

# **National Offshore Petroleum Safety Authority**

## **Agency resources and planned performance**



# NATIONAL OFFSHORE PETROLEUM SAFETY AUTHORITY

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# NATIONAL OFFSHORE PETROLEUM SAFETY AUTHORITY

## Section 1: Agency overview and resources

### 1.1 STRATEGIC DIRECTION STATEMENT

The National Offshore Petroleum Safety Authority (NOPSA) regulates the health and safety of the Australian offshore petroleum industry through the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*.

NOPSA's legislated functions include:

- To promote the occupational health and safety of persons engaged in offshore petroleum operations;
- To develop and implement effective monitoring and enforcement strategies to secure compliance by persons with their occupational health and safety obligations under the Act and the regulations;
- To investigate accidents, occurrences and circumstances that affect, or have the potential to affect, the occupational health and safety of persons engaged in offshore petroleum operations;
- To advise persons on occupational health and safety matters relating to offshore petroleum operations;
- To make reports and recommendations to Ministers; and
- To cooperate with a whole of government approach.

NOPSA will continue to focus on its primary functions of ensuring compliance and promotion of health and safety within the offshore petroleum industry. Compliance will be achieved through safety case assessment and inspections of facilities, supported by investigations and, where appropriate, enforcement action. Promotion of occupational health and safety will be achieved by encouraging industry safety leadership, the sharing of good practice, highlighting lessons learned, and supporting the industry's health and safety representatives.

*NOPSA Budget Statements*

In particular, NOPSA's work priorities will include:

- Liaison with government and industry stakeholders on proposals for the integration of technical integrity of offshore pipelines, wells and well operations management into NOPSA's remit;
- Enforcement actions as appropriate arising from the Montara petroleum release incident on 21 August 2009;
- Response to matters arising from the recommendations of the various inquiries and reviews;
- Continued recruitment effort to focus on improved capability as a Regulator and refine internal processes;
- Upgrades to the NOPSA website to improve access by operators to relevant regulatory information;
- Emphasising the importance of industry leadership to emphasise a high level of managerial control around the precursors to major accident events; and
- Assistance to operators to improve the quality and rigor of their safety cases and diving project plans.

Australia's offshore oil and gas industry is facing a period of unprecedented growth together with the challenges of major new technologies, the aging of existing facilities and increasing demand for skilled and experienced people. Unless carefully managed these challenges may impact on the safety performance of the industry.

## 1.2 AGENCY RESOURCE STATEMENT

Table 1.1 shows the total resources from all sources. The table summarises how resources will be applied by outcome and by administered and departmental classification.

Resources are provided primarily by industry, through safety case levies which are determined by industry activity level and are estimated to be \$14.526 million in 2010-11. In addition, NOPSA's appropriation receipts for interest equivalency payments are estimated at \$0.200 million.

**Table 1.1: National Offshore Petroleum Safety Authority Resource Statement — Budget Estimates for 2010-11 as at Budget May 2010**

	Estimate of prior + year amounts available in 2010-11 \$'000	Proposed at Budget = 2010-11 \$'000	Total estimate 2010-11 \$'000	Actual available appropriation 2009-10 \$'000
<b>Special Accounts</b>				
Opening balance <sup>1</sup>	1,555	-	1,555	5,773
Appropriation receipts <sup>2</sup>	-	200	200	-
Non-appropriation receipts to Special Accounts	-	12,971	12,971	8,968
<b>Total Special Account</b>	<b>A 1,555</b>	<b>13,171</b>	<b>14,726</b>	<b>14,741</b>
<b>Total net resourcing for NOPSA</b>	<b>1,555</b>	<b>13,171</b>	<b>14,726</b>	<b>14,741</b>

<sup>1</sup> Estimated opening balance for special accounts (less 'Special Public Money' held in accounts like Other Trust Monies (OTM) and Services for other Government and Non-agency Bodies (SOG) accounts). For further information on special accounts see Table 3.1.2.

<sup>2</sup> Appropriation Bill (No.1) 2010-11

## 1.3 BUDGET MEASURES

NOPSA does not have any new budget measures in 2010-11.

