



# Consultation feedback report – Wave 1 ES Reform Process

9 April 2024

## Introduction

The ES Reform Process is driven by the appointment of a Deputy Chief Executive, consequent rearrangement of ET line reporting responsibilities and the need to achieve budget savings of 25% across enterprise services.

The ES Reform Process is proposed to occur in three waves with consultation being central to each wave:

Wave 1 – “lift and shift” of enterprise service units and programs to rearrange ET reporting lines

Wave 2 – Consolidation and rationalisation of enterprise service units to reduce the number from the current 19, with new units to focus on core services provided to maximise impact from CSIRO’s research.

Wave 3 – Rationalisation and optimisation within new Enterprise Units and a review of support in Research Units

## Background

### **a. Nature of the proposed changes**

The role of Executive Director, Growth, is being replaced with a Deputy Chief Executive (DCE) who is proposed to have responsibility for a number of ES functions. Recruitment of this position is underway.

Wave 1 of the ES Reform process proposed rebalancing the focus areas of our Executive Team Members as follows:

- The Chief Scientist’s position will be refocussed from internal line management to one of science engagement and advocacy.
- The Chief Operating Officer’s focus will be on truly operational aspects of CSIRO’s Enterprise Services, with some functions proposed to move into the DCE’s portfolio.

The proposed consequence of these changes which were open for consultation for three weeks up to 4 April 2024 are:

Operations:

- Some functions would move to report to the DCE, namely Corporate Affairs, Strategic Government Programs and Strategy.
- IMT, CBIS, Finance and Governance would remain within Operations.
- The Governance unit would be renamed Legal and Governance, and the Business Implementation team from Growth would merge with this team, consolidating most of our legal team in a single unit. A Chief Legal Officer & General Counsel would be recruited to lead Legal & Governance.

#### Growth:

- The Business Units (Investment, Customer, Strategic Partnerships and Strategic Delivery) currently reporting to the Executive Director of Growth would report to the Deputy Chief Executive.
- As indicated above it is proposed the Business Implementation team would move from Growth into Legal.

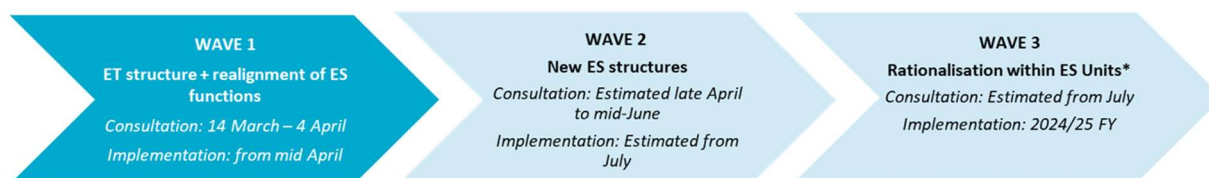
#### Office of the Chief Scientist (OCS):

- The Indigenous Science & Engagement Program would report to the DCE.
- The Science Impact and Policy reporting would move to report to the DCE, and other teams within OCS would report to the Director Science Impact & Policy.

#### People function:

- No changes were yet proposed, pending the arrival of our new Chief People Officer Marcia Gough in April 2024.

Wave 1 of the ES Reform process will be followed by Waves 2 and 3 as illustrated below:



## b. Rationale for the proposed changes

The Board and Executive Team are agreed on three strategic priorities to maximise the impact from our science, reduce the complexity of the organisation and its processes and ensure the ongoing sustainability of what we do:

1. First, ensure our research infrastructure is sustainable, safe and fit-for-purpose.
2. Second, ensure our Enterprise Services (ES) teams are equipped to support CSIRO sustainably, simply and effectively, and
3. Third, create more clarity about our research priorities and how we want to select and manage them against our challenge ambitions.

