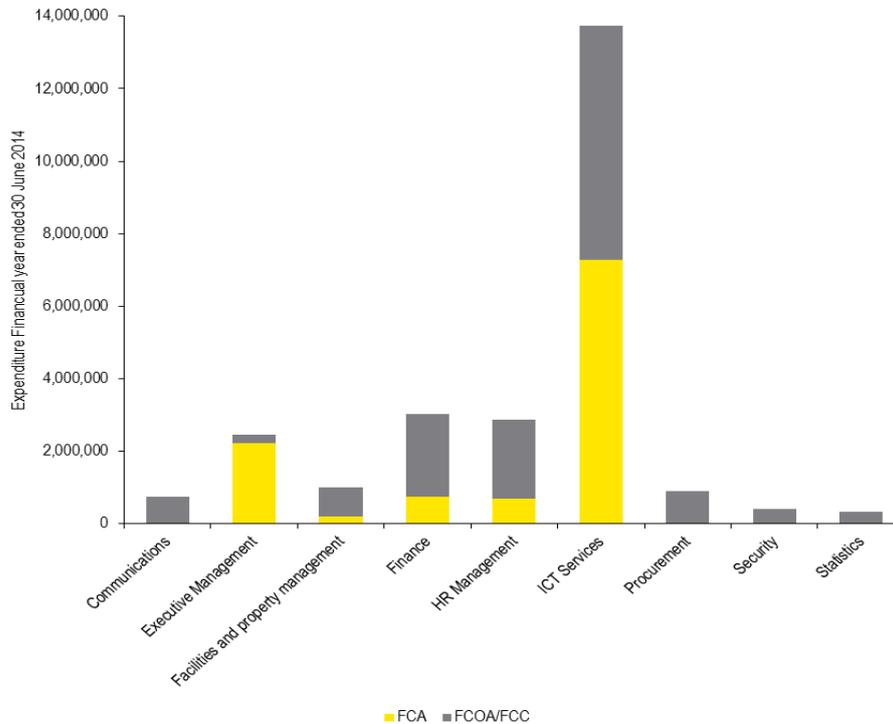


Figure 19: Current State Operating Costs by Function

Corporate Services Function	Category of spend	FCA	FCOA/FCC	Grand Total
<b>Executive Management</b>	Consultants and contractors		\$ 1,136	\$ 1,136
	Depreciation	\$ 1,784,408		\$ 1,784,408
	Employee salaries and on costs	\$ 331,111	\$ 196,013	\$ 527,124
	ICT Costs	\$ 36,307	\$ 1,866	\$ 38,172
	Other	\$ 67,280	\$ 29,767	\$ 97,047
<b>Executive Management Total</b>		<b>\$ 2,219,106</b>	<b>\$ 228,781</b>	<b>\$ 2,447,887</b>
<b>Facilities and property management</b>	Consultants & Contractors		\$ 26,126	\$ 26,126
	Employee salaries and on costs	\$ 187,613	\$ 293,844	\$ 481,457
	ICT Costs	\$ 347	\$ 2,028	\$ 2,376
	Other	\$ 11,864	\$ 462,611	\$ 474,475
<b>Facilities and property management Total</b>		<b>\$ 199,825</b>	<b>\$ 784,609</b>	<b>\$ 984,434</b>
<b>Finance</b>	Consultants and contractors	\$ 133,800	\$ 151,183	\$ 284,983
	Employee salaries and on costs	\$ 639,727	\$ 1,665,033	\$ 2,304,760
	ICT Costs	\$ 9,127	\$ 133,497	\$ 142,624
	Other	-\$ 39,286	\$ 318,228	\$ 278,942
<b>Finance Total</b>		<b>\$ 743,368</b>	<b>\$ 2,267,940</b>	<b>\$ 3,011,308</b>
<b>HR Management</b>	Employee salaries and on costs	\$ 653,499	\$ 1,999,394	\$ 2,652,892
	ICT Costs	\$ 1,530	\$ 1,135	\$ 2,665
	Other	\$ 28,181	\$ 181,195	\$ 209,376
<b>HR Management Total</b>		<b>\$ 683,209</b>	<b>\$ 2,181,724</b>	<b>\$ 2,864,933</b>
<b>ICT Services</b>	Consultants and contractors	\$ 348,786	\$ 679,711	\$ 1,028,498
	Employee salaries and on costs	\$ 2,912,118	\$ 2,854,712	\$ 5,766,829
	ICT Costs	\$ 2,262,630	\$ 1,026,142	\$ 3,288,772
	Other	\$ 1,758,681	\$ 1,886,575	\$ 3,645,257
<b>ICT Services Total</b>		<b>\$ 7,282,215</b>	<b>\$ 6,447,141</b>	<b>\$ 13,729,356</b>
<b>Security</b>	Employee salaries and on costs		\$ 324,028	\$ 324,028
	ICT Costs		\$ 18,765	\$ 18,765
	Other		\$ 56,674	\$ 56,674
<b>Security Total</b>			<b>\$ 399,467</b>	<b>\$ 399,467</b>
<b>Statistics</b>	Employee salaries and on costs		\$ 312,633	\$ 312,633
	ICT Costs		\$ 1,183	\$ 1,183
	Other		\$ 827	\$ 827
<b>Statistics Total</b>			<b>\$ 314,644</b>	<b>\$ 314,644</b>
<b>Communications</b>	Employee salaries and on costs		\$ 575,791	\$ 575,791
	ICT Costs		\$ 2,481	\$ 2,481
	Other		\$ 170,134	\$ 170,134
<b>Communications Total</b>			<b>\$ 748,407</b>	<b>\$ 748,407</b>
<b>Procurement</b>	Employee salaries and on costs		\$ 579,569	\$ 579,569
	ICT Costs		\$ 254,542	\$ 254,542
	Other		\$ 67,517	\$ 67,517
<b>Procurement Total</b>			<b>\$ 901,628</b>	<b>\$ 901,628</b>
<b>Grand Total</b>		<b>\$ 11,127,723</b>	<b>\$ 14,274,341</b>	<b>\$ 25,402,064</b>

## 7.8 Future State

The future state comprises changes to FTEs as a result of the proposed organisational / structural changes. The impacts on operating costs arising from the new operating model were also estimated.

### 7.8.1 FTE

The future state was developed in collaboration with key stakeholders from all of the Courts and the Department during the future state workshop and also incorporated feedback from the Courts based on the draft costing model.

During the future state workshop, EY presented draft future state structures for each in-scope function. These draft structures were developed using the current state analysis and EY's knowledge and experience in shared services, and were designed to reflect what the future shared services model would look like once all the proposed changes had been implemented,

including the harmonisation of associated corporate services, IT systems and infrastructure.

It should be noted that in developing these draft structures, EY was not asked or able to undertake any supporting analysis of existing service levels, performance against these service levels, or any assessment of current organisational or staff capability and capacity to deliver the proposed shared services. Similarly, no supporting locational analysis was requested or able to be undertaken to determine the optimal future location of staff under the proposed future shared service arrangements.

The draft future state structures were presented to the stakeholders for comment at the future state workshop. During the discussions of each in-scope function, additional critical positions were included in the structures at the request of the Courts. At the end of the workshop, the Courts asked for additional time to further review and amend the proposed structures.

The structures as agreed during the workshop were subsequently provided to the Courts for further review, and the Courts provided feedback to EY. This feedback essentially sought the inclusion of significantly more positions, above and beyond those already added to the draft structures during the course of the future state workshop. When this feedback was discussed with the Department, the Department advised that the structures that were developed during the workshop should be used for costing purposes.

A comparison between the number of FTE for each function as identified during the workshop and as provided by the Courts subsequent to the workshop is provided in Appendix H.

In summary, the future structure comprises a total of 106.2 FTE resulting in a decrease of 41.2 FTE from the current state. A breakdown of the FTE by level is shown in Figure 20 below. A breakdown of the FTE by function is shown in Figure 21.

**Figure 20: Future FTE by Level**

Level	Total
FCS2/APS02	-
FCS3/APS03	2.0
FCS4/APS04	8.6
FCS5/APS05	20.0
FCS6/APS06	25.0
FCM1/EL01	35.6
FCM2/EL02	9.0
SES01	2.0
SES02	1.0
SES03	3.0
<b>TOTAL</b>	<b>106.2</b>

Figure 21: Future FTE by Function

Function	Total
Executive Management	2.0
ICT Services	51.6
Finance	20.0
HR Management	12.6
Procurement & Contract Management	2.0
Facilities & Property Management	4.0
Court Security	3.0
Business Intelligence	3.0
Communications and Media	5.0
CEO	3.0
<b>TOTAL</b>	<b>106.2</b>

## 7.8.2 Changes to Operating Costs

The financial analysis showed that the proposed shared services model would impact future operating costs. In particular, the following operating costs would be affected;

- ▶ Reduction in staff salaries and on-costs
- ▶ Reduction in employee overhead costs (including travel and work cover premium)
- ▶ IT operating costs - due to the transition to harmonised ICT infrastructure and applications
- ▶ Reduction in IT contractors - the revised ICT organisational structure does not require the use of contractors (with the exception of Case Track management) performing the roles of employees
- ▶ Reduction in property costs (see section 7.8.3 below).

The estimated reduction in operating costs over the forward estimates is approximately \$4.88 million. A breakdown of this reduction by year is shown in Figure 22 below.

Figure 22: Reduction in Operating Costs

	Total						
Staff Costs	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	TOTAL
Future Staff Costs (including IT Contractors) (under new structures)	\$ 17,278,407	\$ 18,728,400	\$ 17,211,432	\$ 16,226,934	\$ 15,587,180	\$ 15,332,841	\$ 100,365,194
<b>Net Changes in Operating Costs</b>							
Reduction in Operating Costs	\$ 83,615	\$ 458,728	\$ 619,225	\$ 1,014,352	\$ 1,355,805	\$ 1,349,029	\$ 4,880,754
<b>TOTAL</b>	<b>\$ 17,194,792</b>	<b>\$ 18,269,672</b>	<b>\$ 16,592,207</b>	<b>\$ 15,212,582</b>	<b>\$ 14,231,375</b>	<b>\$ 13,983,812</b>	<b>\$ 95,484,440</b>

## 7.8.3 Property

The current corporate functions of the FCA and FCoA / FCC operate from different locations. The FCA predominately operates from Sydney and the FCoA / FCC is located in the National Support Office in Canberra. The current lease on the National Support Office expires in January 2019. It was agreed with the Department and the Courts that the saving in property costs at the expiration of the NSO lease would be calculated by determining the reduction in staff located in Canberra under the future structure and then applying a cost per square metre for each person. The cost per square metre for each person is based on the current costs (including running costs) of the NSO.

## 7.9 Implementation Costs

There are a number of costs associated with implementing the proposed shared services arrangements. The following is a list of the implementation costs included as part of our financial analysis;

- ▶ Transition / Implementation team
- ▶ Redundancy payments
- ▶ Critical IT changes.

These implementation costs have been broken down into operating and capital costs. Supporting information and calculations can be found in the cost model on implementation costs. Analysis is provided below specifically on information technology (IT) due its complexity.

The Department has advised that the Courts will be required to contribute 50% of the IT implementation costs.

### 7.9.1 Information Technology

Information technology represents the highest cost of all of the functions within the current state (as shown in Figure 18). Due to its complexity and significance, substantial effort was placed into understanding the current state and future state transition requirements. Provided below is a high level summary of the current state and the proposed transition plan.

#### 7.9.1.1 Current State - High Level Analysis

The current IT platform environment differs between the Courts, both in terms of the infrastructure used and the level of in-house IT services delivered. There is a greater level of outsourcing within FCA IT operations, and fewer FTEs dedicated to ICT operations and support functions.

Outlined below are some of the current overlapping systems and IT development projects:

- ▶ HR and Finance systems run using the same software, but operate on different platforms (Novell / Microsoft) and would need the supporting infrastructure to be aligned before merging these two applications (Aurion and Finance 1)
- ▶ CaseTrack is the main case management system used across the Courts, but it is operated on different platforms and software versions. CaseTrack is also in-house developed and no comparable system exists in the commercial setting that can easily replace all the current functionality of CaseTrack
- ▶ Website development requirements - there are currently more websites than entities, and there are plans to redevelop the current websites (internet and intranet) for the FCA, FCoA and FCC. There is work currently underway to look for a new Content Management Services (CMS) provider
- ▶ Infrastructure improvement initiatives - WAN upgrades / accelerator initiatives. There are also requirements to increase the load capacity of the current infrastructure as a result of various paperless court initiatives (requires more bandwidth to process online)
- ▶ Electronic Court File (paperless court initiative) - major initiative across all entities with several projects under this program
- ▶ FCoA / FCC have indicated that they would like to migrate away from Novell, as well as from Lotus Notes to MS Exchange
- ▶ Challenges exist with the IBM Domino Designer being used to develop applications for

FCoA / FCC Judgement Publications (more than 80 apps sit on this environment) - migration from this to another environment will pose challenges and extra costs.

### 7.9.1.2 IT Transition Strategy

Due to the timeframes and complexity in considering the future ICT needs of all three Courts, for the purposes of this work EY has relied on the draft IT Implementation Strategy developed and provided by the Chief Information Officer of the Federal Court of Australia. During the future state workshop it was agreed that particular elements of this draft IT Implementation Strategy should be removed as they were not considered essential for the purposes of the proposed shared services model. In addition, the proposed timing for the Implementation Strategy was also discussed.

A summary of the IT Implementation Strategy provided by the CIO of the FCA is provided in Tab '18' of the *AGD Court Reform Costing Model - Shared Services*. A high level overview of the ICT Strategy is also included in Appendix G of this report.

The Courts were asked to provide an estimate of their current and future capital funding that could be redirected and used for the transitional initiatives included in the draft IT Implementation Strategy. The Courts advised that there would be no funding available from their Departmental Capital Budgets (DCB) to invest in the Implementation Strategy. If such capital funding were available, the reallocation of capital funds from the Courts for implementation purposes would result in an increase in the net savings available as a result of the merger.

The Courts also advised that there may be a write-off expense as a result of the IT transition strategy, however, the Courts were not able to quantify any such expenses with the information available and within the required time frame.

## 7.10 Assumptions

A full and detailed list of assumptions used in preparing the costings is included within the cost model.