## Section 2: Outcomes and planned performance

### 2.1 OUTCOMES AND PERFORMANCE INFORMATION

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which government agencies achieve the intended results of their outcome statements. Agencies are required to identify the programs which contribute to Government outcomes over the Budget and forward years.

Each outcome is described below together with its related programs, specifying the performance indicators and targets used to assess and monitor the performance of NOPSA in achieving Government outcomes.

**Outcome 1:** An Australian oil and gas industry that properly controls the health and safety risks to the workforce at its offshore petroleum operations.

#### Outcome 1 Strategy

NOPSA regulates the Australian offshore petroleum industry to assist it to reduce health and safety risks to an acceptable level. It provides assurance to the government and the community as to whether industry is doing enough to ensure safety on their facilities. It conducts inspections and audits to determine compliance with requirements and undertakings and in the event of accidents or incidents NOPSA investigates and takes appropriate enforcement action.

**Outcome Expense and Resource Statement**

Table 2.1 provides an overview of the total expenses for outcome 1, by program.

**Table 2.1: Budgeted Expenses and Resources for Outcome 1**

<b>Outcome 1: An Australian oil and gas industry that properly controls the health and safety risks to the workforce at its offshore petroleum operations.</b>	2009-10	2010-11
	Estimated actual expenses \$'000	Estimated expenses \$'000
<b>Program 1: Regulatory oversight of Operators' Safety Cases, Safety management systems and operational practices coupled with effective monitoring, investigation and enforcement.</b>		
Departmental expenses		
Revenues from independent sources (s31)	14,255	15,639
Expenses not requiring appropriation in the Budget year	24	24
<b>Total for Program 1.1</b>	<b>14,279</b>	<b>15,663</b>
<b>Outcome 1 Totals by appropriation type</b>		
Departmental expenses		
Revenues from independent sources (s31)	14,255	15,639
Expenses not requiring appropriation in the Budget year	24	24
<b>Total expenses for Outcome 1</b>	<b>14,279</b>	<b>15,663</b>
	2009-10	2010-11
<b>Average Staffing Level (number)</b>	55	62

Note: Departmental appropriation splits and totals are indicative estimates and may change in the course of the budget year as government priorities change.

## Contributions to Outcome 1

**Program 1: Regulatory oversight of Operators' Safety Cases, safety management systems and operational practices coupled with effective monitoring, investigation and enforcement.**

### Program 1 Objective

- Health and safety awareness and compliance in the Australian offshore petroleum industry.
- High quality and rigorous safety cases and diving project plans.
- Improved performance and reduced health and safety risks to the workforce in the Australian offshore petroleum industry.

### Program 1 Expenses

- There are no significant variances in the program expenses over the forward years.

### Program 1 Expenses

(’000)	2009-10 Revised budget	2010-11 Budget	2011-12 Forward year 1	2012-13 Forward year 2	2013-14 Forward year 3
Annual departmental expenses:					
Employee benefits	9,730	11,057	11,498	11,959	12,438
Suppliers	3,585	3,602	3,905	4,236	4,597
Depreciation and amortisation	940	980	1,062	533	822
<b>Total special account expenses</b>	<b>14,255</b>	<b>15,639</b>	<b>16,465</b>	<b>16,728</b>	<b>17,857</b>

### Program 1 Deliverables

- Industry compliance through NOPSA’s safety case assessment and inspections, supported by investigations and, where appropriate, enforcement action.
- Promotion of occupational health and safety will be achieved by encouraging industry safety leadership, the sharing of good practice, highlighting lessons learned, and supporting the industry’s health and safety representatives.
- Reports to Government and other stakeholders regarding trends in industry performance.

**Program 1 Deliverables**

Deliverables	2009-10 Revised budget	2010-11 Budget	2011-12 Forward year 1	2012-13 Forward year 2	2013-14 Forward year 3
Ensuring compliance and promotion of health and safety within the offshore petroleum industry.	14,255	15,639	16,465	16,728	17,857

**Program 1 Key Performance Indicators**

- Maintenance of effective interaction with industry, workforce and other authorities through NOPSA's national program initiative, participation in health and safety events and ad-hoc working groups, as required.
- Assessment of safety cases, pipeline safety management plans and diving safety management systems undertaken consistently and in accordance with legislative requirements.
- Inspections and investigations of accidents, dangerous occurrences and complaints, undertaken consistently and in accordance with legislative requirement and relevant Government standards.

