

1.6 2012-13 BUDGET SAVINGS

Overview

The 2012-13 Budget incorporates savings of around \$180.5 million in agency expenditures. These savings will be achieved through a mix of reductions in administrative costs, employee expenses and improving the efficiency of back office functions.

Savings in administrative costs will be achieved through reducing input costs such as travel, accommodation, fleet, printing, stationery, advertising and marketing.

Savings in employee expenses will largely be achieved through the redirection of costs and resources to higher areas of need and new priority initiatives.

Savings from Extending the Operating Life of ICT Equipment will reduce the operating costs and environmental impacts.

Agencies will have a year to achieve the other agency savings allowing time to review structures, processes and procedures and identify appropriate measures against the future savings targets.

The savings task will be supported by the formation of a Better Service – Better Practice Advisory Group to develop advice to assist the Government in making decisions on Public Sector reform that will ensure government services are effective and affordable.

By constraining growth in expenditure, it allows the Government to continue delivering essential, high priority services to the Territory and address increasing demand in areas of high need.

Further reprioritisation of program expenditures will consist of redirecting resources from lower priority programs by ceasing less important initiatives from past budgets, to invest in higher priority initiatives.

Overall, with the assistance of savings incorporated in this and previous Budgets, the underlying expenditure trajectory has been lowered with compound annual average growth rate over the Budget and forward estimates period being reduced by around 1 per cent per annum, in line with the Government's revised plan to return the budget to surplus by 2015-16.

In order to meet the challenges of a restrained fiscal environment, the Government has sought to continuously improve the operations, functions and services delivered by the ACT public service. A major step forward in this regard was to look at some of the macro governance and structural issues that would suit our unique form of government in the ACT.

Over a year ago the “Governing Our City State” Report set out ways of organising the public service and improving the way we work. Much has been achieved to put in place the main structural elements that enable collaborative endeavours across the public service.

The next step is to position the public service so that it is achieving value for money, provides quality services, is innovative and manages change effectively. In order to achieve this a Better Service – Better Practice Advisory Group will be established to develop advice to assist the Government in making decisions on Public Sector reform that will ensure Government services are effective and affordable. The Advisory Group will be drawn from industry, community and government.

The ACT Public Service is a size and type that makes service delivery a natural focus. Consequently continuous improvement and desire to innovate need to be fostered. In this regard the Advisory Group will provide positive options for change.

Savings Initiatives

The savings initiatives introduced in this Budget total \$180.5 million over four years. These initiatives broadly involve:

- savings in administrative costs of \$37.3 million, through continuing to improve the efficiency of back office functions and reducing input costs such as travel, accommodation, fleet, printing, stationery, advertising and marketing expenditure;
- savings in employee costs of \$73.9 million, through the redirection of resources to higher areas of need and new priority initiatives;
- savings from extending the operating life of ICT Equipment \$4.8 million;
- future agency savings of \$45.9 million; and
- reprioritisation of program expenditures of \$18.6 million, achieved through the cessation of lower priority program and initiatives from past budgets, to invest in higher priority activities and service delivery.

Table 1.6.1 below provides a summary of savings. Specific savings initiatives are further discussed in Chapter 6.3: *Savings Initiatives*.

**Table 1.6.1
Saving Initiatives**

Saving Initiatives	2012-13	2013-14	2014-15	2015-16	Total
	\$m	\$m	\$m	\$m	\$m
Travel and Accommodation	0.8	1.2	1.3	1.3	4.6
Printing and Stationery	1.7	1.8	1.8	1.9	7.2
Consultants and Contractors	3.0	3.7	3.8	3.9	14.4
Recruitment and Training	0.9	0.9	0.9	1.0	3.7
Advertising and Marketing	0.8	1.3	1.3	1.3	4.7
Fleet Savings	0	0.3	0.6	0.6	1.5
LDA Selling and Employee Expenses	0.3	0.3	0.3	0.3	1.2
Extending the Operating Life of ICT Equipment	0	1.6	1.6	1.6	4.8
Employee Expenses	17.0	19.0	18.8	19.1	73.9
Other Agency Savings	0	7.4	15.4	23.1	45.9
Total Agency Savings	24.5	37.5	45.8	54.1	161.9
Ceasing Initiatives (Program Reprioritisation)	2.3	4.4	4.5	7.3	18.6
Total 2012-13 Budget Savings	26.8	41.9	50.3	61.4	180.5

Note: Table may not add due to rounding.

Reducing Administrative Costs

The Government is seeking efficiencies in the inputs consumed in delivering services. A range of expenditure categories will be targeted for reduction. These include travel, accommodation, printing, stationery, recruitment, advertising, marketing and fleet costs.

Reducing expenditure in these categories not only has the benefit of improving the efficiency and productivity of services delivered to the community, but also has environmental benefits.

Limiting Growth in Employee Expenses

There continues to be growth in the public service consistent with growth in the demand for essential services and new policy initiatives.

To constrain the overall growth of the public service, savings from employee expenses will again be sought in 2012-13. Employee savings of \$17 million in 2012-13 are estimated to reduce the public service by around 180 FTEs. A reduction in executive numbers will also be targeted over the Budget and forward estimates.

In general, these savings will be achieved through normal staff turnover, reduced contractor expenditure and targeted redundancies to be provided through a voluntary redundancy process. There will be no involuntary redundancies.

Extending the Operating Life of ICT Equipment

The aim of this initiative is to reduce the operating cost and environmental impact of ICT equipment, particularly desktop computers, laptops and monitors through better lifecycle management and extending the operating life of existing equipment.

Other Agency Savings

Additional productivity improvements will provide savings in the order of \$45.9 million over the period 2013-14 to 2015-16.

Agencies will have a year to review structures, operations, processes and procedures and identify appropriate measures against the savings targets.

A Better Service – Better Practice Advisory Group will be formed to oversee this process, and to develop advice to assist the Government in making decisions on Public Sector reform, that will ensure services are effective and affordable.

Program Reprioritisation

The Government is redirecting resources from lower priority non-essential programs, those programs that are no longer required, or those that are returning little benefit to the community. The financial resources and possible staff from these programs will be redirected to areas of higher priority.