

**Standing Committee on Finance and Public Administration**

ANSWER TO QUESTION ON NOTICE

Supplementary Budget Estimates Hearing – October 2009

Department of Finance and Deregulation

Finance and Deregulation Portfolio

**Outcome 1, Program 1.1**

**Topic: The Australian War Memorial – Additional 2% Efficiency Dividend**

**Question reference number: F29**

**Type of Question: Hansard F&PA Page 25, 20 October 2009**

**Date set by the committee for the return of answer: 4 December 2009**

**Number of Pages: 2**

**Senator Coonan asked:**

**Senator Coonan:** So you do not actually have any overview of how the efficiency dividend operates, as long as it is achieved – is that correct?

**Mr Tune—**In the case of the War Memorial, it is not the depreciation funding that is sitting in their accounts that is the issue; it is about what they do with it. So it does not hit the bottom line—that is, spending—until they actually spend it. If they are saying that they did not use some depreciation funding and spent it, that is different, I think, from taking it off their depreciation. It is just that they did not use it and therefore they did less of something than they otherwise might have done using the depreciation funding.

**Senator COONAN—**My point about it was that these do not appear to be the kinds of efficiencies that really are meant by the efficiency—

**Mr Tune—**I guess what I am saying is that they cannot do that. It is not the way it works.

**Ms Campbell—**And there has been significant confusion on depreciation funding, as we have discussed at this committee before. Sometimes agencies did use it for maintenance-type activities, and they may have reduced some of their maintenance activities.

**Mr Tune—**It may be the way they have described that it is a bit at odds. I am not sure. I will have to check it out. But in general the answer is no.

**Senator COONAN—**Would you just have a look at that particular example for me?

**Mr Tune—**Certainly. We will take that on notice.

**Answer:**

The efficiency dividend (ED) is typically applied by reducing an agency's departmental funding, which covers depreciation expenses.

The Australian War Memorial (AWM) has consistently met the ongoing ED by reducing operating expenses. However, in the case of the one-off 2 per cent ED introduced in the 2008-09 Budget, the AWM notionally reduced its capital expenditure rather than its operational expenditure to comply with the ED. As a

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result the AWM applied for approval to run an operating loss in 2008-09 (reflecting the fact that the Government reduction in the AWM's funding was not matched by a reduction in the AWM's operating costs). The operating loss was approved by the Minister for Finance and Deregulation on this occasion but the AWM was advised that in the future the ongoing efficiency dividend was to be met by reducing its operational costs.