**Program 1 Key Performance Indicators**

Key Performance Indicators	2009-10 Revised budget	2010-11 Budget target	2011-12 Forward year 1	2012-13 Forward year 2	2013-14 Forward year 3
Total resources for key performance indicators	14,255	15,639	16,465	16,728	17,857

## Section 3: Explanatory tables and budgeted financial statements

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of agency finances for the 2010-11 budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and program expenses, movements in administered funds, special accounts and government indigenous expenditure.

### 3.1 EXPLANATORY TABLES

#### 3.1.1 Movement of administered funds between years

This statement is not applicable because NOPSA has no administered funding.

#### 3.1.2 Special Accounts

Special Accounts provide a means to set aside and record amounts used for specified purposes. Special Accounts can be created by a Finance Minister's Determination under the FMA Act or under separate enabling legislation.

Table 3.1.2 shows the expected additions (receipts) and reductions (payments) for each account used by the NOPSA.

**Table 3.1.2: Estimates of Special Account Flows and Balances**

	Opening balance <b>2010-11</b> <i>2009-10</i>	Receipts <b>2010-11</b> <i>2009-10</i>	Payments <b>2010-11</b> <i>2009-10</i>	Adjustments <b>2010-11</b> <i>2009-10</i>	Closing balance <b>2010-11</b> <i>2009-10</i>
Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
National Offshore Petroleum Safety Account - section 682 <i>Offshore Petroleum and Greenhouse Gas Storage Act 2006</i>	1,555	13,171	(14,251)	-	475
1	5,773	8,968	(13,186)	-	1,555
<b>Total Special Accounts 2010-11 Budget estimate</b>	<b>1,555</b>	<b>13,171</b>	<b>(14,251)</b>	<b>-</b>	<b>475</b>
<i>Total Special Accounts 2009-10 estimate actual</i>	<i>5,773</i>	<i>8,968</i>	<i>(13,186)</i>	<i>-</i>	<i>1,555</i>

(A) = Administered

(D) = Departmental

#### 3.1.3 Australian Government Indigenous Expenditure

The 2010-11 Australian Government Indigenous Statement is not applicable because the NOPSA has no indigenous specific expenses.

## **3.2 BUDGETED FINANCIAL STATEMENTS**

### **3.2.1 Differences in agency resourcing and financial statements**

NOPSA has no significant differences between the resource information presented in the Budget Papers and in the Portfolio Budget Statements as a result of differences between whole of government level financial reporting (under Australian Accounting Standard 1049) and entity level financial reporting.

### **3.2.2 Analysis of budgeted financial statements**

At current levels of regulatory programs, a suite of emerging significant cost pressures anticipated through various inquiries and the increasing level of industry activity that is not subject to levy, it was necessary to recommend annual reviews to the unit value of the safety case levy in consultation with industry. A modest increase from \$25,000 to \$26,000 in the safety case unit value came into effect from 1 January 2010. Even at that level, it is anticipated that expenditure will exceed revenue over the next three financial years. This will significantly deplete the accumulated retained surplus from \$5.671 million to \$1.210 million by 2013-14, to provide the desired level of approximately 10 per cent of budgeted expenditure that would enable NOPSA to meet any unforeseen expenditure.

NOPSA's cash balance is also expected to reduce significantly as a result of legislative amendments that took effect on 1 January 2010 changing the timing of levy payments for non-mobile facilities from quarterly in advance to quarterly in arrears. The legislative amendments stemmed from the 2008 Review of Cost Recovery Arrangements and Cost Recovery Impact Statement produced by the Department of Resources Energy and Tourism in September 2009. A reduction of \$4.218 million is forecast as at 30 June 2009, from \$5.773 million to \$1.555 million, and then reaching \$0.475 million by June 2011 and remaining at low levels in the forward years.

NOPSA continues to maintain robust financial management to ensure that no cash shortages will be experienced.