The ES Reform process is focussed on the second of these. While there have been cost increases across all CSIRO, a disproportionate part of this growth has been in Enterprise Services. Although

efforts have been made to reduce costs over the past 12 to 18 months, we have not been successful to date and the current and projected costs for ES cannot be sustained. We need to address this through prudent action and ongoing operating discipline for both Enterprise Support and our science areas.

Specifically, the Enterprise Service Reform process has identified our need to reduce total costs (labour and operating) by 25% across Enterprise Services by the 2025-26 financial year. If we act now, there is time to restore financial sustainability by 2025-26.

### **c. Impact on Employees**

On implementation of Wave 1 (anticipated to be implemented in late April 2024)

Employees who have line reporting arrangements to the Chief Scientist, apart from the Executive Assistant and Executive Officer will have a change of reporting line to the Director of Science Impact and Policy.

The Science Impact and Policy business unit will shift its reporting line from the Chief Scientist to the DCE.

The Corporate Affairs, Strategic Government Programs and Strategy teams will shift reporting lines from the Chief Operating Officer to the Deputy Chief Executive.

The Business Implementation Program will shift reporting lines from the Director of Growth to the Chief Operating Officer.

Wave 1 is a 'lift and shift' process with no changes to the size of enterprise services units being moved at this stage.

### **d. Indicative timeline**

(a) The consultation period for Wave 1 of ES Reform commenced in January of 2024 and ended on 4 April 2024.

(b) Information provided to staff and unions included:

- a. Discussions with ET members during January and February of 2024.
- b. Regular updates to ET in weekly calls and agenda items in meeting on 6 and 7 February and 27 February 2024.
- c. All staff webinar including 3 strategic priorities on 27 February 2024.
- d. Sphere article including 3 strategic priorities on 28 February 2024.
- e. Research Director's Forum on 5 March 2024.
- f. CLT meetings 4 and 14 March 2024.
- g. Individual conversations with leaders of enterprise support units proposed to change line management arrangements on 13 and 14 March 2024.
- h. Town hall forums with on 14 March 2024 for all staff in Growth (237 attendees), all Operations (793) and all Office of the Chief Scientist (85 participants).

- i. Acting Director People and Workplace Relations team meetings with the Staff Association established on a fortnightly cadence with meetings to date on 4, 14 and 27 March and scheduled for 11 April 2024.
- j. All staff email on 14 March 2024 inviting feedback during the consultation period via email to [esreform@csiro.au](mailto:esreform@csiro.au) or via the staff association.
- k. All staff webinar on 26 March 2024 including themes of feedback to date and reminder that consultation was open until 4 April 2024 watched by 1,144 staff.
- l. Business Unit Leaders' Forum meeting on 26 March 2024 seeking feedback on Wave 1 of ES Reform process and initial feedback what are considered 'core services' by research units.
- m. CSIRO Sphere article on 28 March 2024 reiterating the ES Reform process and seeking feedback by 4 April 2024.

## CSIRO's responses to staff feedback themes

CSIRO received 367 items of feedback in 325 separate communications from employees during the consultation period. This included 102 emails, and 223 comments during Growth, Operations, OCS and all staff webinars, which were attended by 2,764 staff. Some questions asked during webinars appeared anonymously, where participants did not log in to the webinar platform to join the session.

**Observation:** *Of the 325 items of feedback over 100 relate to Wave 2 and Wave 3 and many of these asked that the process be progressed as quickly as possible. This tells us that staff are looking for the process to progress quickly to a position of more certainty. While we understand this, it is also important that we honour our obligations to provide genuine pre-decision consultation. This is consistent with the ES Reform principle 9 "Move at pace to minimise disruption and reduce the cost of change while honouring consultation obligations."*

All questions, comments, and feedback relevant to Wave 2 and Wave 3 have been logged and saved for consideration as we move through the process. Much of the feedback received relating to Waves 2 and 3 included suggestions for achieving the simplification objectives of the ES Reform process by changing our practice and operations.

