



Australian Government: Recent budgeting developments

1. Medium-term fiscal strategy and mid-year economic and fiscal outlook
2. Establishment of Parliamentary Budget Office
3. Financial and Accountability Review
4. Measures to enhance efficiency

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December 2012



Medium-term fiscal strategy

- On average: achieve budget surpluses and keep taxation receipts below 23.7 per cent of GDP (the 2007-08 level)
- Improve the Government's net financial worth
 - Aim: fiscal sustainability

Additional strategies for fiscal consolidation post GFC:

- Hold growth in spending to 2 per cent per year in real terms on average until the surplus reaches at least 1 per cent of GDP while the economy is growing at or above trend
 - Offset all new spending and adjust spending priorities
- 'Bank' any improvement in tax receipts associated with this economic recovery to improve the budget position



2012-13 Budget (May 2012)

- Budget surplus of 0.1 % of GDP in 2012-13, following a deficit of nearly 3.0 per cent of GDP in 2011-12
- Further write-down in tax receipts (A\$18.4 billion over four years) due to a weaker economic outlook
- A\$33.6 billion in savings (gross), about half on the expenditure side
- New minerals resource rent tax, expanded petroleum resource rent tax and carbon tax
- Compensation to low-income groups for carbon tax



Mid-Year Economic and Fiscal Outlook (October 2012)

Since May 2012:

- Downward revisions to terms of trade, GDP growth (nominal and real) and employment growth
- Taxation receipts revised down (by a further \$20 billion over four years)
- Government commitment to achieving savings
- **Monetary policy** – official cash rate 3.00%, down from 4.25% a year ago



Australian Government: Key Fiscal Indicators and Forecasts (Mid-year Review: October 2012)

	2011-12	2012-13	2013-14
	Outcome	Estimate	Estimate
Budget balance (underlying cash) (% of GDP)	-2.9	0.1	0.1
Net debt (federal) (% of GDP)	10.0	9.4	9.0
Taxation receipts (% of GDP)	21.0	22.2	23.0
Real growth in budget payments (%)	4.8	-4.4	4.4
Growth in real GDP (%)	3.5	3.0	3.0
Growth in nominal GDP (%)	5.1	4.0	5½
Change in terms of trade (%)	0.4	- 8.0	- 2¾



Savings measures: mid-year review 2012/13

Gross savings of A\$16.4 billion over four years since 2012-13 May Budget

- Private health insurance subsidy (-A\$1.1 billion)
- Baby bonus (-A\$0.5 billion)
- Monthly tax payments by large businesses instead of quarterly (A\$8.3 billion)
- Tax compliance (A\$2.5 billion)



Agencies' own operational spending: efficiency measures

- Efficiency dividend levied on most Australian Government agencies lifted to 4.0 per cent in 2012-13 (from 1.5 per cent)
 - Estimated savings of A\$1.5 billion over three years
- Additional savings of A\$550 million over the forward estimates (travel, consultants, etc)
- Cross agency efficiency working group



Parliamentary Budget Office (PBO)

- Commenced operations on 23 July 2012
 - Mr Phil Bowen PSM is the inaugural Parliamentary Budget Officer; resourced for 30-35 staff
 - New member of the OECD network of parliamentary budget officers
- The PBO's role:
 - To **inform** the Australian Parliament
 - To provide **independent and non-partisan** analysis of the budget cycle, fiscal policy and the financial implications of new spending and revenue proposals, including election promises.



Commonwealth Financial and Accountability Review (CFAR)

- Review of financial framework- began December 2010
 - Funding arrangements, legislation, governance, performance, accountability
- Discussion Paper ***Is Less More?*** March 2012
<http://www.cfar.finance.gov.au/discussion-paper/>
- Extensive consultation process across government
- Position Paper ***Sharpening the Focus*** November 2012
<http://www.cfar.finance.gov.au/position-paper/>



Commonwealth Financial and Accountability Review (CFAR) - Principles

1. Government should operate as a coherent whole
2. Being accountable for performance – and not just financial performance
3. Engaging with risk is a necessary step in improving performance
 - Earned autonomy – risk based approach to regulation
 - Joining up
 - Simplification