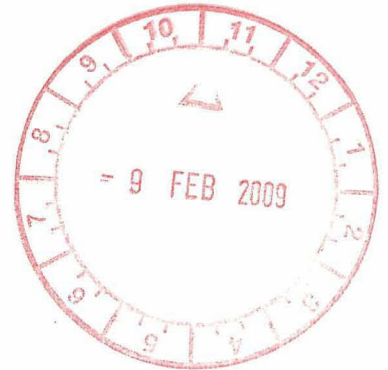




**TREASURER; MINISTER FOR COMMERCE;
SCIENCE & INNOVATION; HOUSING & WORKS**

Our ref: 30-02749
6816044

Hon Sue Ellery MLC
Acting Convener
Subcommittee Inquiry into Public Sector
Expenditure
Standing Committee on Estimates and
Financial Operations
Parliament House
PERTH WA 6000



Dear Ms Ellery

INQUIRY INTO PUBLIC SECTOR EXPENDITURE

Thank you for your letter of 18 December 2008 inviting me to provide a written submission on the matters referred to in the terms of reference of the above Inquiry, and requesting me to provide specific information relating to the implementation of the 3% efficiency dividend.

I note that a whole-of-government response on the matters referred to in the terms of reference was provided to you by the Acting Premier on 19 January 2009.

In relation to your request for information on the six questions outlined in your letter, please find attached my responses.

Yours sincerely

**TROY BUSWELL MLA
TREASURER; MINISTER FOR COMMERCE;
SCIENCE AND INNOVATION; HOUSING AND WORKS**

-3 FEB 2009

Enc.

Inquiry into Public Sector Expenditure

1. *Have Government agencies been given guidelines or instructions on how to implement a three percent efficiency dividend? If so, please detail.*

Response: Yes, please see Attachments 1 and 2.

2. *Does a three percent efficiency dividend apply to all agencies?*

Response: No, please see Attachment 3 detailing which agencies the efficiency dividend applies to, as detailed in the *2008-09 Government Mid-Year Financial Projections Statement*. In summary, the efficiency dividend applies to all appropriation-funded agencies with full-year savings from the dividend in excess of \$200,000 – agencies that had a savings target below \$200,000 are exempt from the dividend.

3. *Are parts of any agency, or services within any agency, exempt from a three percent efficiency dividend?*

Response: No, please see Attachments 1 and 2. It should be noted, however, that the expense base on which the 3% efficiency dividend is calculated excludes depreciation and great (transfer) expenses.

4. *Please explain the procedure being followed by each agency to implement a three percent efficiency dividend?*

Response: Please see Attachments 1 and 2. The Chief Executive Officer of the agency is responsible for considering how the efficiency dividend will be achieved in consultation with their Minister. This will then be considered by the Economic and Expenditure Reform Committee of Cabinet as part of the 2009-10 Budget process.

5. *Are agencies required to report to the relevant Minister or yourself on how they propose to implement the dividend? If yes, when are these due?*

Response: Yes, please see Attachment 2. Ministerially-endorsed submissions were due to the Department of Treasury and Finance by 16 January 2009.

6. *When will the three percent efficiency dividend be implemented?*

Response: Savings targets have been calculated with effect from 1 January 2009, meaning that agencies and Ministers are required to deliver half-year savings in 2008-09, with the first full year of savings in 2009-10.

Summary of Attachments

Attachment 1

- Implementation of 3% Efficiency Dividend Circular dated 16 October 2008.

Attachment 2

- Extract from 2009-10 Budget Circular dated 24 November 2008.

Attachment 3

- 3% efficiency dividend – allocation by agency.

Our ref : 6816363
 Enquiries : Glen Colling
 Telephone : 9222 9326

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 «Title»
 «Official_Agency_Name__Process_Name»
 «Address_1_»
 «Address_2_»
 «ADDRESS_3_»

Dear «Salutation»

IMPLEMENTATION OF 3% EFFICIENCY DIVIDEND

At its meeting of 13 October 2008, Cabinet endorsed the implementation of the 3% efficiency dividend with effect from 1 January 2009. Please note that the Cabinet-endorsed savings for your agency are as follows:

	2008/09 \$'M	2009/10 \$'M	2010/11 \$'M	2011/12 \$'M	Total \$'M
Expense and Appropriation Reduction	«M_200809_Saving»	«M_200910_Saving»	«M_201011_Saving»	«M_201112_Saving»	«M_4_Year_Total_Saving»

It would be appreciated if you could arrange for the necessary expense and appropriation adjustments to be raised in the Treasury Information Management System (TIMS) to reflect Cabinet's decision by 31 October 2008. These adjustments will then be reflected in the 2008-09 mid-year review. Please note that, consistent with Cabinet's decision, depreciation and grant expenses have been excluded from the calculation of the above amounts.