CSIRO has considered the feedback provided by staff during the Wave 1 consultation period, and grouped this into 5 themes:

### 1. Support for Wave 1 proposal

The strongest feedback theme in Wave 1 consultation for the ES Reform consultation is support for the creation of a Deputy Chief Executive and the 'lift and shift' of business units and programs proposed.

It is noted that a large amount of overall feedback related to clarification on scope, process and timing or matters relevant to Wave 2 when unit consolidation is a focus and Wave 3 when units will be identifying opportunities for rationalisation and support in research business units will be in scope.

A small number of suggestions (<10) for revision of the Wave 1 ET reporting proposal, including:

- Proposals for further reduction in the size of the executive team,
- Proposals for creation of additional ES units (e.g. for Sustainability, IP, Audit, Integrity, and Operational excellence), and
- Suggestions relating to the People function and the responsibilities of the Chief People Officer.

#### **CSIRO Response:**

CSIRO welcomes this feedback and support for proposed Wave 1 changes.

We will continue to engage with staff as the ES Reform process progresses through Waves 2 and 3. Where issues of clarification have been raised by email, they have been responded to directly and where clarification questions were asked multiple times, they have been added to the bank of FAQs available to staff on MyCSIRO. All feedback relating to Waves 2 and 3 has been logged and saved for consideration.

Regarding other proposed changes

- A small number of suggestions were received regarding the proposed 'lift and shift' of business units to change line management.
  - Suggestions for creation of new units within ES, were taken into consideration in the context of a simplification and sustainability agenda. These suggestions, which will be taken into further consideration during Wave 2. On first pass the proposals were not at sufficient scale to warrant being units in their own right and were more suited to being a program or group.
  - A suggestion relating to units in the People function, will be held over as potential changes are not being considered until the incoming Head of People Marcia Gough has time to familiarise with CSIRO and be consulted on any proposals.
  - Further changes to ET roles was not a topic for Wave 1 consultation. It is noted that changes to ET had already been consulted on with the Board, Minister and ET members affected by the ES Reform process. Any future retirements or resignations from ET will be responded to at the time, taking into account skills, capabilities and organisational needs.

The small number (~10) of suggestions for adjustment were far outweighed by indications of support for the Wave 1 proposal (>30).

## **2. How did we get here and why 25%?**

A number of comments and questions from staff relate to how CSIRO found itself in a position of needing to make such a significant cost savings in enterprise services, and whether the organisation, and in particular those in leadership positions were aware of the developing situation. There were also questions about how the 25% cost reduction target was landed at.

## **CSIRO Response:**

In recent years CSIRO has seen an increase in costs of our ES services to 31% of the organisation's expenditure in 2022-23.

The organisation has been trying to take action over the last 12 to 18 months to reign in escalating costs, through a range of initiatives such as the Enterprise Service of the Future project, Ways of Working project and some Annual Performance and Investment Review (APAIR initiatives). Unfortunately, those initiatives did not deliver required savings, so a more significant intervention is now underway through the ES reform work.

In 2023 ET and ES leaders were doing what was called "glide path" work, asking each of the functions to develop plans that achieved budget sustainability. Despite this, expenditure actually went up. While there were range of drivers, some internal, some external, but savings were not achieved, and the Executive Team (ET) takes responsibility. We do still have time to address forward budget overallocations.

An analysis of the overall forward budgets for the organisation, including revenue projections, forecast of labour costs and operating costs has been undertaken including review against a number of benchmarks looking at the relative scale of our ES versus total organisational size. A review of this information has identified that the size and cost of the organisation has increased with a disproportionate increase in the costs of ES. While ongoing operating discipline is required by all parts of the organisation to ensure we work within our budgets and balance them, the work by the Finance and the Enterprise Services Reform team indicates a 25 per cent reduction in the total costs of ES (that is labour and operating) is needed to meet our year budget projection.