## 7.11 Other considerations in merging the back office functions of the Courts

While the scope of our work was limited to costing and saving analysis only, there are a number of other key considerations in implementing the proposed shared services arrangements. These additional considerations would typically be addressed either in the initial design of the proposed shared services model, or in a more detailed design and implementation planning stage prior to their implementation. Whilst not within the scope of our review, we have nonetheless included them below because they are essential to the successful implementation of shared services arrangements between different entities. It is also important to note that many of these considerations were raised by Court representatives during the course of the review.

#### ▶ ICT Strategy:

- By necessity, in developing our estimated ICT implementation costings and savings we have relied upon advice and initial time and cost estimates from the CIOs of the FCA and FoCA/FCC in the absence of a properly scoped, defined and costed ICT Strategy. It is critical that such a strategy be developed as soon as possible, and ideally should consider both back office and front of house Court support services and system requirements
- The timing of consolidating supporting ICT systems and infrastructure not only

drives the potential realisation of efficiencies and savings in shared ICT services, but also underpins the realisation of efficiencies and savings in Finance, HR and other shared service functions

- We have excluded any changes or enhancements to front of house Court support services and systems as part of our high level costings because these do not directly relate to corporate shared services. It is however apparent that a number of enhancements to these systems are needed, especially to support the FCC which has to operate using two different versions and instances of Case Track
- ▶ Funding arrangements:
  - Whether each Court should hold their own (budget) funding for the shared services they use, or whether the combined shared services funding should be held centrally by the FCA and included in their component of the overall appropriation
  - If the latter arrangement applies, how should the cost of shared services be apportioned between the three Courts
  - If the funds to cover the cost of the shared services are held by each Court, what mechanisms should be put in place to support this 'purchaser/provider' arrangement given all the operating costs will sit with the FCA
  - How the cost of any future capital funding requirements for accommodation changes or ICT systems should be dealt between the three Courts
- ▶ Governance arrangements:
  - What governance arrangements should be put in place to oversee the performance and delivery of shared services between the Courts
  - Given the increased focus on ICT sharing, harmonisation and inter-operability between the Courts and the move to a shared ICT services model, whether a joint ICT Steering Committee should be established to provide the necessary ICT governance and strategic direction
  - Whether a defined shared services dispute escalation and resolution process is required between the Courts
  - What level of formality is required to document the arrangements between the Courts, for example a Memorandum of understanding (MOU) or Service Level Agreement (SLA)
- ▶ Service Levels:
  - How do the current service levels between the Courts compare
  - What will service levels be under the future shared services arrangements
  - How will performance against service levels be measured, reported and managed
- ▶ Workforce Strategy:
  - What change management, workforce transition and industrial relations strategy will be adopted to implement the proposed changes, ensure the retention of critical skills, and minimise disruption to business as usual operations during transition.

## 7.12 Identification of Other Areas for Improvement and Savings

Through stakeholder engagement and analysis, a number of other areas for potential improvement and savings were identified which are outlined below. Due to time constraints and the limited information available, we did not attempt to identify or estimate the potential

implementation costs and savings for these other scope areas.

- ▶ Further alignment of ICT infrastructure and applications between the Courts (in particular Case Track)
- ▶ Implementation of additional electronic document management and workflow arrangements to support paperless Court operations
- ▶ Consolidation of property locations for shared services staff at the expiration of the National Support Office lease in Canberra
- ▶ Consolidation and harmonisation of existing contracts with suppliers used by the different Courts
- ▶ Reengineering of processes, either prior to or after shared services implementation
- ▶ Possible changes to Registry Services including the future consolidation of physical Registry premises
- ▶ Opportunities to share or integrate elements of Registry Services which were excluded from the scope of our review

## 8. Family Law Jurisdiction

### Scope Summary

- (a) savings and implementation costs associated with reviewing the jurisdiction of the Family Court and the Federal Circuit Court, in areas of overlapping jurisdiction
- (b) savings and implementation costs associated with delineating more complex matters for the jurisdiction of the Family Court, and less complex matters for the jurisdiction of the Federal Circuit Court
- (c) savings and implementation costs associated with revised arrangements for transfer of proceedings between the Family Court and Federal Circuit Court, such as transfer by a judge or registrar of either Court of his or her own motion, or upon application by a party

The scope of potential changes to the jurisdiction of the Family Court was not sufficiently defined by the Department within the timeframe available to allow for any cost analysis to be included within this Report.

## 9. Court Fees

Scope Summary	
(a)	savings and implementation costs associated with options to enable the courts to retain all of their fee revenue as part of the development of a sustainable funding model
(b)	savings and implementation costs associated with options to enable the courts to retain a portion of their fee revenue (such as 25%, 50% or 75%) as part of the development of a sustainable funding model

### 9.1 Savings and Implementation Costings Summary

Based on the data provided and key assumptions made (see Section 1.3), the following potential savings were identified if the Courts are allowed to retain 25%, 50%, 75% or 100% of their fees.

**Figure 23: Court Fees Analysis (Data) Summary**

Total					
% of Court Fees retained	2015/16	2016/17	2017/18	2018/19	TOTAL
Retain 25%	\$ 20,503,150	\$ 23,120,995	\$ 26,313,301	\$ 29,062,803	\$ 99,000,249
Retain 50%	\$ 41,006,300	\$ 46,241,990	\$ 52,626,602	\$ 58,125,607	\$ 198,000,499
Retain 75%	\$ 61,509,450	\$ 69,362,985	\$ 78,939,903	\$ 87,188,410	\$ 297,000,748
Retain 100%	\$ 82,012,600	\$ 92,483,980	\$ 105,253,204	\$ 116,251,213	\$ 396,000,997

The projected court fees above have been compared to the projected PBS court fees. The comparison shows a variance of approximately \$100 million. The reason for this variance is due to the consistent fee revenue within the PBS compared to the projected growth in court fees shown in our analysis. Historical data shows that fees have increased since 2009/10 rather than remain steady as projected in the PBS. Further information and analysis is provided on the court fees below.

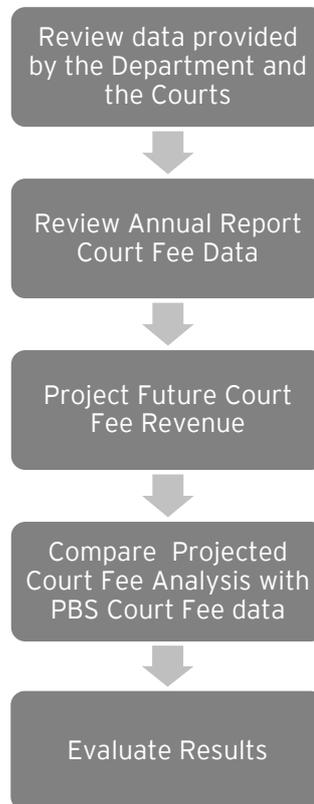
**Figure 24: Court Fees Analysis (PBS) Summary**

Total					
% of Court Fees retained	2015/16	2016/17	2017/18	2018/19	TOTAL
Retain 25%	\$ 17,178,250	\$ 16,788,500	\$ 16,850,500	\$ 16,642,952	\$ 67,460,202
Retain 50%	\$ 34,356,500	\$ 33,577,000	\$ 33,701,000	\$ 33,285,905	\$ 134,920,405
Retain 75%	\$ 51,534,750	\$ 50,365,500	\$ 50,551,500	\$ 49,928,857	\$ 202,380,607
Retain 100%	\$ 68,713,000	\$ 67,154,000	\$ 67,402,000	\$ 66,571,810	\$ 269,840,810

## 9.2 Costing Approach and Methodology

The approach shown diagrammatically in Figure 25 below was used to determine the estimated savings associated with enabling the Courts to retain all of their fee revenue as part of developing a sustainable funding model. Please note EY was directed by the Department to conduct their analysis based on the current fee structure and rates used by the Courts.

Figure 25: Court Fees Analysis Approach



## 9.3 Analysis and Findings

The analysis found that the information maintained by the Courts (particularly for general law matters) in relation to their fee revenue was insufficient to conduct a detailed analysis into the projected court fee revenue over the forward estimates. The reasons for this include the Courts do not break their revenue down into matter or fee types and they also do not record transactional data for each of the different fee types.

As a result of the lack of detailed information available, our analysis relied on the historical fee revenue for a five year period (ie from 2009/10 to 2013/14) as presented in the respective financial statements. Regression analysis was applied to the historical data to extrapolate the fee revenue over the forward estimates period. This analysis showed the projected fee revenue for the FCA using regression analysis over the forward estimates is \$105.8 million and \$290.1 million for the FCoA / FCC. A breakdown of the projected fee revenue for each year by Court is shown in Figure 26 below.

**Figure 26: Fee Projection by Courts based on Regression Analysis**

Court	2015/16	2016/17	2017/18	2018/19	TOTAL
FCA	\$ 21,922,000	\$ 24,946,600	\$ 27,971,200	\$ 30,995,800	\$ 105,835,600
FCoA / FCC	\$ 60,090,600	\$ 67,537,380	\$ 77,282,004	\$ 85,255,413	\$ 290,165,397

Conversely, the court fee revenue shown in the PBS over the forward estimates is much less than the amount projected using regression analysis as shown in Figure 27. The fee revenue estimated in the PBS actually decreases over the forward estimates.

**Figure 27: Fee Projection by Courts based on PBS data**

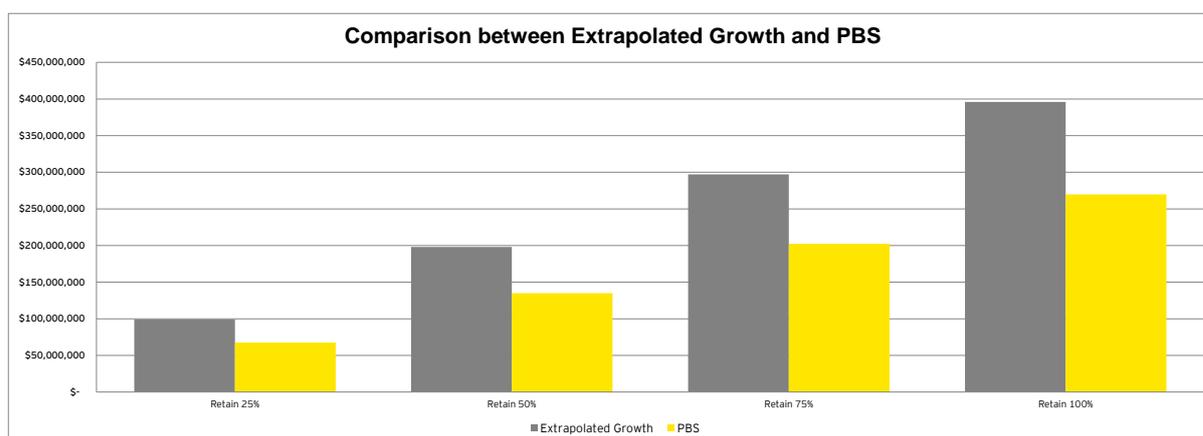
Court	2015/16	2016/17	2017/18	2018/19	TOTAL
FCA	\$ 14,157,000	\$ 12,683,000	\$ 12,940,000	\$ 12,144,753	\$ 51,924,753
FCoA / FCC	\$ 54,556,000	\$ 54,471,000	\$ 54,462,000	\$ 54,427,056	\$ 217,916,056

Figures 28 and 29 show the difference between the total fee revenue calculated using regression analysis and the amount shown in PBS. In total, there is a \$53.9 million variance for the FCA and a \$72.2 million variance for the FCoA / FCC.

**Figure 28: Variance between regression analysis and PBS court fees projection**

Court	2015/16	2016/17	2017/18	2018/19	TOTAL
FCA	\$ 7,765,000	\$ 12,263,600	\$ 15,031,200	\$ 18,851,047	\$ 53,910,847
FCoA / FCC	\$ 5,534,600	\$ 13,066,380	\$ 22,820,004	\$ 30,828,357	\$ 72,249,341

**Figure 29: Comparison between regression analysis and PBS court fees projection**



Due to the large variance between the fees estimated using regression analysis and the fees estimated in the PBS, advice was sought from the Courts in relation to how the PBS figures were derived. Provided below is a summary of the advice provided by the Courts;

- ▶ The FCA advised that the estimated decrease in fee revenue was due to changes in fee rates which have resulted in parties taking their matters to State jurisdictions. Specifically, they advised that there was a shift of matters by public authorities (largely the Australian Taxation Office) and publicly listed companies from the Federal Courts to the State Courts from 1 January 2014 where the fee differential was the greatest for current matters with concurrent jurisdiction (such as winding up applications). This is

apparent in the actual fee revenue collected by the Federal Court in the 2014 calendar year. Therefore, this decrease would be expected in the 2014/15 financial year rather than the 2012/13 and 2013/14 financial statements (the audited financial results for the 2012/13 and 2013/14 financial years did not show a decrease in fee revenue for the Federal Court of Australia).

- ▶ The FCoA / FCC advised that: *“The Courts’ fees have been recently been subject to multiple changes driven by Government. The current PBS values are reflective of the increases provided by the AGD in modelling the respective NPP increases. The Court is not privy to these calculations.”*

In the course of our review, the Department raised concerns around the level of bad debts recorded and waivers / exemptions allowed by the Courts. Additional analysis was therefore conducted in these areas. While the level of bad debts has increased from 2009/10 to 2013/14 for all Courts, the percentage of bad debts to total fees reaches a maximum of 1.26% and 0.009% for the FCA and FCoA / FCC respectively.

The level of waivers/ exemptions has also remained fairly consistent over the historical period measured with the FCoA / FCC waivers/exemptions representing 25% of the total fee revenue, whereas the FCA’s waivers/exemptions represent approximately between 11% and 23% of the total revenue as shown in Figure 30 below.

**Figure 30: Waivers / Exemptions as a % of Total Fees**

Court	2009/10	2010/11	2011/12	2012/13	2013/14
Federal Magistrates Court	32%	27%	25%	24%	
Family Court of Australia	38%	23%	25%	27%	
Federal Circuit Court & Family Court of Australia					25%
Federal Court of Australia	23%	15%	13%	8%	11%

Finally, it should be noted that while the retention of court fees by the Courts provides them with additional funding, the net effect is not a saving for the Government as court fees are returned to the Consolidated Revenue Fund. Consequently, the net impact to the Commonwealth of this initiative is zero.