### 3.2.3 Budgeted financial statements tables

**Table 3.2.1 Comprehensive Income Statement (Showing Net Cost of Services)  
(for the period ended 30 June)**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>EXPENSES</b>					
Employee benefits	9,730	11,057	11,498	11,959	12,438
Supplier expenses	3,585	3,602	3,905	4,236	4,597
Depreciation and amortisation	940	980	1,062	533	822
<b>Total expenses</b>	<b>14,255</b>	<b>15,639</b>	<b>16,465</b>	<b>16,728</b>	<b>17,857</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Revenue</b>					
Sale of goods and rendering of services	12,623	13,100	15,200	17,500	17,500
Interest	200	40	10	30	80
<b>Total revenue</b>	<b>12,823</b>	<b>13,140</b>	<b>15,210</b>	<b>17,530</b>	<b>17,580</b>
<b>Total own-source income</b>	<b>12,823</b>	<b>13,140</b>	<b>15,210</b>	<b>17,530</b>	<b>17,580</b>
<b>Net cost of (contribution by) services</b>	<b>(1,432)</b>	<b>(2,499)</b>	<b>(1,255)</b>	<b>802</b>	<b>(277)</b>
Revenue from Government	-	200	-	-	-
<b>Surplus (Deficit)</b>	<b>(1,432)</b>	<b>(2,299)</b>	<b>(1,255)</b>	<b>802</b>	<b>(277)</b>
<b>Surplus (Deficit) attributable to the Australian Government</b>	<b>(1,432)</b>	<b>(2,299)</b>	<b>(1,255)</b>	<b>802</b>	<b>(277)</b>

Prepared on Australian Accounting Standards basis.

### 3.2.3 Budgeted financial statements tables (continued)

**Table 3.2.2: Budgeted departmental balance sheet  
(as at 30 June)**

	Estimated actual 2009-10 \$'000	<b>Budget estimate 2010-11 \$'000</b>	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and equivalents	1,555	474	362	156	542
Trade and other receivables	3,331	3,500	3,975	4,550	4,550
Other - Prepayments	150	220	250	250	250
<b>Total financial assets</b>	<b>5,036</b>	<b>4,194</b>	<b>4,587</b>	<b>4,956</b>	<b>5,342</b>
<b>Non-financial assets</b>					
Property, plant and equipment	4,236	3,756	3,193	3,659	3,337
<b>Total non-financial assets</b>	<b>4,236</b>	<b>3,756</b>	<b>3,193</b>	<b>3,659</b>	<b>3,337</b>
<b>Total assets</b>	<b>9,272</b>	<b>7,950</b>	<b>7,780</b>	<b>8,615</b>	<b>8,679</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Suppliers	1,037	982	1,164	755	600
Other - Accrued Expenses	837	1,082	1,165	757	600
<b>Total payables</b>	<b>1,874</b>	<b>2,064</b>	<b>2,329</b>	<b>1,512</b>	<b>1,200</b>
<b>Provisions</b>					
Employee provisions	2,263	3,050	3,870	4,720	5,373
<b>Total provisions</b>	<b>2,263</b>	<b>3,050</b>	<b>3,870</b>	<b>4,720</b>	<b>5,373</b>
<b>Total liabilities</b>	<b>4,137</b>	<b>5,114</b>	<b>6,199</b>	<b>6,232</b>	<b>6,573</b>
<b>Net assets</b>	<b>5,135</b>	<b>2,836</b>	<b>1,581</b>	<b>2,383</b>	<b>2,106</b>
<b>EQUITY*</b>					
<b>Parent entity interest</b>					
Contributed equity	896	896	896	896	896
Retained surplus (accumulated deficit)	4,239	1,940	685	1,487	1,210
<b>Total parent entity interest</b>	<b>5,135</b>	<b>2,836</b>	<b>1,581</b>	<b>2,383</b>	<b>2,106</b>
<b>Total equity</b>	<b>5,135</b>	<b>2,836</b>	<b>1,581</b>	<b>2,383</b>	<b>2,106</b>

\* 'Equity' is the residual interest in assets after deduction of liabilities.  
Prepared on Australian Accounting Standards basis.