To deliver these savings, agencies are encouraged to: carefully assess the need to fill currently vacant positions and positions that become vacant due to natural attrition; examine the scope for ceasing low priority activities; and identify opportunities for more cost effective delivery of services. Savings should not be harvested from revenue-generating activities, or from priority service delivery areas that are essential to the achievement of key Government desired outcomes, particularly election commitments.

The Cabinet meeting of 13 October 2008 also endorsed, in principle, that all election commitments will be reflected in the 2008-09 mid-year review. It is anticipated that Cabinet will shortly consider costings for individual commitments. Once endorsed by Cabinet, these election commitment costings will be forwarded to your Chief Finance Officer so that the required TIMS adjustments can be raised.

Furthermore, please be aware that the election commitments include reductions in spending on media and marketing, advertising and consultants. These will also be notified to you as soon as possible and incorporated in the mid-year review.

Thank you in advance for your assistance with this matter. Should you have any queries, please contact your agency's Department of Treasury and Finance analyst.

Yours sincerely

Michael Barnes
A/DEPUTY UNDER TREASURER

16 October 2008

Our ref : 6816363
Enquiries : Glen Colling
Telephone : 9222 9326

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«Title»
«Official_Agency_Name__Process_Name»
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2009/10 BUDGET PROCESS

I am writing to provide you with information relating to the 2009/10 Budget process.

Against a backdrop of significant fiscal challenges over the forward estimates and beyond, Cabinet recently endorsed a 2009/10 Budget strategy and process that will focus on the following issues:

- implementation of election commitments;
- achievement of the 3% efficiency dividend; and
- consideration of the respective outcomes and recommendations from the Government's Economic Audit and Capital Works Audit.

As part of the Cabinet endorsed process, Ministers have been requested to submit information to the Economic and Expenditure Reform Committee (EERC) in relation to:

- any issues associated with the implementation of approved election commitments; and
- an outline of the programs and services that will be adjusted in achieving the 3% efficiency dividend from agencies within their portfolio.

Ministerially signed submissions have been requested to be provided to the Department of Treasury and Finance (DTF) by no later than Friday, 16 January 2009.

The scope of the 2009/10 Budget process specifically excludes consideration of cost pressures or new initiatives other than those associated with implementation of the election commitments and the 3% efficiency dividend. As such, current policy cost pressures or new initiatives must be absorbed and funded from within existing resource allocations, if considered a priority by your Minister.

In relation to the Government's Capital Works Audit (see the Capital Works attachment to this letter), agencies are requested to suspend work on any new capital project with a pre-tender estimate greater in value than \$20 million that is at, or in the process of going to tender. Projects with a pre-tender estimate of less than \$20 million may still go to tender, however in the event that an accepted bid exceeds the pre-tender estimate, the increase will need to be met from scope changes to the project and/or from within the agency's currently approved funding and net debt limits.

As you will be aware the review of Tariffs, Fees and Charges (TF&C), together with Capital Investment Plans which are normally dealt with as part of the Budget Circular, were mentioned previously in the letter to agencies on 2008/09 Mid-year Review Process. As also outlined in the Mid-year Review Circular, changes to agency outcome structures for the 2009/10 Budget will need to be submitted to the Outcome Structure Review Group by the 12 December 2008.

Further details of the 2009/10 Budget process, including the templates to be used for submissions, are outlined in the attachments. As with every annual budget process, DTF relies heavily on the support and assistance of all agencies to deliver a budget that meets the requirements of the Government.

Your assistance to achieve this outcome would be greatly appreciated.

Yours sincerely

Michael Barnes
A/DEPUTY UNDER TREASURER

24 November 2008

3% Efficiency Dividend Template

The purpose of this submission is to clearly outline to Government the measures proposed by each agency to achieve the 3% efficiency dividend. The actual efficiency dividend was outlined in a letter dated 16 October 2008 from the Department of Treasury and Finance to your agency.

In preparing the submission, agencies should:

- follow the structure and format of the template and limit the length of each submission on individual saving measures to one page ;
- the sum of all saving measures should reconcile with the total dividend as previously approved by Cabinet and advised by DTF; and
- clearly explain the impact on service delivery of the critical core business objectives.

2009/10 BUDGET SUBMISSION – ACHIEVEMENT OF THE 3% EFFICIENCY DIVIDEND

MINISTER FOR

SUBMITS TO THE ECONOMIC AND EXPENDITURE REFORM COMMITTEE

Responsible Agency:.....

	2008/09 \$'000	2009/10 \$'000	2010/11 \$'000	2011/12 \$'000	2012/13 \$'000
(i) Cabinet endorsed 3% efficiency dividend	-	-	-	-	-
1. Saving measure A	-	-	-	-	-
2. Saving measure B	-	-	-	-	-
3. Saving measure C	-	-	-	-	-
(ii) TOTAL.....	-	-	-	-	-

Note: efficiency dividend at (i) should equal the total savings at (ii).