A contributing factor unsustainable growth has been suboptimal transparency in financial information and budgets in ES relative to science areas. To avoid reoccurrence of the current situation, we commit to bottom-up service-based budget construction with ET oversight in consultation with enterprise units and an increased focus on accountability and managing to budget. Going forward any ES Director position will include management of finances as a recruitment selection criterion and important key performance indicators.

### **3. Roles and responsibilities of ET including DCE and Chief Scientist**

Questions have been posed and feedback provided about the role of ET relating to:

- Whether the ET remains too large and is 'exempt' from achieving proposed ES savings
- Regarding the role of the Deputy Chief Executive:
  - General support for the establishment of this role.
  - Questions regarding the timeline and process for appointment.
  - Questions as to whether the large portfolio of reporting units proposed on the Wave 1 structure chart is manageable.
  - Feedback about additional functions reporting to the DCE, with some staff interpreting the DCE as senior to the COO.
- Regarding the Chief Scientist:
  - Size and focus of an external facing Chief Scientist role relative to other positions.

- Possible overlap with DCE role with regard to internal science direction and leadership.
- The future of staff and functions currently moving reporting lines from the Chief to DCE.

#### **CSIRO Response:**

CSIRO did not receive any compelling feedback that further changes to the composition of the Executive Team are required or that the proposed distribution of responsibilities should be amended.

#### ***Regarding the Deputy Chief Executive:***

Applications for the position of Deputy Chief Executive closed on 28 March 2024 through an internal recruitment process. CSIRO is hopeful of announcing an appointment imminently, with a backfilling process likely required before the DCE commences in their new substantive role. In the meantime, Peter Mayfield will continue to act as Director of Growth and subsequently lead the Deputy Chief Executive's Team as Wave 1 is implemented. Collectively the Deputy Chief Executive's functions will be referred to as Strategy & Engagement.

While the number of enterprise units reporting to the DCE, in the Strategy & Engagement function, on implementation of Wave 1 appears large, is intended that during Wave 2 these units will be consolidated.

#### ***Regarding the Chief Scientist:***

The Chief Scientist has increasingly become engaged in important externally facing work, including appointments by Minister as Australia's representative on the panel overseeing the Bletchley Declaration Frontier AI State of the Science report, the National AI Advisory Committee, and the National Robotics Strategy Advisory Committee. While not retaining line management responsibility, the Chief Scientist will continue provide input on science matters within CSIRO including the current Program on a Page work relating to our research portfolio.

The success of this model, which is new to CSIRO, will be monitored in the spirit of adaptation, simplification, and sustainability.

Programs and individuals reporting to the Chief Scientist will be integrated into the Science Impact and Policy unit. Significant overlap between the functions performed by the Office of the Chief Scientist and Science Policy and Impact units has been a topic of feedback prior to and during the ES Reform Wave 1 consultation process.

Feedback indicates support for strong internal science leadership in CSIRO. The Chief Executive and Executive team see internal science direction as squarely in the remit of the Chief Executive, research Executive Team members, Business Unit Leadership Forum and Science Council.

## **4. Detail of the proposed Legal and Governance Business Unit**

A number of suggestions and questions were received regarding the proposed Legal & Governance Enterprise Unit. Apart from one submission there was broad support for bringing CSIRO's legal capability into a single unit however there was still a number of unresolved questions relating to the best options with the governance function. The integrated legal function was generally seen to achieve synergies and build a community of practice. Specific questions or issues raised related to:



- Whether the Chief Legal Officer should also be the General Counsel.
- The process of recruitment for the Chief Legal Officer and General Counsel.
- Suggestion to also include the Intellectual Property team currently reporting to the Director of Investment in the new Legal and Governance unit
- Whether non-legal teams could be well represented and find voice in the new Legal and Governance unit or may be better placed elsewhere.
- Overlap and potential synergies of business process improvement functions performed by the Business Implementation Program and other areas of the organisation, with suggestions to consolidate these in a single new unit.
- Recognition that the Business Implementation program has experienced an extended period of change during a review of Growth prior to the ES Reform commencing.

