

Standing Committee on Finance and Public Administration

ANSWER TO QUESTION ON NOTICE

Finance and Deregulation Portfolio

Department of Finance and Deregulation

Supplementary Estimates Hearing – October 2010

Outcome 1, Program NA

Topic: Efficiency Dividend

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Senator Bernardi asked:

- a) During the 2010 Election a Government saving commitment was to maintain the annual efficiency dividend on departmental expenses at 1.25 per cent? Has the Department begun implementation of this election commitment? If not, why not? If yes, give details.
- b) How do you think the Department and/or Government will implement it? Give examples of the types of cuts you anticipate agencies could make (i.e. no more pot plants in departmental buildings).
- c) Will there be cuts to staff? Can a directive be given that no staff lose their job as a result of this election commitment?
- d) Will any agencies be exempted?
- e) Can the Department guarantee that the 1.25 per cent will only apply to departmental expenses only? For example in the 2008-09 Budget, the Australian War Memorial was given approval by the then Finance Minister, Lindsay Tanner, to reduce its capital expenditure rather than its operational expenditure to comply with the 2 per cent efficiency dividend. Can you guarantee this will not happen again?

Answer:

- a) No. The Government has not yet implemented its 2010 election commitment to maintain the efficiency dividend at 1.25 per cent. This will occur as part of the 2011-12 Budget process.
- b) The election commitment will be a measure in the 2011-12 Budget and will reduce relevant agencies' departmental appropriations.

Under the current devolved, principles-based financial management framework, Chief Executive Officers (CEOs) are provided with the flexibility and autonomy to spend the funds appropriated directly to their agencies by the Parliament, within the

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policy parameters established by the Government. Accordingly, it will be up to individual CEOs to determine how to implement this election commitment.

c) The efficiency dividend does not reduce the overall size of the public sector but provides a mechanism to reallocate resources to the Government's highest priorities. The Government's commitment included a policy undertaking that there would be no forced redundancies.

d) All entities in the general government sector are subject to the efficiency dividend unless they have been specifically exempted by the Government.

Those entities which are fully exempt under the current arrangements include the Australian Broadcasting Corporation and the Special Broadcasting Service Corporation. Entities which are partially exempt include the Department of Defence, the Australian Customs and Border Protection Service, the Commonwealth Scientific and Industrial Research Organisation, the Australian Institute of Marine Science, and the Australian Nuclear Science and Technology Organisation.

e) The efficiency dividend applies to the total net departmental appropriations of all entities in the general government sector, unless they have been specifically exempted by the Government. It also applies to other expenses of a departmental nature (for example, funding to *Commonwealth Authorities and Companies Act 1997* bodies).