**3.2.3 Budgeted financial statements tables (continued)**

**Table 3.2.3: Departmental statement of changes in equity — summary of movement (Budget year 2010-11)**

	Retained earnings \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2010</b>					
Balance carried forward from previous period	4,239	-	-	896	5,135
<b>Adjusted opening balance</b>	<b>4,239</b>	<b>-</b>	<b>-</b>	<b>896</b>	<b>5,135</b>
Surplus (deficit) for the period	(2,299)	-	-	-	(2,299)
<b>Estimated closing balance as at 30 June 2011</b>	<b>1,940</b>	<b>-</b>	<b>-</b>	<b>896</b>	<b>2,836</b>

Prepared on Australian Accounting Standards basis.

**3.2.3 Budgeted financial statements tables (continued)**

**Table 3.2.4: Budgeted departmental statement of cash flows  
(for the period ended 30 June)**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	8,768	12,931	14,725	16,925	17,500
Interest	200	40	10	30	80
Appropriations		200			
<b>Total cash received</b>	<b>8,968</b>	<b>13,171</b>	<b>14,735</b>	<b>16,955</b>	<b>17,580</b>
<b>Cash used</b>					
Employees	7,582	9,951	10,348	11,361	11,194
Suppliers	3,400	3,800	4,000	4,800	5,500
<b>Total cash used</b>	<b>10,982</b>	<b>13,751</b>	<b>14,348</b>	<b>16,161</b>	<b>16,694</b>
<b>Net cash from (used by) operating activities</b>	<b>(2,014)</b>	<b>(580)</b>	<b>387</b>	<b>794</b>	<b>886</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment	2,204	500	500	1,000	500
<b>Total cash used</b>	<b>2,204</b>	<b>500</b>	<b>500</b>	<b>1,000</b>	<b>500</b>
<b>Net cash from (used by) investing activities</b>	<b>(2,204)</b>	<b>(500)</b>	<b>(500)</b>	<b>(1,000)</b>	<b>(500)</b>
<b>Net increase (decrease) in cash held</b>	<b>(4,218)</b>	<b>(1,080)</b>	<b>(113)</b>	<b>(206)</b>	<b>386</b>
Cash and cash equivalents at the beginning of the reporting period	5,773	1,555	475	362	156
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>1,555</b>	<b>475</b>	<b>362</b>	<b>156</b>	<b>542</b>

Prepared on Australian Accounting Standards basis.

### 3.2.3 Budgeted financial statements tables (continued)

**Table 3.2.5: Departmental Capital Budget Statement**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded internally from departmental resources <sup>1</sup>	2,204	500	500	1,000	500
<b>TOTAL</b>	<b>2,204</b>	<b>500</b>	<b>500</b>	<b>1,000</b>	<b>500</b>

1. Includes the following sources of funding:  
- s31 relevant agency receipts

Prepared on Australian Accounting Standards basis.

**Table 3.2.6: Statement of Asset Movements (2010-11)**

	Other property, plant and equipment \$'000	Total \$'000
<b>As at 1 July 2010</b>		
Gross book value	6,184	6,184
Accumulated depreciation/amortisation and impairment	(1,948)	(1,948)
<b>Opening net book balance</b>	<b>4,236</b>	<b>4,236</b>
<b>CAPITAL ASSET ADDITIONS</b>		
<b>Estimated expenditure on new or replacement assets</b>		
By purchase - other	500	500
<b>Total additions</b>	<b>500</b>	<b>500</b>
<b>Other movements</b>		
Depreciation/amortisation expense	(980)	(980)
<b>As at 30 June 2011</b>		
Gross book value	6,684	6,684
Accumulated depreciation/amortisation and impairment	(2,928)	(2,928)
<b>Closing net book balance</b>	<b>3,756</b>	<b>3,756</b>

Prepared on Australian Accounting Standards basis.

### **3.2.4 Notes to the financial statements**

NOPSA's budget statements have been prepared on an accrual basis, in accordance with the Finance Minister's Orders and Australian Accounting Standards.

The analysis of budgeted financial statements provides an overview of the key elements that could significantly impact NOPSA's results.