## 9.4 FCA

Based on the data sets analysed (data provided by the Court and PBS data), the Court Fee Analysis for the FCA suggests the following fee retention could be achieved.

**Figure 31: Court Fee (Data) Calculations - FCA**

FCA Summary					
% of Court Fees retained	2015/16	2016/17	2017/18	2018/19	TOTAL
Retain 25%	\$ 5,480,500	\$ 6,236,650	\$ 6,992,800	\$ 7,748,950	\$ 26,458,900
Retain 50%	\$ 10,961,000	\$ 12,473,300	\$ 13,985,600	\$ 15,497,900	\$ 52,917,800
Retain 75%	\$ 16,441,500	\$ 18,709,950	\$ 20,978,400	\$ 23,246,850	\$ 79,376,700
Retain 100%	\$ 21,922,000	\$ 24,946,600	\$ 27,971,200	\$ 30,995,800	\$ 105,835,600
<b>TOTAL</b>	<b>\$ 54,805,000</b>	<b>\$ 62,366,500</b>	<b>\$ 69,928,000</b>	<b>\$ 77,489,500</b>	<b>\$ 264,589,000</b>

**Figure 32: Court Fee (PBS) Calculations - FCA**

FCA Summary					
% of Court Fees retained	2015/16	2016/17	2017/18	2018/19	TOTAL
Retain 25%	\$ 3,539,250	\$ 3,170,750	\$ 3,235,000	\$ 3,036,188	\$ 12,981,188
Retain 50%	\$ 7,078,500	\$ 6,341,500	\$ 6,470,000	\$ 6,072,377	\$ 25,962,377
Retain 75%	\$ 10,617,750	\$ 9,512,250	\$ 9,705,000	\$ 9,108,565	\$ 38,943,565
Retain 100%	\$ 14,157,000	\$ 12,683,000	\$ 12,940,000	\$ 12,144,753	\$ 51,924,753
<b>TOTAL</b>	<b>\$ 35,392,500</b>	<b>\$ 31,707,500</b>	<b>\$ 32,350,000</b>	<b>\$ 30,361,883</b>	<b>\$ 129,811,883</b>

## 9.5 FCoA / FCC

Based on the data sets analysed (data provided by the Court and PBS data), the Court Fee Analysis for FCoA / FCC suggests the following fee retention could be achieved.

**Figure 33: Court Fee (Data) Calculations - FCoA / FCC**

FCoA / FCC Summary					
% of Court Fees retained	2015/16	2016/17	2017/18	2018/19	TOTAL
Retain 25%	\$ 15,022,650	\$ 16,884,345	\$ 19,320,501	\$ 21,313,853	\$ 72,541,349
Retain 50%	\$ 30,045,300	\$ 33,768,690	\$ 38,641,002	\$ 42,627,707	\$ 145,082,699
Retain 75%	\$ 45,067,950	\$ 50,653,035	\$ 57,961,503	\$ 63,941,560	\$ 217,624,048
Retain 100%	\$ 60,090,600	\$ 67,537,380	\$ 77,282,004	\$ 85,255,413	\$ 290,165,397
<b>TOTAL</b>	<b>\$ 150,226,500</b>	<b>\$ 168,843,450</b>	<b>\$ 193,205,010</b>	<b>\$ 213,138,533</b>	<b>\$ 725,413,493</b>

**Figure 34: Court Fee (PBS) Calculations - FCoA / FCC**

FCoA / FCC Summary					
% of Court Fees retained	2015/16	2016/17	2017/18	2018/19	TOTAL
Retain 25%	\$ 13,639,000	\$ 13,617,750	\$ 13,615,500	\$ 13,606,764	\$ 54,479,014
Retain 50%	\$ 27,278,000	\$ 27,235,500	\$ 27,231,000	\$ 27,213,528	\$ 108,958,028
Retain 75%	\$ 40,917,000	\$ 40,853,250	\$ 40,846,500	\$ 40,820,292	\$ 163,437,042
Retain 100%	\$ 54,556,000	\$ 54,471,000	\$ 54,462,000	\$ 54,427,056	\$ 217,916,056
<b>TOTAL</b>	<b>\$ 136,390,000</b>	<b>\$ 136,177,500</b>	<b>\$ 136,155,000</b>	<b>\$ 136,067,641</b>	<b>\$ 544,790,141</b>

## 9.6 Assumptions

A full and detailed list of assumptions used in preparing this analysis is included within the cost model.

## 9.7 Identification of Other Areas for Improvement and Savings

Through stakeholder engagement and analysis, the major area identified for improvement in relation to court fees was the collection of transactional data. To allow for enhanced future reporting and analysis, transactional data for each fee type should be recorded. This would allow the Courts to more fully understand the level of revenue associated with each type of matter, what impact (if any) changes in fees and charges may have on future revenue levels, and to more accurately estimate the overall level of future fees and charges the Courts may collect.

In the event that the Courts are allowed to retain some or all of their court fee revenue, additional management reporting and accountability arrangements will also need to be implemented to reflect the importance of this funding source and revenue stream to the Courts and the Government more broadly. These arrangements would typically include the setting of revenue goals, linking these goals to relevant management performance agreements, tracking actual monthly performance against these goals, and monitoring the level of fees and charges being waived since this represents a significant component of overall potential revenue.

## 10. Efficiency Dividend

### Scope Summary

- (a) savings associated with the removal of the efficiency dividend from judges' salaries

### 10.1 Savings and Implementation Costings Summary

The estimated savings to the Courts resulting from the removal of the efficiency dividend from judges' remuneration is approximately \$4.7 million from 2015/16 to 2018/19.

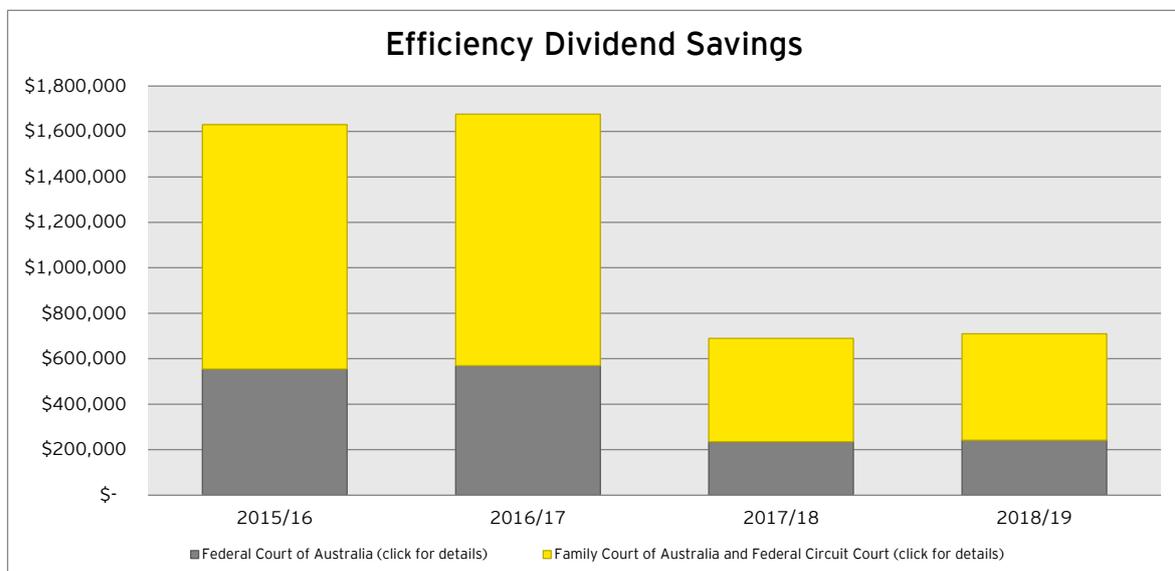
Figure 35 provides a summary of the total saving for both the FCA and the FCoA / FCC. The saving for the FCA is estimated to be \$1.6 million with the total saving for the FCoA / FCC estimated to be \$3.1 million over the same period. Please note the decrease in the saving from 2016/16 to 2017/18 is due to the change in efficiency dividend from 2.5% to 1.0%.

It should be noted that while the removal of the efficiency dividend represents a saving to the Courts it is not a saving to the Government. The removal of the efficiency dividend from the judges' salary would increase the amount of funding available to the Courts for expenditure while reducing the amount available for distribution to other Government agencies.

Figure 35: Summary of Savings from the removal of the Efficiency Dividend from Judges' Remuneration

Efficiency Dividend Analysis Summary	2015/16	2016/17	2017/18	2018/19	TOTAL
<a href="#">Federal Court of Australia (click for details)</a>	\$ 553,956	\$ 569,909	\$ 234,529	\$ 241,283	\$ 1,599,677
<a href="#">Family Court of Australia and Federal Circuit Court (click for details)</a>	\$ 1,075,466	\$ 1,106,439	\$ 455,322	\$ 468,435	\$ 3,105,662
<b>TOTAL SAVINGS FROM EFFICIENCY DIVIDEND</b>	<b>\$ 1,629,422</b>	<b>\$ 1,676,348</b>	<b>\$ 689,851</b>	<b>\$ 709,718</b>	<b>\$ 4,705,339</b>

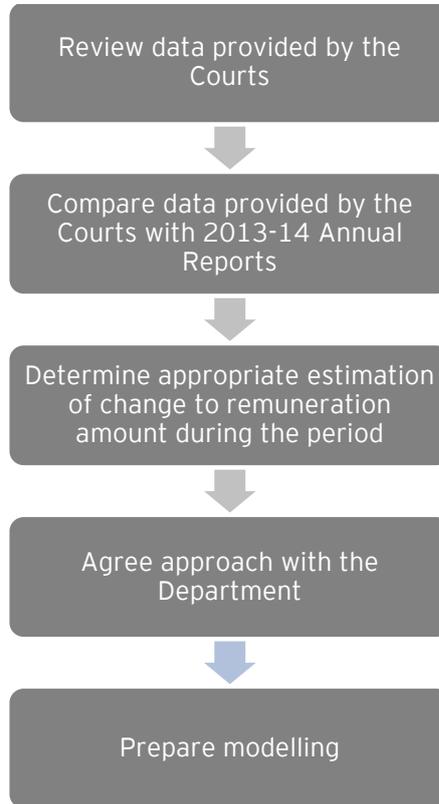
Figure 36: Removal of Efficiency Dividend from Judges' Remuneration



## 10.2 Costing Approach and Methodology

To determine the impact of removing the efficiency dividend from the judges' remuneration, the approach outlined in Figure 37 below was undertaken.

Figure 37: Efficiency Dividend - Approach and Methodology



In reviewing the information provided by the Department and the Courts, the limitations outlined in Figure 38 were identified.

Figure 38: Limitations with Efficiency Dividend information

#	Document title	Limitation with Data
1	Scope 4 Judges Remuneration (FCA)	<ul style="list-style-type: none"> <li>a. No comprehensive historical information on judges' remuneration</li> <li>b. No forward projection on increase in judges' remuneration</li> <li>c. Minimal assumptions provided to perform a comprehensive modelling exercise</li> </ul>
2	Impact of the Efficiency Dividend on Judicial Salary Funding v6.0 (FCoA)	<ul style="list-style-type: none"> <li>a. No assumptions provided to support the information provided</li> <li>b. No key findings or insights documented based on calculations</li> </ul>
3	Judicial Number - Funded	<ul style="list-style-type: none"> <li>a. No comprehensive historical information on judges' remuneration</li> </ul>

	(FCoA)	<p>b. Forward projection on increase in judges' remuneration does not take into account potential Remuneration Tribunal determinations</p> <p>c. No assumptions provided to support information provided</p>
4	Attorney-General's Department: Review of the performance and funding of the Federal Court of Australia, the Family Court of Australia and the Federal Circuit Court of Australia	<p>a. Insufficient details provided to support \$13.7 million savings in Efficiency Dividend (Figure 4-2 - the impact on the Court's bottom line of exempting judicial remuneration from the Efficiency Dividend, KPMG Report dated 5 March 2014)</p> <p>b. Figures provided show year on year doubling increases with no supporting explanation provided</p> <p>c. Working backwards, the savings do not tie back to the revenue figures applied (even with assumptions applied)</p>

EY identified a variance between the judges' remuneration provided by the FCoA / FCC and the amount presented in the Courts' annual report of approximately \$8million. When asked to clarify the variance, the FCoA / FCC provided the following information;

- ▶ Notional Judicial Superannuation Contributions (\$10.358m) are not shown in the calculations. These are liabilities assumed by the Department of Finance for Judicial Superannuation contributions that are recognised as notional expenses (with offsetting revenue) in the FC&FCC financial statements
- ▶ The calculations include/show only 'funded' judicial positions. Currently the Courts are paying the salary and on-costs associated with Justice Coates who has been seconded to the Royal Commission since appointment. The cost of this Judicial Officer's salary and wages are recovered from the Royal Commission
- ▶ The cost of the funded judicial officers is reflective of what the Courts have been funded for. The actual costs shown in the financial statements take into consideration fluctuations from delays in appointments / retirements, additional costs of onboarding new judicial officers (unfunded) - for example leave entitlements accrued from previous employment are recognised as expenses when first brought onto the books
- ▶ The Employee benefits note includes \$3.480m of FCC Judges superannuation within the Superannuation category, whereas the 'funded' calculation includes it in the total.

Due to the limitations with the data provided by the Courts, EY agreed with the Department to use the following information to conduct the analysis;

- ▶ Federal Court, Family Court & Federal Circuit Court Annual Reports (FY 2013/14) to obtain Judges' Remuneration data and use that as the baseline data to model future projections of Judges Remuneration
- ▶ Remuneration Tribunal Determinations from 2010 - 2014 to determine average year on year increase in Judges' Remuneration and apply to baseline data

### 10.3 Analysis and Findings

The definition of judges' remuneration for the purposes of this analysis was limited to the Chief Justices (FCA), Judges (FCA), Chief Justices (FCoA), Deputy Chief Justices (FCoA), Judges

(FCoA), Chief Judges (FCC), Judges (FCC) remuneration. It does not include judicial registrars, Registrars or judicial support.

