Australian Government
Department of Finance
The Treasury

PUBLIC RELEASE OF 2019 ELECTION COMMITMENT COSTING

Name of proposal costed: Efficiency Dividend Extension	
Costing Identifier:	COA066
Summary of costing:	The proposal is to continue the Efficiency Dividend (ED) rate at its 2018-19 level of 2 per cent for two additional years (2019-20 and 2020-21) and set the ED rate at 1.5 per cent in 2021-22. The standard ED rate of 1.0 per cent would continue to apply from 1 July 2022. Under this proposal existing exemptions from the ED would continue to apply. In addition, Commonwealth agencies with an Average Staffing Level (ASL) of less than 200, and specified entities would be exempt from the temporary increase in the ED from 1 July 2019 to 30 June 2022. The current temporary exemption from the application of ED, which expires on 30 June 2020, for the Office of National Intelligence and the Australian Signals Directorate, would also be made ongoing.
Terminating (including date)[(a)]	Terminating on 30 June 2022.
Person making the request:	Prime Minister.
Date costing request received:	16 May 2019
Date of public release of policy:	16 May 2019
Date costing completed:	16 May 2019
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	2018-19	2019-20	2020-21	2021-22	2022-23
Underlying Cash Balance ($m)	0.0	135.9	379.9	505.5	492.2
Fiscal Balance ($m)	0.0	135.9	379.9	505.5	492.2

(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 underlying cash balance 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.

The proposal would reduce the level of departmental funding for affected Commonwealth entities on an ongoing basis.

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).

Not applicable.

Where relevant, include an explanation of the medium term implications of the proposal[c].

Savings beyond 2022-23 would be ongoing due to a permanent reduction in the level of departmental funding for affected Commonwealth entities. The standard annual ED rate of 1.0 per cent would continue to apply from 1 July 2022.

(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.

Background information

Costing methodology used:

- **Costing techniques**
  - The costing assumes that the proposed changes to the ED rate would be applied in 2019-20, 2020-21 and 2021-22 to the Commonwealth Departmental appropriations currently subject to the ED as at 2019-20 Budget.
  - The costing assumes that the current standard annual ED rate of 1.0 per cent would continue to apply from 1 July 2022.
  - Consistent with the current application of the ED, all changes to the ED rate have a cumulative effect.
- **Policy parameters**
  - The costing reflects the following policy parameters:
    - Continuation of the ED rate of 2.0 per cent for two years, from 2019-20 to 2020-21, increasing the ED rate to 1.5 per cent in 2021-22, with the ED rate to remain at 1.0 per cent in 2022-23.
    - Under this proposal the ED would increase from the current rate by:
      - 0.5 per cent in 2019-20;
      - 1.0 per cent in 2020-21; and
      - 0.5 per cent in 2021-22.
  - A summary of the current and proposed ED rates assumed in this costing are as follows:

	2018-19	2019-20	2020-21	2021-22	2022-23
Current ED	2.0%	1.5%	1.0%	1.0%	1.0%
Proposed ED	2.0%	2.0%	2.0%	1.5%	1.0%

  - The following agencies would be exempt from the proposed change in the ED rate:
    - all agencies currently exempt from the application of the existing ED;
    - Commonwealth funded agencies with less than 200 ASL;
    - the Office of National Intelligence (ONI) and the Australian Signals Directorate (ASD); and
    - the following entities:
      - National Disability Insurance Agency
      - Australian Prudential Regulation Authority
      - Australian Securities and Investments Commission
      - Australian War Memorial
      - National Archives of Australia
      - National Gallery of Australia
      - National Library of Australia
      - National Museum of Australia
  - The current temporary exemption from the application of the ED (both standard and additional) until 30 June 2020 for the Office of National Intelligence and the Australian Signals Directorate would become ongoing. The costing therefore also includes the cost of reversing the standard ED rate from the ONI and ASD departmental appropriations from 1 July 2020 on an ongoing basis.
  - The costing also assumes, with the exception of ONI and ASD, that there are no changes to the application of the current ED arrangements or existing exemptions to these arrangements.

- **Statistical data used**

  - The costing is based on Commonwealth Departmental appropriations subject to the ED as at 2019-20 Budget, for each year of the forward estimates.

- **Behavioral assumptions used (as appropriate)**

  Not applicable.