



Policy costing

Not proceeding with additional 0.5 per cent efficiency dividend for 2019-20

Party: Australian Labor Party

Summary of proposal:

The 2019-20 Budget factors in a standard efficiency dividend of 1.0 per cent per annum on departmental appropriations, plus an additional efficiency dividend of 0.5 per cent in 2019-20.

This proposal would remove the additional efficiency dividend of 0.5 per cent applied to public sector departmental funding in 2019-20.

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by \$523 million over the 2019-20 Budget forward estimates period. This impact is entirely due to an increase in departmental expenses.

The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period. A breakdown of the financial implications of the proposal over the period to 2029-30 is included at [Attachment A](#).

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-136	-129	-130	-127	-523
Underlying cash balance	-136	-129	-130	-127	-523

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Methodology

Estimates for the current departmental expenditure (by agency) out to 2029-30 were derived by growing 2019-20 Budget estimates from 2023-24 by applicable indexation rates, and then applying the reductions of the annual 1.0 per cent efficiency dividend to agencies that do not have an exemption from the efficiency dividend as at the 2019-20 Budget. These estimates include the additional efficiency dividend of 0.5 percent in 2019-20.

The removal of the additional efficiency dividend in 2019-20 in this proposal was then applied to the departmental funding of public service agencies that do not have an exemption from the efficiency dividend as at the 2019-20 Budget.

Data sources

The Department of Finance provided:

- agency departmental appropriations as at the 2019-20 Budget
- efficiency dividend exemptions as at the 2019-20 Budget
- indexation rates for agencies.

Attachment A – Not proceeding with additional 0.5 per cent efficiency dividend for 2019-20 – financial implications

Table A1: Not proceeding with additional 0.5 per cent efficiency dividend for 2019-20 – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019– 20	2020– 21	2021– 22	2022– 23	2023– 24	2024– 25	2025– 26	2026– 27	2027– 28	2028– 29	2029– 30	Total to 2022–23	Total to 2029–30
Expenses													
Total – departmental expenses	-136	-129	-130	-127	-128	-129	-130	-131	-132	-133	-134	-523	-1,438

- (a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- (b) Figures may not sum to totals due to rounding.