



## PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

### Election Costing Request Form

Details of request	
Party:	Liberals/ Nationals
Name of Policy:	1.5% Efficiency Dividend
Date of request:	10 March 2015

Description of policy	
Summary of policy (please attach copies of relevant policy documents):	Refer to Attachment A
What is the purpose or intention of the policy?	The proposal implements a 1.5% efficiency dividend to achieve savings of approximately \$593.8 million over four years (2014-15 to 2017-18).
Has the policy been publicly released yet?	

Your estimated costing of the policy <sup>1</sup>						
	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	4 Yr Total \$'000	Other years <sup>2</sup> \$'000
Impact on General Government Sector (GGS) net operating result <sup>3</sup>	-	-193,330	-198,306	-202,117	-593,752	
Impact on GGS capital expenditure <sup>4</sup>						
If different from above, impact on total State Sector net financial liabilities <sup>5</sup>						

<sup>1</sup> Amounts should be expressed in nominal dollars. GGS - General Government Sector.

<sup>2</sup> Please provide information on other years if spending occurs outside the forward estimate years and will be required to cost the policy.

<sup>3</sup> Negative for a saving that reduces expenditure

<sup>4</sup> Negative for a reduction in capital expenditure.

<sup>5</sup> Only required if proposal is outside GGS. Negative for a reduction in net financial liabilities.

**Note:** Has the policy been costed by a third party?  
If yes, can you provide a copy of this costing and its assumptions?

<b>Key assumptions made in the policy</b>	
Does the policy relate to a previous announcement? If yes, which announcement?	N/A
What assumptions have been made in deriving the financial impacts in your estimated costing? <i>(See checklist)</i>	See Attachment A
Is there a range for the costing or any sensitivity analysis that you have undertaken?	N/A
Are there associated savings, offsets or expenses? If yes, please provide details.	See Attachment A

<b>Administration of policy</b>	
Intended date of implementation:	1 July 2015
Intended duration of policy:	Over the forward estimates
Who will administer the policy (e.g. Government entity, non-government organisation, etc.)?	Treasury
Are there any specific administrative arrangements for the policy that need to be taken into account?	N/A
Are there transitional arrangements associated with policy implementation?	N/A

<b>If the policy is mainly an expenditure<sup>6</sup> commitment</b>	
Demand driven or a capped amount:	See Attachment A
Eligibility criteria or thresholds:	See Attachment A

<b>If the policy is mainly a revenue commitment</b>	
Transaction based or capped:	
Thresholds and/or exemptions:	
Collection method:	
Additional expenditure associated with collection:	

<sup>6</sup> Expenditure is operating expenses, e.g. salaries, interest cost and grants. Expenditures are fully included in the impact on operating balance.

<b>If the policy is mainly a capital costs<sup>7</sup> commitment</b>	
Type of work, size and capacity:	
Proposed start and completion date of work:	
Intended construction schedule/cashflow:	
Offsetting expenditure savings:	
Associated asset sell off (if any):	
On-going maintenance, depreciation and operational expenses:	
Third party funding involvement:	

**Checklist for key assumptions** (please be comprehensive and include all relevant assumptions).

Assumptions could include, but are not limited to, questions such as:

- What is the expected community impact?
- How many people will be affected by the policy?
- What is the likely take up or other behavioural response you expect?
- Is there a cap on total spending proposed, a funding formula, resource agreement or other mechanism of this nature associated with the policy?
- Will third parties have a role in funding or delivering the policy (e.g. Commonwealth Government)?
- Will funding/program cost require indexation?
  - If yes, do you have any assumptions about the index that should be applied?
- What assumptions have you made about costs of administering the policy?
  - For example, will additional staff be needed in the agency responsible for the policy?
  - If you have assumptions on this, how many and at what approximate levels?
  - Are there other administrative resources required?
  - Alternatively, are you assuming administrative costs will be absorbed within the agency?

**Please note that:**

- The costing will be on the basis of information provided in this costing request.
- The PBO is not bound to accept the assumptions provided by the requester. If there is a material difference in the assumptions used by the PBO, the PBO will consult with the requester in advance of the costing being completed.
- Where the details of the policy costing request differ from the announced policy, the costing will be on the basis of the information provided in the costing request.
- These guidelines are intended to facilitate requests for costing election policies. Persons preparing such requests who wish further assistance are invited to contact the staff of the Parliamentary Budget Office.

---

<sup>7</sup> Capital costs differ from expenditure in that only depreciation will be included in the impact on operating balance. The capital cost of the asset to be acquired will however be included in net financial liabilities.



## 2015 Election Policy Costing

**Proposal Title:** 1.5% Efficiency Dividend

**Lead Agency:** Treasury

### General Government Sector Impacts

	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 Year Total \$'000
Expenses (ex. Depreciation)	0	0	0	0	0
Depreciation	0	0	0	0	0
Less: Agency Offsets	0	193,330	198,306	202,117	593,752
Agency Revenue	0	0	0	0	0
<b>Net Operating Result:</b>	0	193,330	198,306	202,117	593,752
Capital Expenditure	0	0	0	0	0
Capital Offsets	0	0	0	0	0
<b>Net Capital Expenditure:</b>	0	0	0	0	0
<b>Net Lending/Borrowing:</b>	0	193,330	198,306	202,117	593,752
<b>Net Financial Liabilities:</b>	0	193,330	391,635	593,752	

### Total State Sector Impacts

**Net Financial Liabilities:**

--	--	--	--

### Notes and costing assumptions used:

The proposal is to implement a 1.5% efficiency dividend to achieve savings of approximately \$593.8 million over four years (2014-15 to 2017-18).

Broad agency saving targets would be provided based on an efficiency dividend methodology, with savings equating to approximately 1.5 per cent of controlled agency expenses. These savings would be removed from agency budgets as part of the 2015-16 Budget process, with options for review of the relative allocation of targets in the forward estimates, if individual clusters provide greater opportunity to achieve savings.

Efficiency dividend exemptions would be applied to the Ministry of Health, the Rural Fire Service and the State Emergency Services, Education (excluding Communities), TAFE NSW and the Department of Family and Community Services.