

## OPTIONS – for efficiency dividend

Stop the efficiency dividend for small agencies – it's done its thing and has become a liability.

Short of that, consider partial relief or compensation because it was never intended that the efficiency dividend would continue to be imposed across the board and uniformly applied to all agencies on an ongoing basis. Options are:

### *Concessions around the application of the dividend:*

1. Selective releases from the dividend for either individual agencies, categories of agencies or small agencies
2. Applying a lower rate of efficiency dividend to small agencies
3. An agency by agency approach to managing efficiencies would be more effective than a one size fits all approach.
4. Exempt small agencies from application of the efficiency dividend on the fixed cost component of their budgets, or supplement them for the full cost of rent increases and ICT escalations
5. Exempt small agencies from increasing depreciation costs

### *Structural changes to agency funding:*

6. A regular 5 yearly review of an agency's funding could be undertaken to ensure that it is viable and able to perform its core functions on an ongoing basis. The current system is designed so that a small agency with no new policy additions, not matter how efficient, will eventually be unable to meet normal increases in running costs and require assistance from the Government to continue to operate.
7. An alternative is an agency health check – through renewed Finance arrangements so that agencies' financial viability is tested, with additional funding provided if needs be. But, financial viability can and often is interpreted as a management failure rather than a reflection of inadequate funding.
8. Consider full indexation adjustment for small agencies, rather than discounted adjustment, so that at least salary increases are matched and the distributed agency bargaining system remains sustainable

### *New policy process adjustments:*

9. Provide a separate process for npps for smaller agencies, with lower \$ thresholds than the current \$10m and an appreciation that small agencies simply cannot absorb all new spending under \$5m, due to their small budget size. X