

**Senate Finance and Public Administration Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**SUPPLEMENTARY BUDGET ESTIMATES 2011-2012**

**Finance and Deregulation Portfolio**

**Department/Agency:** Department of Finance and Deregulation

**Outcome/Program:** 1 / 1.1

**Topic:** Finance Incoming Government Brief

**Senator:** Ryan

**Question reference number:** F10

**Type of question:** Written

**Date set by the committee for the return of answer:** Friday, 2 December 2011

**Number of pages:** 4

**Question:**

- a) Could Finance provide an update on the Government's response to what the Finance Red Book (p 1.3) described as 'the persistent threat of a 'double-dip' global economic downturn' and the strong case for the building of a 'fiscal buffer' in the event of a further negative shock?
- b) Does the Minister agree with the advice in the December update of the Finance Red Book (p. 3.1) that 'savings over the forward estimates of a less sensitive nature are possible in sectors such Defence, Social Welfare and Health'?
  - i. Will such savings be pursued in the next budget?
- c) Does the Minister agree with the advice in the December update of the Finance Red Book (p. 3.1) that the Government should reform evaluation and review practices?
  - i. If so, what action has been taken to reform evaluation and review?
  - ii. Has the Department developed options for such measures?
  - iii. If so, can these be provided to the Committee?
- d) Does the Minister agree with the advice in the December update of the Finance Red Book (p. 3.1) that savings could be obtained by 'gaining administrative improvements' including staffing restructures and cuts?
  - i. If so, will such cuts be pursued?
  - ii. Has the Department developed options for such measures?
  - iii. If so, can these be provided to the Committee?
- e) Does the Minister agree with the advice in the December update of the Finance Red Book (p. 3.1) that savings could be realised by 'instituting cost-recovery options where relevant'?
  - i. If so, what options for pursuing cost-recovery has the Government instituted?
  - ii. Has the Department developed options for such measures?
  - iii. If so, can these be provided to the Committee?

- f) Does the Minister agree with the advice in the December update of the Finance Red Book (p. 3.4) that ‘on current policy settings, there will be a long-term structural deterioration in the budget’?
- i. If not, why not, if so, what has the Government done to improve the structural position of the budget?
  - ii. Has the Department developed options for such measures?
  - iii. If so, can these be provided to the Committee?
- g) Given that your Department provides advice regarding the structural position of the budget why has the Government decided to stop publishing this information?
- h) The Finance Red Book (p.5.3) specifies under ‘Action required in 2010’ that you ‘Propose that the Government’s economic and financial strategy can be strengthened by including a focus on Balance Sheet management and reconsidering the choice of key financial measures’, have you done this?
- i. If not, why not, if so, did you propose that this include a measure of the structural position of the budget?
- i) Does the Minister agree with the advice in the December update of the Finance Red Book (p. 3.2) that MYEFO should be published in November ‘to allow a proper process to consider relevant commitments and any further savings needed to offset all announced spending measures’?
- i. If so, will you commit to publishing MYEFO in November this year?
- j) The Finance Red Book (p. 5.3) also states that ‘two areas that require attention are the management of the Government’s balance sheet, and transparency and accountability’, do you think these are priorities?

**Answer:**

- a) The outlook and risks for the economy were set out in the 2011-12 Mid-Year Economic and Fiscal Outlook (MYEFO).
- b) The Government has stated that it will take the necessary savings measures to meet its fiscal strategy objective. A range of savings measures were specified in the 2011-12 MYEFO.
- c) The Government supports good practice in monitoring and evaluation. Apart from the actions of individual agencies in improving their evaluation and review activity, Finance has established a working group of agency representatives to assist in the development of options. This working group is operating alongside other relevant activity that arose from Operation Sunlight, to improve performance information.
- d) In the 2011-12 MYEFO, the Government announced a one-off efficiency dividend of 2.5 per cent in 2012-13 to departmental appropriations. Savings will be delivered through pursuing smarter and more efficient ways of conducting core business across government. Recent examples of efficiency reforms include new travel arrangements for the Australian Government, which will deliver savings of \$160 million from 2010-11 to 2013-14, and

new guidelines for recruitment advertising, leading to a reduction in expenditure from \$44 million in 2007-08 to \$14.8 million in 2010-11.

- e) The Government has a formal cost recovery policy in place. The policy applies to government activities carried out on a cost recovery basis, with some activities expressly exempted from the policy, such as any form of inter-governmental charging of state/territory governments.

The 2011-12 MYEFO included the following cost recovery measures: changes to agriculture production levies; and amendments to the Personal Property Securities Register initiative. Several cost recovery measures were also included in the 2011-12 Budget, for example: arrangements to offset costs incurred by the Tertiary Education Quality and Standards Agency for select services; and fees levied by the Australian Securities and Investments Commission to support the introduction of competition for financial market services.

The appropriateness of cost recovery for any particular activity is determined on a case-by-case basis. Consistent with existing guidelines, the Government will consider an updated forward schedule for reviewing agencies' cost recovery arrangements in 2012. Finance works with relevant agencies to develop cost recovery options for consideration as part of the Budget Process.

- f) The comments in the Finance Red Book are based on the observation in the Intergenerational Report (IGR) that there will be a structural deterioration in the budget over time unless growing pressures on the budget, in particular those from an ageing population, are addressed. This has been a central message in each of the three issues of the Intergenerational Report, released in 2002, 2007 and 2010.

The Government has taken a broad range of steps that help improve the structural position of the budget.

Total budget savings of \$22 billion over the forward estimates were announced in the 2011-12 Budget, in addition to savings of \$80 billion over the forward estimates in the three budgets between 2008-09 and 2010-11. Many of these savings improve the budget position beyond the forward estimates.

In addition, the Government has taken steps to increase workforce participation and productivity with significant investments in skills and training that are more targeted to the needs of industry. These include the establishment of the National Workforce Development Fund, the *Building Australia's Future Workforce* package, and the *Skills for Sustainable Growth* strategy. By helping improve the economy's productive capacity and growth performance, these measures will have continuing benefits for the structural position of the budget.

Finance works with relevant agencies to develop savings proposals as part of the Budget Process.

- g) Along with publication of the Intergenerational Report, the Government has enhanced reporting of the projected budget position by including in recent years medium-term fiscal projections in the main budget documentation.

Finance monitors the balance sheet and provides advice to the Government on an ongoing basis.

In regard to the structural position of the budget, see the responses to (f) and (g) above.

- h) The 2011-12 MYEFO was published by the Government on 29 November 2011.
- i) In respect of balance sheet management, refer to part (h). Transparency and accountability are key elements being considered in the Commonwealth Financial Accountability Review, a multi-year project announced by the Minister for Finance and Deregulation on 8 December 2010.