



Australian Government
Department of Finance
The Treasury

PUBLIC RELEASE OF 2022 ELECTION COMMITMENT COSTING

Name of proposal costed: Agency Resourcing	
Costing Identifier:	COA 036
Summary of costing:	<p>The proposal is to return the Efficiency Dividend (ED) on departmental funding to 2.0 per cent for three years from 2022-23, stepping down to 1.5 per cent in 2025-26, and returning to the base rate of 1.0 per cent in 2026-27.</p> <p>The proposal is also to increase the Employer Contribution Rate charged to Commonwealth agencies for employees who are members of the defined benefit Public Sector Superannuation (PSS) scheme to 20 per cent from 2022-23 with the additional funds paid returned to Consolidated Revenue.</p>
Ongoing or Terminating (including date)^(a)	Ongoing.
Person making the request:	Prime Minister.
Date costing request received:	17 May 2022.
Date of public release of policy:	17 May 2022.
Date costing completed:	19 May 2022.
Additional information requested (including date):	Not applicable.
Additional information received (including date):	Not applicable.

(a) Ongoing policies continue indefinitely (until a decision is made to cease or alter the program). Terminating measures end on a date set out in the initial policy and a further decision is required to continue the program beyond this date.

Financial implications (outturn prices)^(b)

Impact on	2021-22	2022-23	2023-24	2024-25	2025-26
Underlying Cash Balance (UCB) (\$m)	0.0	496.1	729.1	993.4	1,105.5
Fiscal Balance (\$m)	0.0	496.1	729.1	993.4	1,105.5

(b) 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 positive number for the UCB indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

Where relevant, state that the proposal has been costed as a defined or specified amount.

Not applicable.

Where relevant, include separate identification of revenue and expense components.

Not applicable.

Where appropriate, include a range for the costing or sensitivity analysis.

Not applicable.

Qualifications to the costing (including reasons for the costing not being comprehensive).

Not applicable.

Where relevant, explain effects of departmental expenses.

Any departmental expenses associated with implementing the proposal would be absorbed by relevant entities.

The costing only impacts departmental resources.

Where relevant, explain the reason for any significant differences between the assumptions specified in a party costing request and those used in a Treasury or Finance costing.

Not applicable.

Other comments (including reasons for significant differences between the estimated impact on the fiscal and underlying cash balances).

Where relevant, include an explanation of the medium-term implications of the proposal.^(c)

The savings are ongoing due to a permanent reduction in the level of departmental funding for affected Commonwealth entities.

The improvements to the underlying cash balance from the PSS component of the proposal will decrease over the medium term as contributing members leave the workforce. This is partially offset by expected increases in salary.

(c) Information on the medium term implications will be provided if the cost of the policy is expected to be significantly different beyond the forward estimates period. The medium term is considered to be the 7 years after the current forward estimates.

Background information

Costing methodology used:

ED component

Impact on UCB (\$m)	2021-22	2022-23	2023-24	2024-25	2025-26
Efficiency Dividend	0.0	318.1	561.4	835.3	956.8

The costing assumes that the proposed changes to the ED rate would be applied between 2022-23 and 2024-25 (2%), in 2025-26 (1.5%), and from 2026-27 (1%).

The costing is based on Commonwealth departmental appropriations as at the 2022-23 Budget that are subject to the ED, for each year of the forward estimates.

A summary of the current and proposed ED rates assumed in this costing are as follows:

	2022-23	2023-24	2024-25	2025-26	2026-27
Current ED rate	1.0%	1.0%	1.0%	1.0%	1.0%
Proposed ED rate	2.0%	2.0%	2.0%	1.5%	1.0%

Consistent with the current application of the ED, all changes to the ED rate have a cumulative effect.

Exemptions

As outlined in the costing request:

- the departmental appropriations related to Emergency Management Australia (EMA) (part of the Department of Home Affairs) and the National Recovery and Resilience Agency (NRRRA) are fully exempt from this increase to the ED.
- all entities with full or partial exemptions from the ED policy as at the 2022-23 Budget will continue to apply.
- entities with less than 200 ASL (as at the 2022-23 Budget) will be exempt from the increase.

PSS component

Impact on UCB (\$m)	2021-22	2022-23	2023-24	2024-25	2025-26
Increased Notional Employer Contribution for PSS	0.0	177.9	167.7	158.2	148.7

The costing is assumed to apply to Commonwealth entities with employees who are members of the defined benefit PSS scheme.

The increase in agency employer contributions (for staff who are PSS members) will be paid to the Commonwealth Superannuation Corporation (CSC) with the additional funds paid returned to Consolidated Revenue.

The expected employer contributions have been estimated as previous year actual contributions multiplied by:

- change in total contributing members;
- estimated salary growth rate (not including promotional based salary increases); and
- change in contribution rate.

The assumed salary growth rates and contributing member numbers are consistent with those used to prepare the superannuation estimates for the 2022-23 Budget and the impact will vary by entity.

The ability of individual entities to manage the increased contribution within existing resources has not been analysed.

As specified in the costing request, there are no changes to the employer contribution rates for other Commonwealth defined benefit schemes, such as the Commonwealth Superannuation Scheme (CSS) or the military schemes.

This proposal does not impact superannuation entitlements.

Attachment A – Agency Resourcing – financial implications

Table A1: Agency Resourcing – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Expenses													
Departmental													
<i>Efficiency Dividend</i>	318.1	561.4	835.3	956.8	980.0	1,000.0	1,030.0	1,050.0	1,080.0	1,100.0	1,130.0	2,671.6	10,041.6
<i>Increased Notional Employer Contribution for PSS</i>	177.9	167.7	158.2	148.7	140.0	130.0	121.0	112.0	103.0	94.0	87.0	652.5	1,439.5
Total (excluding PDI)	496.1	729.1	993.4	1,105.5	1,120.0	1,130.0	1,151.0	1,162.0	1,183.0	1,194.0	1,217.0	3,324.1	11,481.1

(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) Financial implications over the medium term are rounded consistent with the PBO's rounding rules, as outlined on the PBO Costings and budget information webpage¹.

¹ https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

Table A2: Agency Resourcing – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<i>Fiscal balance</i>	6.0	20.0	40.0	64.0	92.0	123.0	158.0	197.0	241.0	289.0	346.0	130.0	1,576.0
<i>Underlying cash balance</i>	5.0	18.0	37.0	61.0	89.0	120.0	154.0	193.0	236.0	283.0	339.0	121.0	1,535.0

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary².
- (b) 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.

² [Online budget glossary – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)