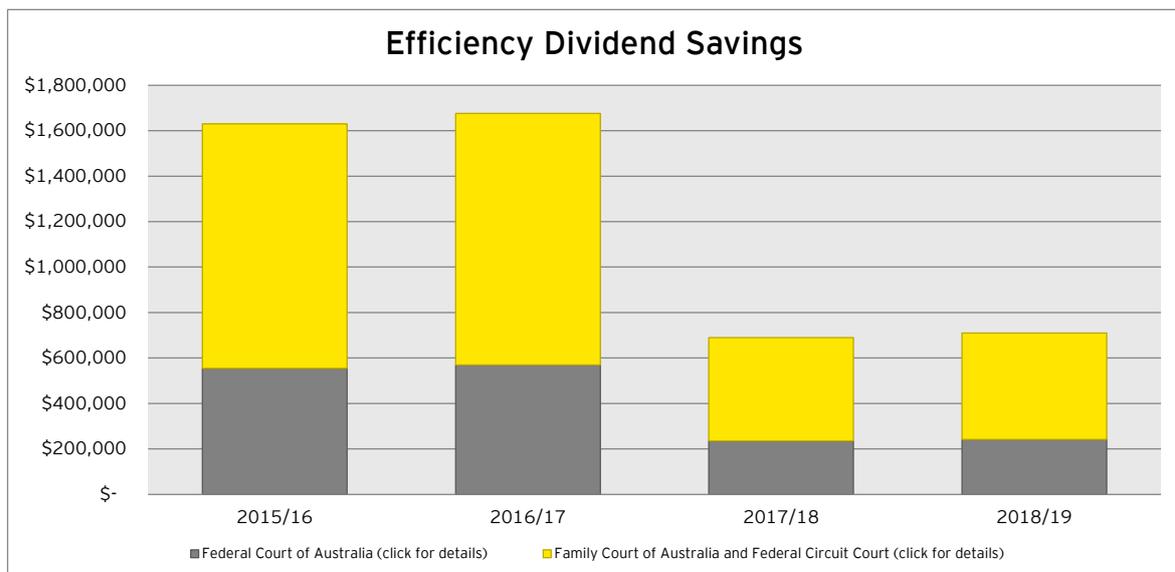
Based on the data provided, the approach and methodology used and the key assumptions applied, the total estimated saving resulting from the removal of the efficiency dividend from the judges' remuneration is approximately \$4.7 million in total, with \$1.6 million from the FCA and \$3.1 million from the FCoA / FCC respectively (refer to Figure 39). The decrease from 2016/17 to 2017/18 is due to the reduction in the efficiency dividend from 2.5% to 1.0%.

It should be noted that EY's analysis and estimated savings differ from the KPMG's estimate provided in the "Attorney-General's Department: Review of the performance and funding of the Federal Court of Australia, the Family Court of Australia and the Federal Circuit Court of Australia" report. In its report KPMG estimated a saving of approximately \$13 million from the removal of the efficiency dividend. EY attempted to validate the numbers and high level calculation prepared by KPMG (as provided by the Department), however the supporting methodology and detailed calculations were not provided and EY was not able to reconcile the available data to KPMG's estimate.

**Figure 39: Summary - Saving from Efficiency Dividend**

Efficiency Dividend Analysis Summary	2015/16	2016/17	2017/18	2018/19	TOTAL
<a href="#">Federal Court of Australia (click for details)</a>	\$ 553,956	\$ 569,909	\$ 234,529	\$ 241,283	\$ 1,599,677
<a href="#">Family Court of Australia and Federal Circuit Court (click for details)</a>	\$ 1,075,466	\$ 1,106,439	\$ 455,322	\$ 468,435	\$ 3,105,662
<b>TOTAL SAVINGS FROM EFFICIENCY DIVIDEND</b>	<b>\$ 1,629,422</b>	<b>\$ 1,676,348</b>	<b>\$ 689,851</b>	<b>\$ 709,718</b>	<b>\$ 4,705,339</b>

**Figure 40: Saving from Efficiency Dividend**



Finally, the removal of the efficiency dividend from judges' remuneration is similar to court fees in that it may represent additional funding available for the Courts, however it is not a saving for the Government. Consequently, the net impact of this initiative to the Commonwealth is zero.

### 10.3.1 FCA

The removal of the efficiency dividend from judges' remuneration would result in an estimated saving of \$1.6 million over the 4 year period from 2015-16 to 2018-19 for the FCA as show in Figure 41 below.

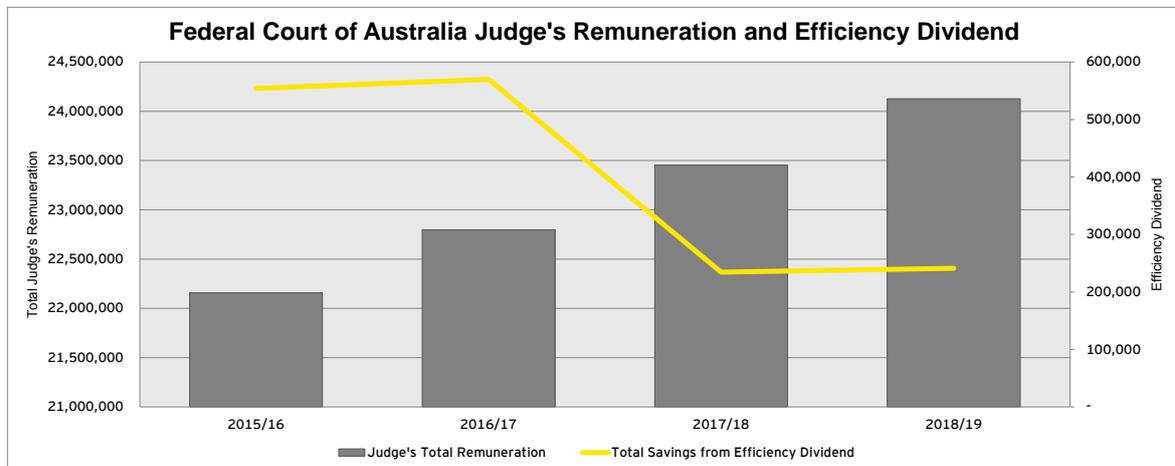
Figure 41: FCA - Efficiency Dividend

Judicial Remuneration	Notes	Base Data		Forward Estimates			TOTAL
		2013/14	2015/16	2016/17	2017/18	2018/19	
Remuneration	<a href="#">Source Data</a>	\$ 21,538,000	\$ 19,056,908	\$ 19,056,908	\$ 19,056,908	\$ 19,056,908	\$ 76,227,632
Judges' Long Leave	<a href="#">Source Data</a>	\$ -	\$ 1,860,834	\$ 1,860,834	\$ 1,860,834	\$ 1,860,834	\$ 7,443,336
Judges' Superannuation (Notional)	<a href="#">Source Data</a>	\$ 12,567,000	\$ 12,821,148	\$ 12,821,148	\$ 12,821,148	\$ 12,821,148	\$ 51,284,592
Employee Benefits Judicial	<a href="#">Source Data</a>	\$ -	\$ 916,902	\$ 916,902	\$ 916,902	\$ 916,902	\$ 3,667,608
<b>Total Remuneration (calculated based on data provided)</b>	<a href="#">Source Data</a>	<b>\$ 21,538,000</b>	<b>\$21,834,644</b>	<b>\$ 21,834,644</b>	<b>\$ 21,834,644</b>	<b>\$ 21,834,644</b>	<b>\$ 87,338,576</b>
Salary Adjustment - (Based on Remuneration Tribunal determinations)	<a href="#">Assumptions</a>		2.88%	2.88%	2.88%	2.88%	2.88%
<b>Total Remuneration (adjusted - calculated based on assumptions)</b>	<a href="#">Assumptions</a>	<b>\$ 21,538,000</b>	<b>\$22,158,255</b>	<b>\$ 22,796,372</b>	<b>\$ 23,452,865</b>	<b>\$ 24,128,264</b>	
Efficiency Dividend	<a href="#">Assumptions</a>	2.25%	2.50%	2.50%	1.00%	1.00%	1.85%
<b>TOTAL SAVINGS FROM EFFICIENCY DIVIDEND</b>		<b>\$ 484,605</b>	<b>\$ 553,956</b>	<b>\$ 569,909</b>	<b>\$ 234,529</b>	<b>\$ 241,283</b>	<b>\$ 1,599,677</b>

TOTAL SAVINGS FROM EFFICIENCY DIVIDEND FROM FY2015/16 TO FY2018/19*	2015/16	2016/17	2017/18	2018/19	TOTAL
	\$ 484,605	\$ 553,956	\$ 569,909	\$ 234,529	\$ 1,599,677

\*The total savings from Efficiency Dividend from FY2015/16 to FY2018/19 is calculated based on the actual financials extracted from the Federal Court of Australia (FCA) Annual Report 2013/14. Increase in Judicial Remuneration has been projected based on historical Remuneration Tribunal determinations.

Figure 42: FCA - Efficiency Dividend



### 10.3.2 FCoA / FCC

The removal of the efficiency dividend would result in an estimated saving of \$3.1 million over the 4 year period from 2015-16 to 2018-19 for the FCoA / FCC as shown in Figure 43 below.

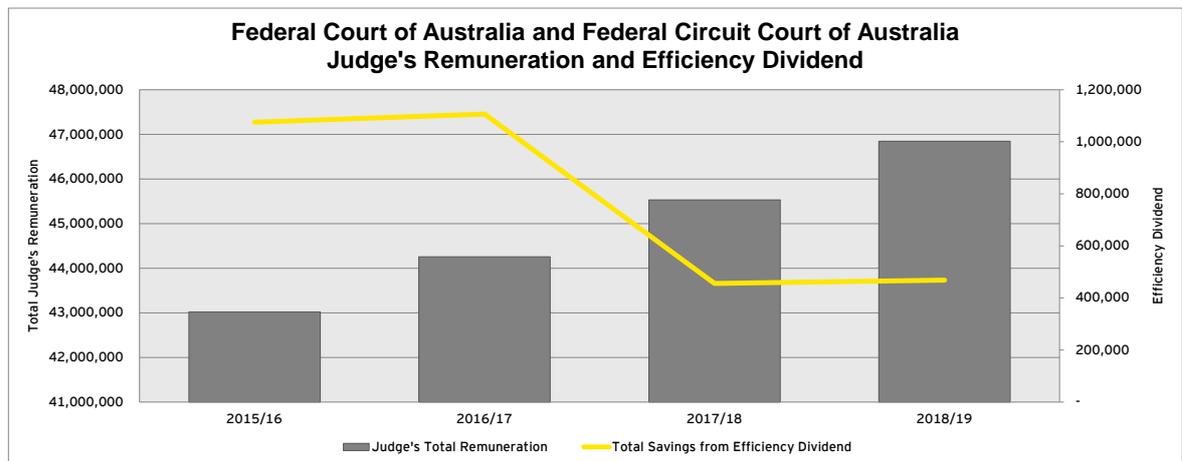
Figure 43: FCoA / FCC - Efficiency Dividend

Judicial Remuneration	Notes	Base Data	Forward Estimates				TOTAL
		2013/14	2015/16	2016/17	2017/18	2018/19	
Remuneration	<a href="#">Source Data</a>	\$ 34,830,000	\$ 36,362,540	\$ 36,362,540	\$ 36,362,540	\$ 36,362,540	\$ 145,450,160
Judges' Long Leave	<a href="#">Source Data</a>	\$ 3,929,000	\$ 1,956,840	\$ 1,956,840	\$ 1,956,840	\$ 1,956,840	\$ 7,827,358
Judges' Superannuation	<a href="#">Source Data</a>	\$ 10,358,000	\$ 3,494,998	\$ 3,494,998	\$ 3,494,998	\$ 3,494,998	\$ 13,979,991
Employee Benefits Judicial	<a href="#">Source Data</a>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Remuneration (calculated based on data provided)</b>	<a href="#">Source Data</a>	<b>\$42,253,998</b>	<b>\$ 41,814,377</b>	<b>\$41,814,377</b>	<b>\$41,814,377</b>	<b>\$41,814,377</b>	<b>\$ 167,257,509</b>
Salary Adjustment - (Based on Remuneration Tribunal determinations)	<a href="#">Assumptions</a>		2.88%	2.88%	2.88%	2.88%	2.88%
<b>Total Remuneration (adjusted - calculated based on assumptions)</b>	<a href="#">Assumptions</a>	<b>\$42,253,998</b>	<b>\$ 43,018,631</b>	<b>\$44,257,568</b>	<b>\$45,532,186</b>	<b>\$46,843,513</b>	
Efficiency Dividend	<a href="#">Assumptions</a>	2.25%	2.50%	2.50%	1.00%	1.00%	1.85%
<b>TOTAL SAVINGS FROM EFFICIENCY DIVIDEND</b>		<b>\$ 950,715</b>	<b>\$ 1,075,466</b>	<b>\$ 1,106,439</b>	<b>\$ 455,322</b>	<b>\$ 468,435</b>	<b>\$ 3,105,662</b>

<b>TOTAL SAVINGS FROM EFFICIENCY DIVIDEND FROM FY2015/16 TO FY2018/19*</b>	<b>\$ 1,075,466</b>	<b>\$ 1,106,439</b>	<b>\$ 455,322</b>	<b>\$ 468,435</b>	<b>\$ 3,105,662</b>
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\*The total savings from Efficiency Dividend from FY2015/16 to FY2018/19 is calculated based on the actual financials extracted from the Family Court of Australia (FCoA) and Federal Circuit Court (FCC) Annual Report 2013/14. Increase in Judicial Remuneration has been projected based on historical Remuneration Tribunal determinations.

Figure 44: FCoA / FCC - Efficiency Dividend



## 10.4 Assumptions

A full and detailed list of assumptions used in preparing the costing is included within the costing model.









