



Size Does Matter: Committee recommends efficiency dividend relief for small agencies

Parliament's Public Accounts Committee today tabled a report recommending relief for small agencies from the efficiency dividend.

The dividend introduced in 1987-88 trims the public funding component of agencies' budgets by 1.25% per annum. For the 2008-09 year only, the Government increased the efficiency dividend by an extra 2%.

Committee Chair Sharon Grierson MP said that it was important to understand whether the dividend is having a greater impact on small agencies than the larger ones and whether after 20 years, the dividend may be leading to reductions in service – rather than genuine efficiencies – in the case of smaller agencies.

"The evidence proved that these concerns are well-founded. It is clear that the smaller agencies have greater difficulty in attracting funding for new policy proposals, and we heard repeated instances of small agencies reducing services or delaying initiatives as a result of the dividend," Ms Grierson said.

"We are particularly concerned that budget pressures exacerbated by the efficiency dividend have inadvertently restricted agencies that are independent of executive government, including the courts, the Australian National Audit Office, and the parliamentary departments."

"Additionally, major cultural institutions like the Australian War Memorial, National Gallery of Australia and National Library are being compromised in their capacity to properly fulfil their growth mandate".

"Reduced functions in regional areas and a diminished capacity for innovation were other consequences that small agencies reported during the inquiry. While the committee supports efficient and effective government spending, it is very concerned about the unintended consequences of the ongoing efficiency dividend on small agencies."

To address these concerns the Committee has made a number of recommendations, including:

- the provision of additional safeguards in the Budget process to reinforce the independence of the Auditor-General, Parliamentary departments and the courts from the Executive;
- the development of a new funding model for cultural agencies that takes into account their growth mandate; and
- that the first \$50 million of public sector agencies' appropriations should be exempt from the efficiency dividend (excluding departments of state).

"We believe these recommendations would provide some relief for small agencies at modest cost to the Budget," Ms Grierson said.