

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates

2014 - 2015

**Department/Agency: Treasury**

**Question: AET 244-249**

**Topic: MYEFO Fiscal Strategy and Outlook**

**Reference: written - 06 March 2015**

**Senator: Dastyari, Sam**

**Question:**

244. What is the Government's fiscal strategy relating to new government spending?
245. Will new spending measures be offset by reductions in spending elsewhere within the budget?
246. Does the government's fiscal strategy put any caveats on this spending strategy?
247. Did the government offset all new spending in MYEFO?
248. I note that MYEFO states on page 24 that: "Consistent with its fiscal strategy, the Government has more than offset all of its new spending decisions, other than those taken as part of negotiations with the Senate": was any new spending that wasn't fully offset?
249. Is it possible that at every budget update we could have with additional spending that is not offset?

**Answer:**

As outlined in the 2014-15 Budget, the Government's medium-term fiscal strategy of achieving budget surpluses, on average, over the course of the economic cycle is underpinned by the Government's objectives to:

- invest in a stronger economy by redirecting Government spending to quality investment to boost productivity and workforce participation;
- maintain strong fiscal discipline to reduce the Government's share of the economy over time in order to free up resources for private investment to drive jobs and economic growth, with the payments-to-GDP ratio falling and paying down debt; and
- strengthen the Government's balance sheet by improving net financial worth over time.

The Government's Budget repair strategy is designed to deliver budget surpluses building to at least 1 per cent of GDP by 2023-24, consistent with the medium-term fiscal strategy. This provides that new spending measures will be more than offset by reductions in spending elsewhere within the Budget.

In the 2014-15 MYEFO, consistent with its fiscal strategy, the Government more than offset all of its new spending decisions, other than those decisions taken as part of negotiations with the Senate. The cost of decisions taken as part of negotiations with the Senate had an impact on the underlying cash balance of \$7.2 billion over the forward estimates. The net impact of decisions, other than those decisions taken as part of negotiations with the Senate, resulted in an improvement to the budget of \$3.2 billion over the forward estimates from 2014-15.

The Government remains committed to its objective of building a stronger economy and achieving surpluses which build to at least 1 per cent of GDP by 2023-24. While budget repair is underway, there is more work to do to deliver on this commitment.