Scope Area	Scope Description from Terms of Reference	KPMG Report References	Page	Information Requirements to complete Costings
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	<div data-bbox="293 900 698 1326" style="background-color: black; width: 100%; height: 100%;"></div>	<ul style="list-style-type: none"> <li><div data-bbox="745 884 1137 922" style="background-color: black; width: 100%; height: 100%;"></div></li> <li><div data-bbox="745 948 1137 986" style="background-color: black; width: 100%; height: 100%;"></div></li> <li><div data-bbox="745 1011 1137 1050" style="background-color: black; width: 100%; height: 100%;"></div></li> <li><div data-bbox="745 1075 1137 1114" style="background-color: black; width: 100%; height: 100%;"></div></li> <li><div data-bbox="745 1139 1111 1177" style="background-color: black; width: 100%; height: 100%;"></div></li> </ul>	<ul style="list-style-type: none"> <li><div data-bbox="1182 874 1261 912" style="background-color: black; width: 100%; height: 100%;"></div></li> <li><div data-bbox="1182 954 1261 992" style="background-color: black; width: 100%; height: 100%;"></div></li> <li><div data-bbox="1182 1024 1261 1062" style="background-color: black; width: 100%; height: 100%;"></div></li> <li><div data-bbox="1182 1094 1261 1133" style="background-color: black; width: 100%; height: 100%;"></div></li> <li><div data-bbox="1182 1165 1227 1203" style="background-color: black; width: 100%; height: 100%;"></div></li> <li><div data-bbox="1182 1219 1227 1257" style="background-color: black; width: 100%; height: 100%;"></div></li> </ul>	<ul style="list-style-type: none"> <li><div data-bbox="1317 820 2033 1023" style="background-color: black; width: 100%; height: 100%;"></div></li> <li><div data-bbox="1317 1273 1989 1369" style="background-color: black; width: 100%; height: 100%;"></div></li> </ul>

Scope Area	Scope Description from Terms of Reference	KPMG Report References	Page	Information Requirements to complete Costings
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	













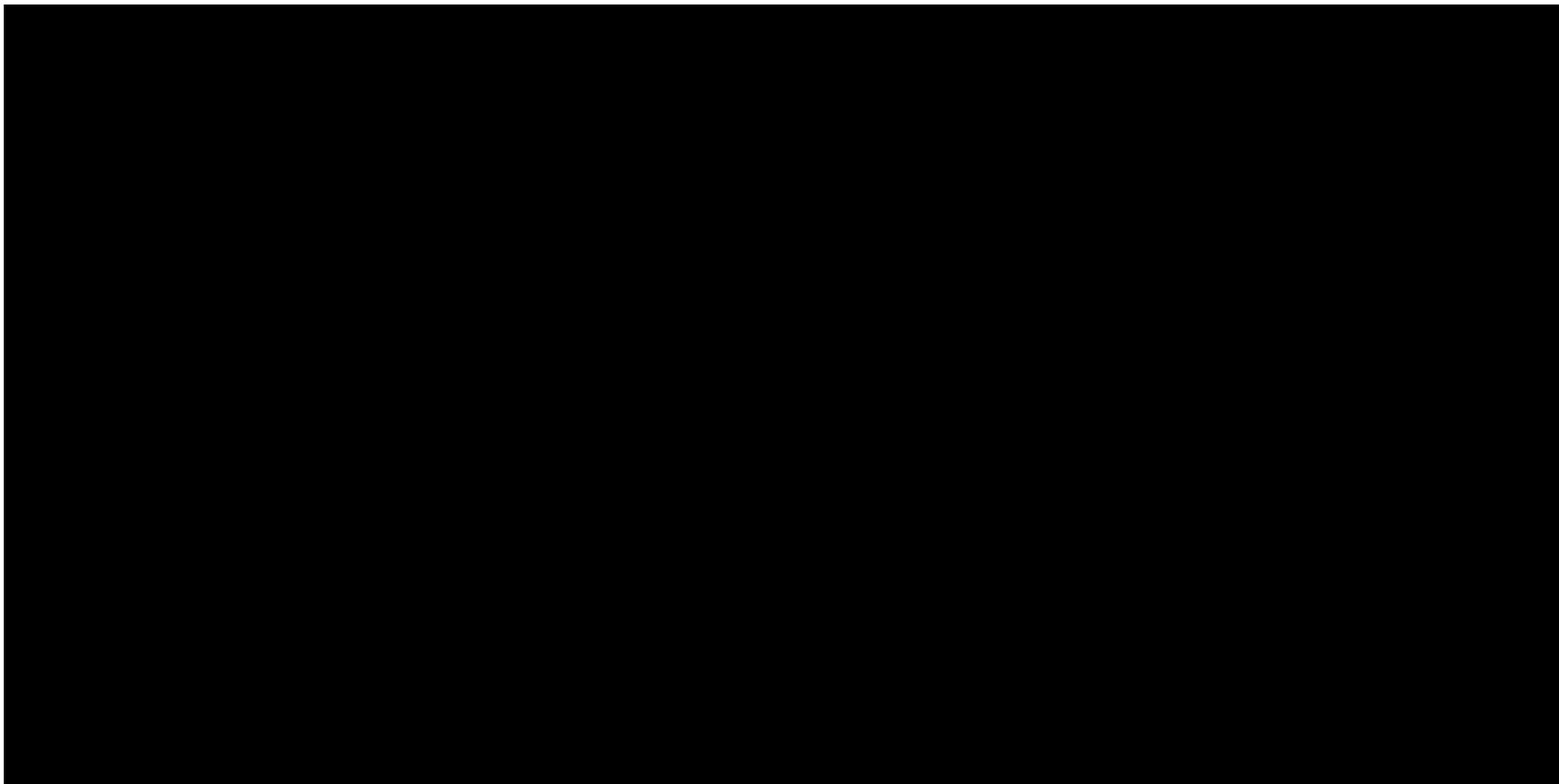




## 14. Appendix D -Corporate Services Definition

	Function	Description
1	Finance	▶ Asset management, finance systems administration, accounts receivable (incl. debt collection), accounts payable, credit card processing, travel management, financial controls, tax management, balance sheet management, internal & external budgeting, finance governance and internal audit & risk management
2	Human Resources Management	▶ Workforce planning, recruitment, managing payroll, HR systems administration, HR administration (incl. expert HR advice/support to managers and staff, Enterprise Agreement negotiation, etc.) and wellbeing and HR initiatives/project delivery
3	Procurement and Contract Management	▶ Manage procurement, contracts and fleet vehicles
4	Facilities and property management	▶ Manage national property and accommodation initiatives, outsourced property contracts, building fit outs and environmental management
5	ICT Services	▶ Service desk, applications development & support, network support, general IT management, IT Security and records management
7	Business Intelligence	▶ Collect and archive Court related data, analyse and report Court related data, manage collection methodology and quality controls, provide analysis to support research proposals
8	Court Security	▶ Manage and administer Court security policies (incl. providing expert security advice to managers and staff), manage Court Security Officers, manage Court Security (internal), manage Court security (external), manage and investigate Court Security related incidents
9	Communications and Media	▶ Manage information and publications (online and print), manage internal and external communications (incl. provide expert communications advice to managers and staff), manage media relationship, exposure and communications (incl. monitoring media coverage and providing expert media management advice to managers and staff)

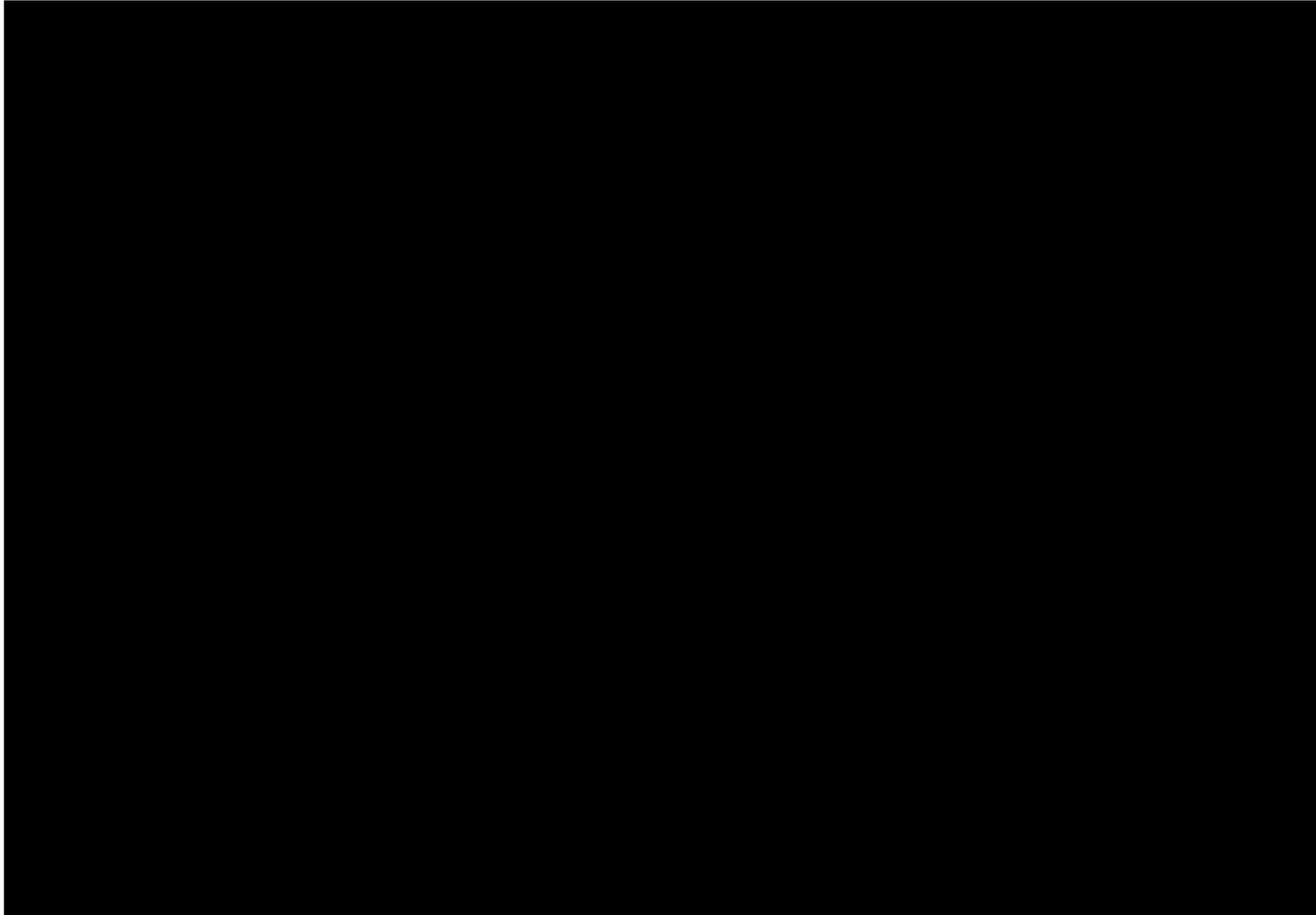
## 15. Appendix E -ICT Current State Overview: Federal Court



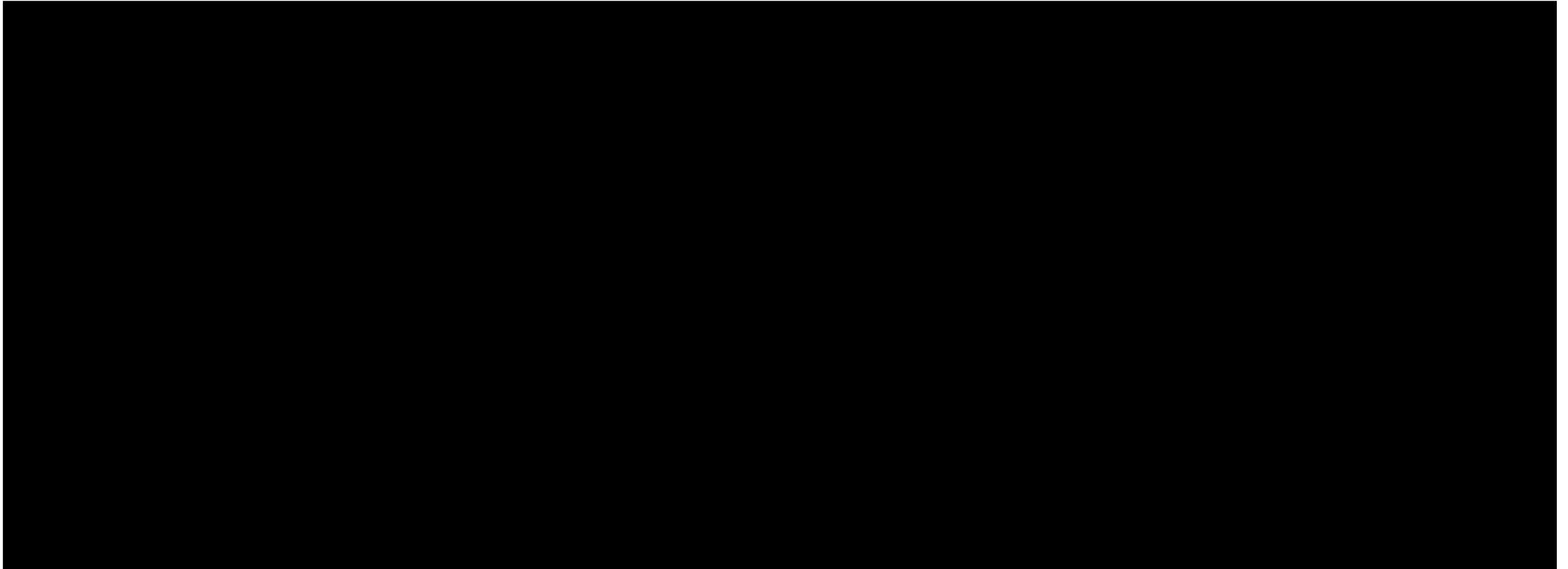
## Appendix E -ICT Current State Overview: Family Court of Australia / Federal Circuit Court of Australia



## Appendix F - Corporate Services Transition Timeline



## Appendix G - ICT Strategy Roadmap and Costings



## Appendix H - Future State Comparison

The following table provides a comparison of the future state FTE numbers as agreed during the future state workshop (with the addition of critical positions as agreed with the Department and the Courts after reviewing the draft cost model) compared with the subsequent FTE numbers prepared by the current Executive Directors of the Corporate Services functions for each of the Courts.