#### **CSIRO Response:**

A legal unit will be created under the COO incorporating the Business Implementation Program as proposed. In the interim, the Governance unit will be retained as a separate entity, housing non-legal teams from the current Governance unit. It is now intended to address the unresolved questions and suggestions with respect to the governance function during Wave 2.

For the integrated legal function, an internal EOI process will be used to select an Acting leader while the formal process to appoint the position of General Counsel and Chief Legal Officer is run. The latter process will be advertised both internally and externally. Importantly, CSIRO will seek a candidate who can provide leadership across legal and non-legal functions as required.

CSIRO has also considered feedback regarding our Company Secretariat functions and these will also transfer into the Legal team to report to the General Counsel. A redefined position of Company Secretary will also be advertised, concurrently with the role of Chief Legal Officer and General Counsel.

It should be noted that the arrangements with respect to the Governance function are an interim arrangement and are in response to feedback received. Further consultation will be required during Wave 2 to identify a new proposal to best address the issues and suggestions raised. As part of these considerations it should be noted that as a principle CSIRO is not supportive of the creation of additional enterprise units through the ES Reform program and it is still intended that during Waves 2 and 3, areas of overlap, duplication and potential synergy will be looked at and further adjustments be considered during that process.

Further input regarding CSIRO's governance functions is welcomed during Wave 2.

### **5. Impact of salary increases including executive pay**

Feedback received has included questions as to whether the need to achieve 25% savings across labour and operating in ES has been driven by the recent agreed salary increases in the Enterprise Agreement. In addition, question have been raised about Executive pay increases and bonus payments for ET members.



## CSIRO Response

The ES Reform is not occurring due to costs associated with the pay rises in our Enterprise Agreement. CSIRO was required to provide costings to demonstrate the pay rise was affordable at a whole of organisational level and these are valid.

The aims of the ES Reform relate to investment in support services relative to research. As early as 2021 CSIRO began signalling a desire to rebalance our investment in support activities relative to investment in research. These aspirations remain unchanged. Enterprise Service functions have however continued to grow disproportionately to science areas. While there have been cost increases across all of CSIRO, a disproportionate part of this growth has been in Enterprise Services. The ES Reform seeks to rebalance this.

The Chief Executive evaluates and determines the appropriate level of pay for executive positions in line with our executive remuneration policy. The base salary is a fixed component determined on a range of factors, including work value assessments, individual performance, competence and skill, internal relativities and external market rates. Remuneration levels for executives are reviewed annually by the Chief Executive and the Board People and Safety Committee, which assesses any increases for the next financial year. Market-related remuneration package arrangements may increase because of contract provisions aligned with enterprise agreement salary increases or by market-related adjustments, which are determined annually by the CSIRO Board People and Safety Committee.

The salaries of CSIRO ET members, including at risk components are published in CSIRO's annual reports. CSIRO complies with the [APS Commission Performance Bonus Guidance](#) with regard to its Executive team.

## CSIRO's responses to union feedback themes

CSIRO has engaged in several consultative discussions with the Staff Association throughout Wave 1 of the Enterprise Services Program. The Staff Association have provided valuable feedback to CSIRO as part of those discussions. CSIRO will ensure that ongoing consultation with the Staff Association continue throughout the duration of the ES Reform Program.

The Staff Association's feedback as part of those discussions can be summarised on the following basis:

- **Consultative arrangements during the ES Reform Program**

The Staff Association sought further advice from CSIRO regarding the consultative arrangements that will be adopted throughout the ES Reform Program, including how CSIRO intends to facilitate consultation with specific Business Units. CSIRO intends to engage in a dedicated consultation process for each Wave of the ES Reform Program. The dedicated consultative periods will be facilitated by regular meetings with the Staff Association. As part of those regular meetings, CSIRO will provide staff and the Staff Association with all relevant information regarding the proposed changes. The Staff Association also provided feedback regarding diversity and inclusion initiatives that could assist the consultation process. CSIRO and the Staff Association will continue discussions on this topic as the ES Reform Program continues.