1. Saving Measure A

Description:

Impact on Service Delivery

2. Saving Measure B

Description:

Impact on Service Delivery

3. Saving Measure C

Description:

Impact on Service Delivery

For further details on this proposal, please contactinsert Agency contact details

3% Efficiency Dividend - Allocation by Agency

	2008/09	2009/10	2010/11	2011/12	
	\$'m	\$'m	\$'m	\$'m	
Agriculture & Food	2.7	5.0	5.0	5.2	
Attorney Generals Dept	4.5	9.2	9.5	9.5	
Botanic Gardens & Parks Authority	0.2	0.5	0.5	0.5	
Central TAFE	1.0	1.9	1.9	2.0	
Central West College	0.2	0.4	0.4	0.4	
Challenger TAFE	0.5	1.0	1.0	1.0	
Chemistry Centre WA	0.2	0.4	0.4	0.4	
Commissioner of Main Roads	4.8	11.2	11.7	12.7	
Consumer & Employment Protection	1.6	3.4	3.4	3.5	
Corruption & Crime Commission	0.3	0.7	0.8	0.9	
Country High School Hostels Authority	0.2	0.4	0.4	0.4	
Culture & The Arts	1.2	2.6	2.7	2.7	
Curriculum Council	0.3	0.5	0.6	0.6	
CY OConnor College	0.1	0.3	0.3	0.3	
Dept for Child Protection	4.4	9.1	9.8	10.2	
Dept for Communities	0.5	1.3	1.1	1.0	
Dept of Corrective Services	7.6	15.5	15.8	16.4	
Dept of Water	1.2	2.2	2.1	2.1	
Disability Services Commission	2.1	4.3	4.4	4.5	
Economic Regulation Authority	0.1	0.3	0.3	0.3	
Education & Training	45.6	93.6	96.3	99.3	
Education Services	0.5	1.1	1.1	1.1	
Environment & Conservation	4.0	7.7	7.7	7.7	
Fire & Emergency Services Authority	2.6	5.5	5.8	6.0	
Fisheries	0.8	1.5	1.5	1.6	
Great Southern College	0.2	0.3	0.3	0.3	
Health	59.9	126.2	132.5	139.5	
Housing & Works	0.5	1.0	1.1	1.1	
Housing Authority	2.0	3.4	2.8	0.7	
Indigenous Affairs	0.4	0.7	0.7	0.7	
Industry & Resources	1.8	4.0	3.7	3.5	
Kimberley College	0.1	0.3	0.3	0.3	
Land Information Authority	1.6	3.3	3.5	3.6	
Legislative Assembly	0.4	0.8	0.8	0.8	
Legislative Council	0.2	0.5	0.5	0.5	
Local Government & Regional Development	0.2	0.5	0.5	0.5	
Office of Energy	0.4	0.5	0.5	0.5	
Office of the Auditor General	0.2	0.5	0.5	0.5	
Office of the Director of Public Prosecutions	0.4	0.9	0.9	0.9	
Parliamentary Services Department	0.2	0.3	0.3	0.4	
Pilbara College	0.3	0.6	0.6	0.6	
Planning & Infrastructure	3.8	7.8	7.7	7.9	
Premier & Cabinet	2.0	4.3	3.9	4.0	
Public Transport Authority	5.2	10.9	11.3	12.1	
Racing, Gaming & Liquor	0.1	0.3	0.3	0.3	
Registrar, WA Industrial Relations Commission	0.2	0.3	0.3	0.3	
Small Business Development Corporation	0.1	0.3	0.3	0.2	
South West Regional College	0.3	0.6	0.6	0.6	
Sport & Recreation	0.3	0.6	0.6	0.6	
Swan College	0.9	1.8	1.8	1.9	
Swan River Trust	0.1	0.3	0.3	0.3	
Treasury & Finance	2.5	5.1	5.2	5.5	
WA Electoral Commission	0.3	0.3	0.2	0.3	
WA Planning Commission	0.5	1.1	1.2	1.2	
WA Sports Centre Trust	0.3	0.7	0.7	0.7	
WA Tourism Commission	0.9	1.6	1.7	1.6	
West Coast College	0.4	0.8	0.8	0.9	
Western Australia Police	12.5	25.4	25.9	26.4	
Zoological Parks Authority	0.2	0.5	0.5	0.5	
TOTAL	186.6	386.1	397.3	410.0	1,380.0

Note:

1. The total of \$1,380m is slightly lower than the figure in the MYR (p.7) due to rounding error.
2. Amounts shown against agencies in the table represent reductions to spending by the agency which leave the general government sector. In some instances, agencies have met their efficiency dividend target by reducing internal spending (such as motor vehicle lease payments). Such internal savings are immaterial.