Function	Current State	Future State	Courts Proposed Structure	Proposed Difference (+/-)
CEO	2	3	3	0
Executive Management	2	2	2	0
ICT Services	74.9	51.6	51.6	0
Finance	25.4	20	23.8	-3.8
HR Management	18.2	12.6	14.8	-2.2
Procurement & Contract Management	3.9	2	3	-1
Facilities & Property Management	4.6	4	3	1
Court Security	3	3	4	-1
Business Intelligence	4	3	4	-1
Communications & Media	9.3	5	7.6	-2.6
<b>Total</b>	<b>147.3</b>	<b>106.2</b>	<b>116.8</b>	<b>-10.6</b>

## Appendix I - Corporate Service Function Current State Overview

### ICT Services



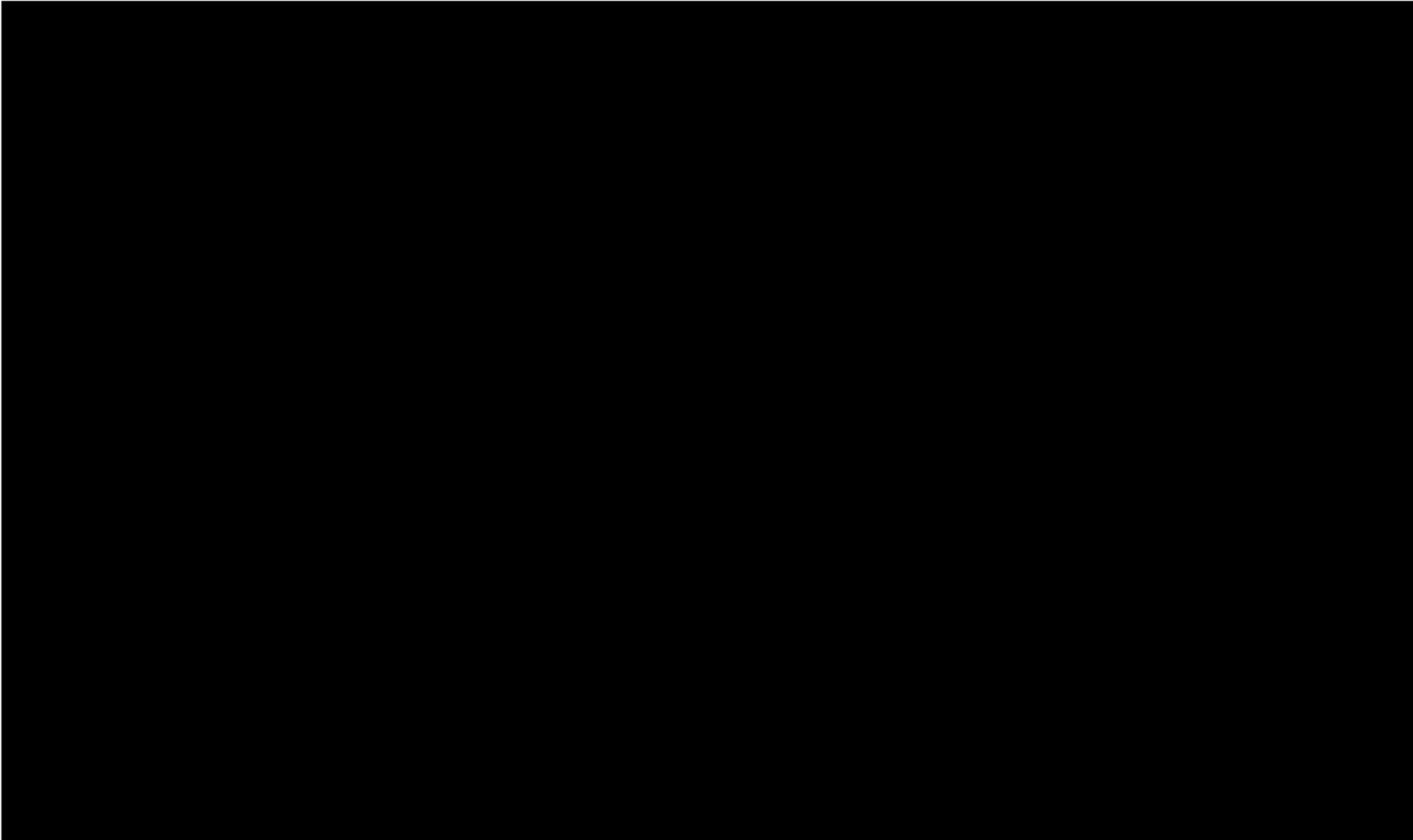
## Finance



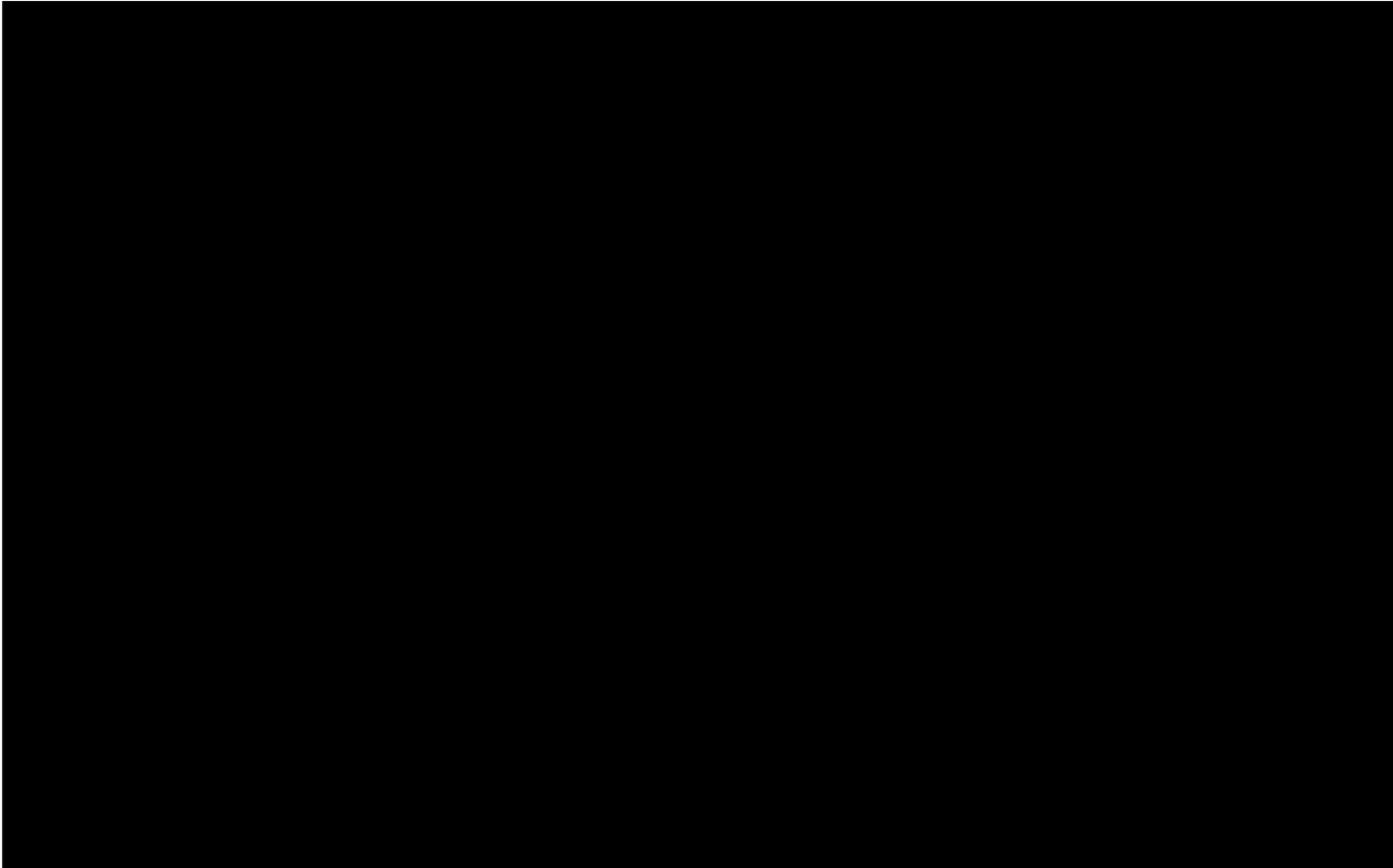
## HR Management



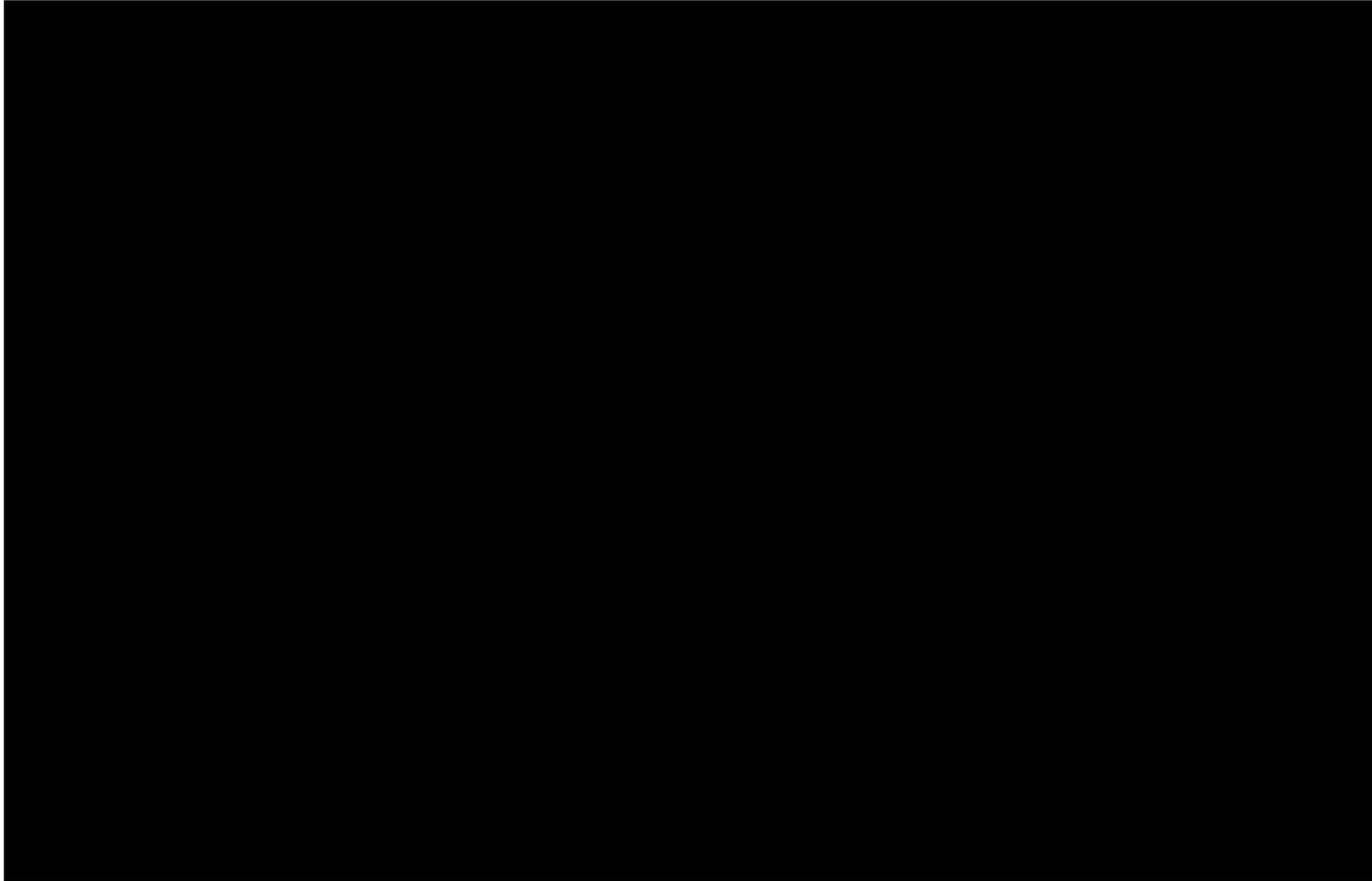
## Procurement and contract management



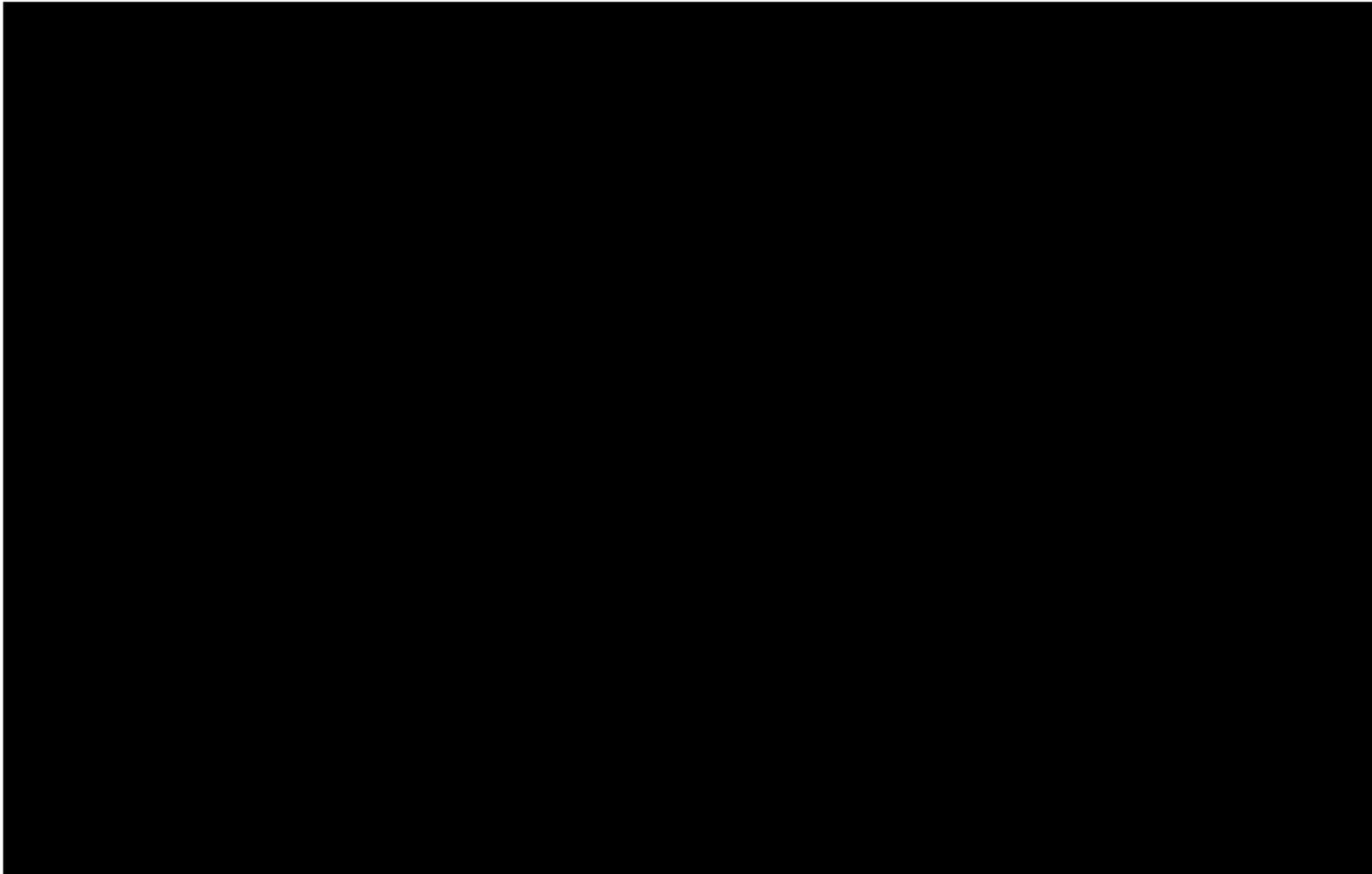
## Facilities and property management



## Court Security



## Business Intelligence

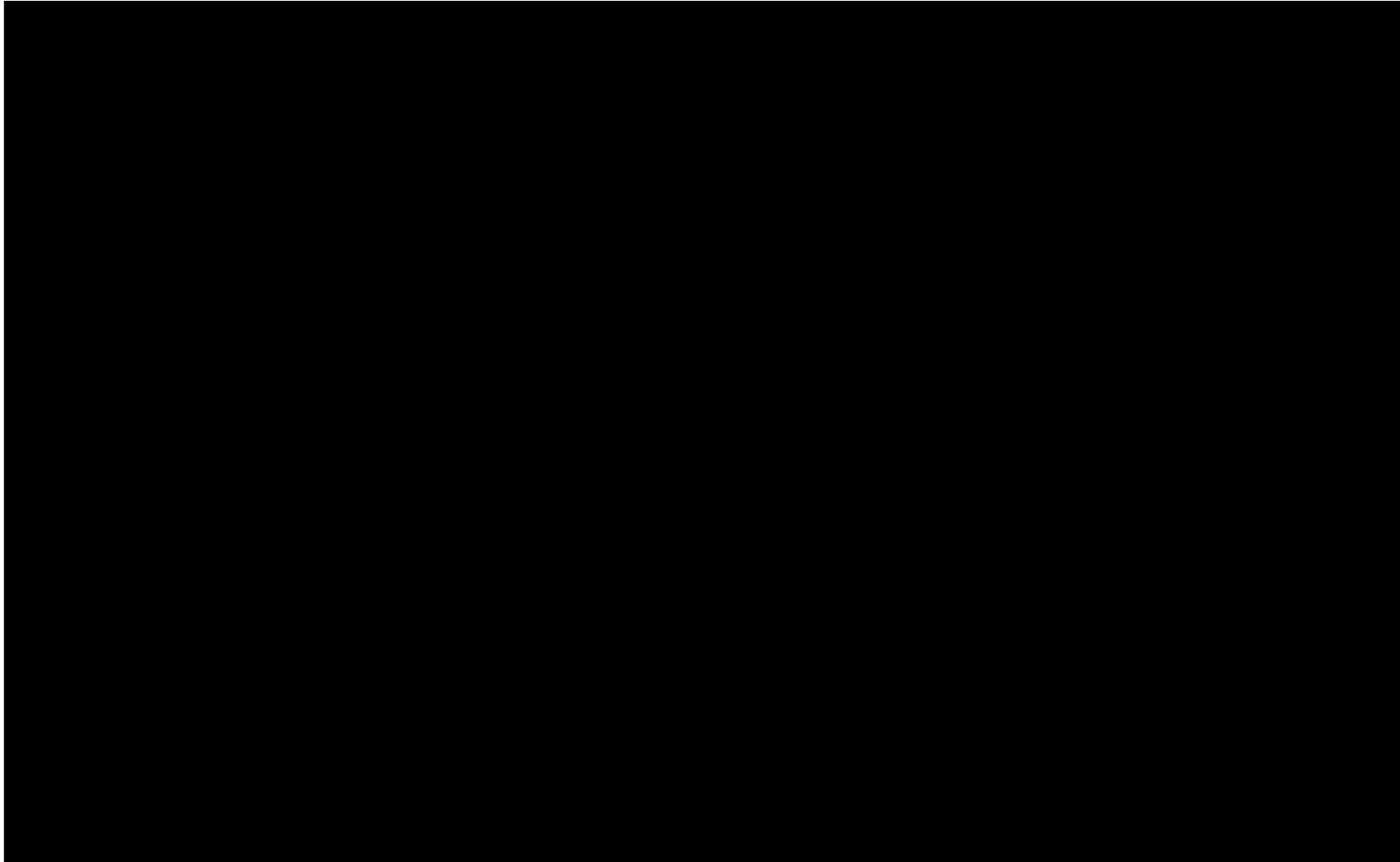


## Communications and Media

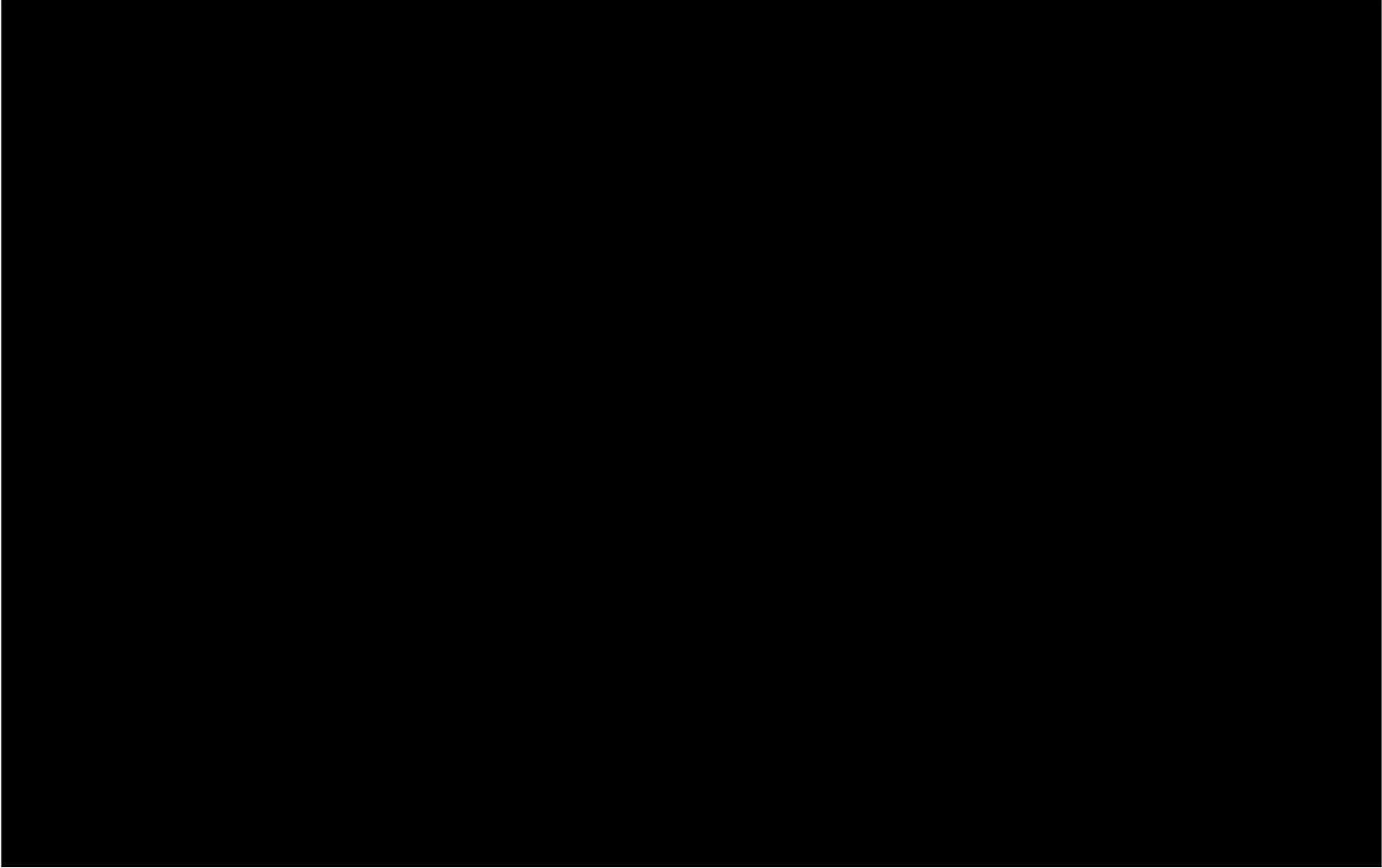