The Staff Association provided advice to CSIRO regarding topic areas for future discussion as part of Wave 2 and 3 of the ES Reform Program, including identifying any potential research impact, relevant stakeholders for discussion, and the impacted staff classification levels and locations. The Staff Association also identified the importance of including CSIRO's responses to the feedback received from staff as part of future consultation feedback reports.

- **Rationale for the ES Reform Program**

The Staff Association sought further advice from CSIRO regarding rationale for the ES Reform Program, and how the anticipated reduction would be distributed across the ES Functions. CSIRO provided responses to these matters to the Staff Association in writing on Thursday 4 April.

- **Legal and Governance**

The Staff Association sought clarification on the composition of the Legal and Governance unit, following the proposed integration of CSIRO's Governance unit with the Business Implementation Program. CSIRO advised with the Staff Association that the proposed changes relate to realigning the entire Business Implementation Team into the Governance Business Unit, and to rename the function to "Legal and Governance". CSIRO advised that there are currently 41 positions within the Governance Business unit and 65 positions within the Business Implementation Team. This means that the proposed Legal and Governance Team would be comprised of 106 positions as part of the proposed structure if pursued (the proposal has since been adjusted as per other commentary in this report).

CSIRO would like to acknowledge the Staff Association's participation in, and contribution to, the consultative process for Wave 1 of the ES Reform Program.

## Summary of CSIRO's final decisions

CSIRO has decided to implement Wave 1 of the ES Reform as proposed to staff for consultation.

There were suggestions regarding further adjustments and consolidation of groups or movement of teams and groups between units and reporting lined which will be considered further in the context of additional feedback which will be received during Wave 2 consultation.

Executive Team responsibilities will be adjusted so that:

- For Operations:
  - Corporate Affairs, Strategic Government Programs and Strategy will transfer to report to the Deputy Chief Executive.
  - IMT, CBIS, Finance and Governance will remain within Operations.
  - A new Legal unit will be established Business Implementation team from Growth will merge into this unit. A Chief Legal Officer & General Counsel will be recruited to lead Legal.
  - The Governance unit will be retained in the interim, housing non-legal teams, while further consideration is given to governance leadership and reporting during Wave 2.
- For Growth:
  - Investment, Customer, Strategic Partnerships and Strategic Delivery currently reporting to the Executive Director of Growth will report to the Deputy Chief Executive.

- As indicated above, the Business Implementation team will move from Growth into Legal, reporting to the Chief Operations Officer.
- For Office of the Chief Scientist:
  - The Indigenous Science & Engagement Program will report to the Deputy Chief Executive.
  - Science Impact and Policy reporting will move to the DCE, and other teams within Office of the Chief Scientist will report to the Director Science Impact & Policy.
- For the People function changes will be proposed and consulted on with our new Chief People Officer Marcia Gough during 2024.

An organisational chart is provided at **Attachment 1**.

## Indicative implementation timeframe

To finalise changes included in Wave 1 of the ES Reform process, outcomes will be confirmed by the Chief Executive and Executive team, shared with staff whose line reporting arrangements are changing, before all staff and our unions are advised.

Outcomes will be confirmed with the Chief Executive and ET in the week commencing 8 April 2024, communicated in the week commencing 15 April 2024 and be implemented in CSIRO systems by the end of April 2024.

## Next steps

Wave 2 ES Reform consultation is anticipated to commence during April of 2024, with general staff feedback invited in May 2024.

Wave 3 ES Reform consultation is anticipated to commence in July 2024

# ATTACHMENT 1 – STRUCTURE from 22 April 2024