## Appendix I - Corporate Service Function Future State Overview

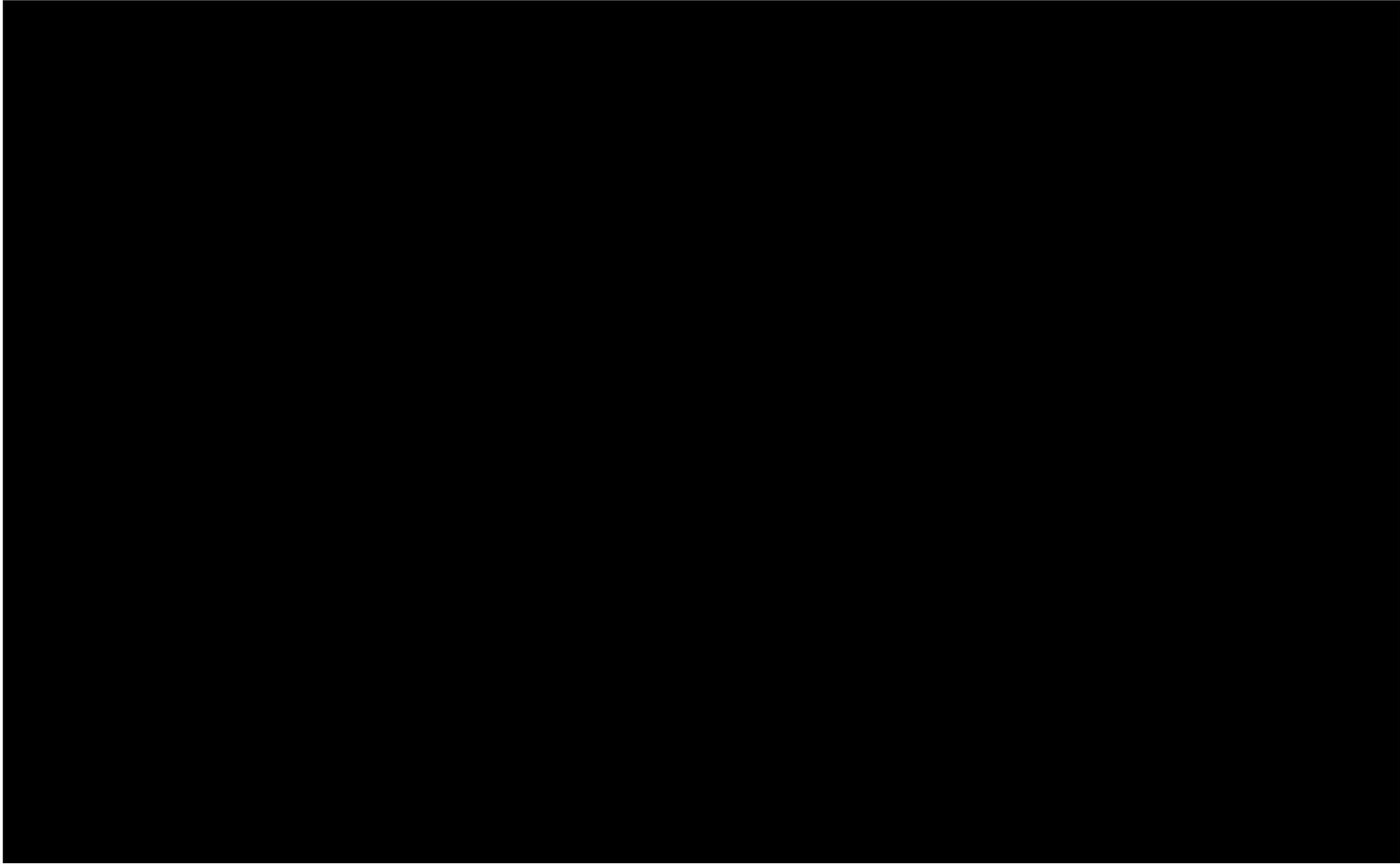
### ICT Services



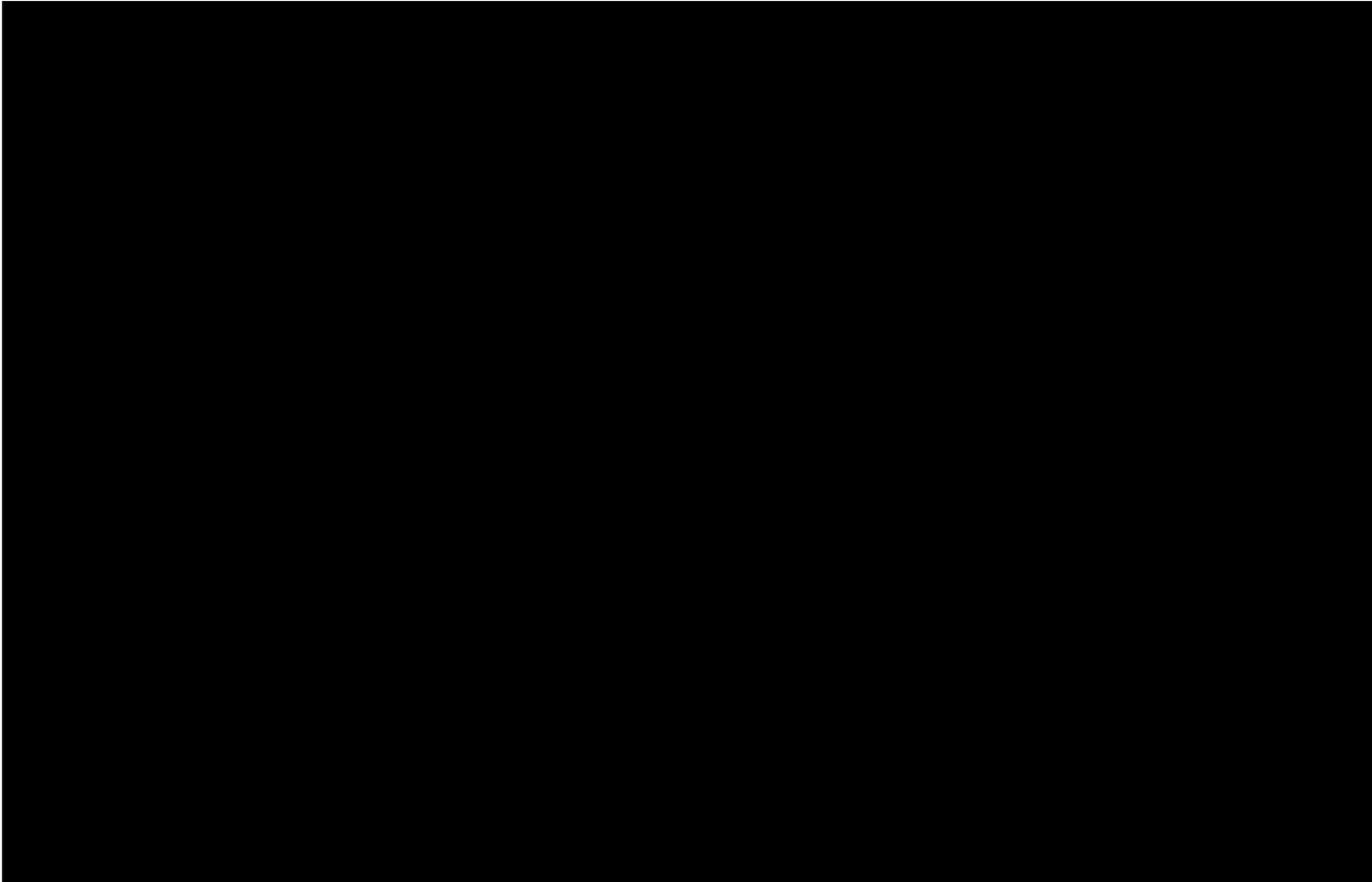
## Finance



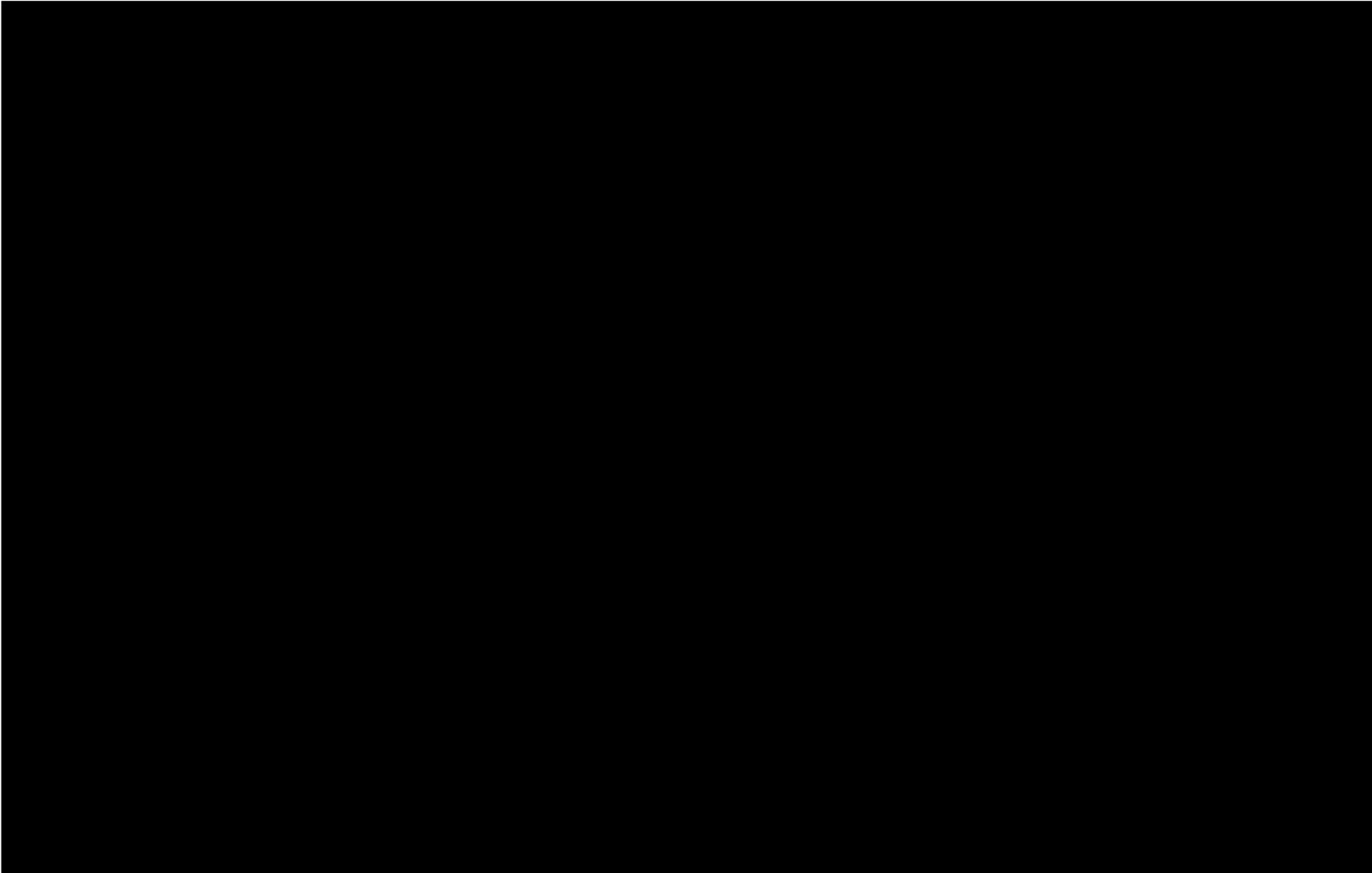
## HR Management



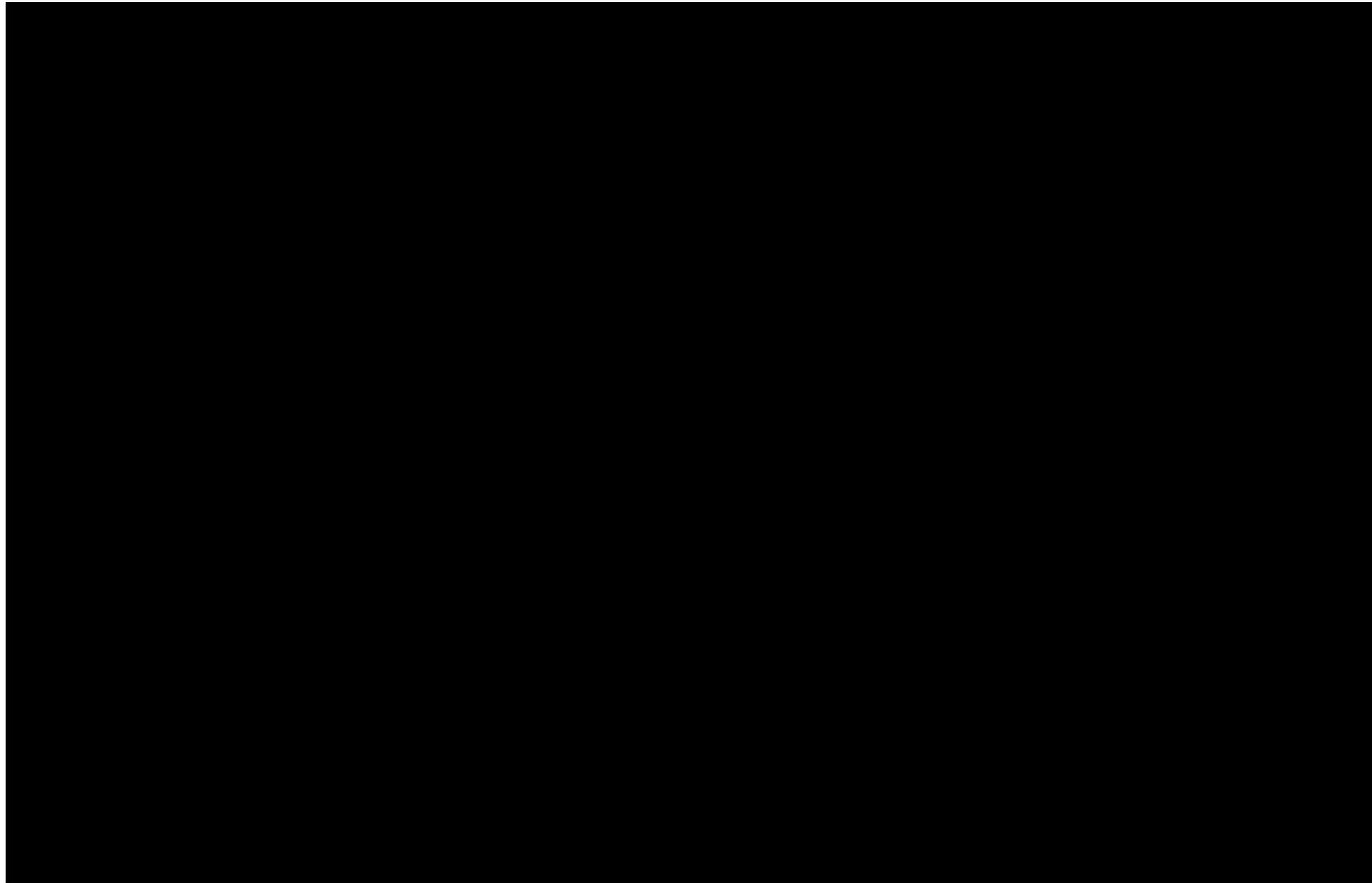
## Procurement and contract management



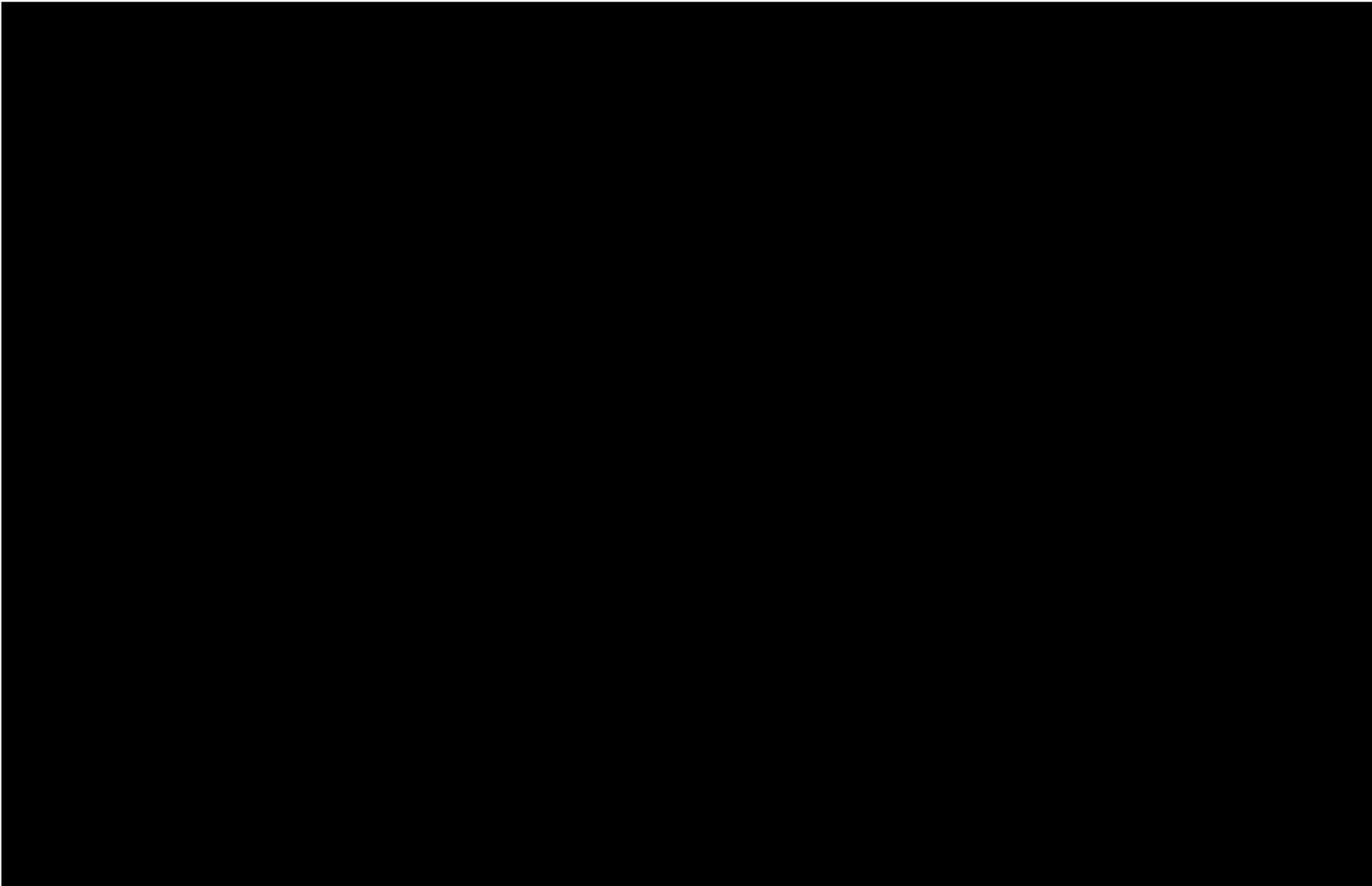
## Facilities and property management



## Court Security



## Business Intelligence



## Communications and Media

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