

1.5 2011-12 BUDGET SAVINGS

Overview

The 2011-12 Budget incorporates savings of around \$217 million over four years.

The efficiency dividend introduced in the 2010-11 Budget comes into effect on 1 July 2011. This will deliver savings of \$66.6 million over four years.

The Budget incorporates further savings of \$150.7 million in agency expenditures. These savings will be achieved through a mix of administrative and employee costs, improving the efficiency of back office functions, and efficiency in land development.

Savings in administrative costs will be achieved through reducing input costs such as travel, accommodation, fleet leasing, electricity usage, printing and stationary.

Following the completion of the review and mapping by the Expenditure Review and Evaluation Committee, Human Resource and Finance business processes will be further streamlined, delivering the second round of efficiencies in Shared Services.

Efficiency improvements are also being targeted in land development and release activities. The Land Development Agency is being placed on the same footing as its competitors, with an appropriate interest charge being introduced for access to land. The agency is required to meet this through improvement in efficiency.

Overall, Full Time Equivalent (FTE) staff will only grow by around 110. New policy initiatives are expected to increase staffing by around 320 FTE staff. The Government intends, however, to limit the growth in the public service through further efficiencies in allocation of staffing resources.

These will be achieved under the auspices of the Strategic Board, through cross-portfolio and whole of government service delivery approaches, and reducing duplicated processes.

The Expenditure Review and Evaluation Committee will continue to provide assistance to agencies in identifying potential savings, and in implementing more efficient business processes.

Staffing reductions of around 210 FTEs are expected, which will be achieved through normal staff turnover while business processes are reconfigured and targeted redundancies. There will be no involuntary redundancies.

Along with the savings incorporated in previous Budgets, the savings in this Budget lower the underlying expenditure trajectory by around $\frac{3}{4}$ per cent per annum, in line with the Government's plan to return the budget to surplus.

Efficiency Dividend

The efficiency dividend was introduced as part of the Budget Plan to address the deficit by identifying savings targets, while ensuring core services are maintained to a high standard.

The dividend introduced in the 2010-11 Budget becomes effective on 1 July 2011. The dividend does not impact new initiatives introduced in the last three Budgets or Commonwealth Grants.

The dividend was applied at a rate of 0.5 per cent in 2011-12, 0.75 per cent in 2012-13, and 1 per cent in 2013-14 for agencies with GPO appropriation of less than \$20 million. For agencies with a GPO appropriation of greater than \$20 million, a rate of 1 per cent in 2011-12, 1.5 per cent in 2012-13, and 2 per cent in 2013-14 was applied.

In principle, efficiency dividends should not impact on the level and quality of services, and agencies are expected to identify measures that reduce operating costs for the same outputs.

Measures to deliver the efficiency dividend were considered by the Budget Committee of Cabinet, with advice from the Expenditure Review and Evaluation Committee.

Most agencies identified measures to meet the 2011-12 Dividend. However, the Education and Training Directorate and the Community Services Directorate were unable to meet their respective dividend due to the potential risks on the delivery of front line services. These Directorates are being accorded additional time to undertake further work, with assistance from the Expenditure Review and Evaluation Committee, to identify efficiency measures.

Table 1.5.1 below provides a summary of the efficiency dividend to be applied to agencies.

Table 1.5.1
Efficiency Dividend

	2011-12	2012-13	2013-14	2014-15
	\$'000	\$'000	\$'000	\$'000
Chief Minister's Directorate	-376	-516	-652	-652
Territory and Municipal Services Directorate	-1,777	-2,730	-3,759	-3,759
Economic Development Directorate	-336	-569	-811	-811
Treasury Directorate	-312	-477	-652	-652
Shared Services	-38	-59	-80	-80
Justice and Community Safety Directorate	-1,995	-3,033	-4,142	-4,142
Sustainable Development Directorate	-576	-876	-1,193	-1,193
Education and Training Directorate	-3,978	-6,122	-8,366	-8,366
Community Services Directorate	-1,650	-2,522	-3,446	-3,446
Housing ACT	-90	-138	-188	-188
Housing ACT (own source revenue)	-1,000	-1,000	-1,000	-1,000
ACT Gambling and Racing Commission	-22	-34	-46	-46
ACT Insurance Authority (own source revenue)	-15	-23	-31	-31
Canberra Institute of Technology	-661	-1,007	-1,377	-1,377
Cultural Facilities Corporation	-38	-58	-79	-79
Legal Aid Commission	-19	-29	-40	-40
Original Saving to Government	-12,883	-19,193	-25,862	-25,862
<i>Efficiency Dividend Reinstated</i>				
Education and Training Directorate	3,578	3,578	3,578	3,578
Community Services Directorate	1,451	1,451	0	0
Updated Saving to Government 2011-12 Budget	-7,854	-14,164	-22,284	-22,284

Note: Table may not add due to rounding.

The efficiency dividend was not applied to ACT Health, the Public Trustee, the Independent Competition and Regulatory Commission, the Legislative Assembly and the Auditor General.

Since its adoption, the growth funding envelope for ACT Health has incorporated a 2 per cent per annum efficiency improvement target. This has been adjusted to align with other agencies, following its achievement of unit costs close to benchmarks.

From 2011-12, the efficiency dividend is incorporated in the Health growth envelope. Further information in this regard is provided in Chapter 4.2: Expenditure Initiatives.

Savings Initiatives

The savings initiatives introduced in this Budget total \$150.7 million over four years.

The initiatives broadly involve:

- reducing administrative inputs consumed in delivering outputs and services;
- further streamlining business processes, and improving back office efficiency;
- improving efficiency in land development; and
- limiting growth in staffing numbers.

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, electricity usage, and fleet.

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

Streamlining Business Processes

During 2010-11, the Expenditure Review and Evaluation Committee completed, amongst its other work, a business process mapping of Human Resource and Finance functions in Shared Services.

The mapping also scoped potential improvement in the efficiency of transaction processing through changes to the Management Operating System, the removal of duplicate processes and systems along with better utilising technology, and changes to staffing structure.

Potential savings in the order of \$4.5 million per annum have been identified. These second round efficiency improvements will be implemented in 2011-12.

A similar mapping of processes and procedures, and scoping of potential improvement in Canberra Connect has commenced.

During 2011-12, besides implementing the process improvements in Shared Services identified by the Expenditure Review and Evaluation Committee, agencies will be provided similar assistance to analyse their internal processes, in order to reduce duplication and increase the efficiency of transaction processing.

Improving Efficiency in Land Development

These initiatives specifically relate to the Land Development Agency. The Land Development Agency is being placed on a similar footing as the private sector land developers through the introduction of interest charges relating to its access to engloba land.

The holding costs being introduced in the Budget will be met through improvement in efficiency. Savings will also be achieved in marketing and legal costs, the latter service being provided by the ACT Government Solicitor.

Limiting Growth in Staffing

New policy initiatives are expected to increase staffing by around 320 FTEs. The Government, however, intends to limit the growth in the public service, and has sought more efficient and productive processes.

Improvements in the efficiency of business processes and transactions, such as those discussed above, will reduce the requirement for staffing as the reform is implemented.

Besides the streamlining of business processes, staff reductions will also be achieved through cross-portfolio approaches to policy development, and service delivery.

Staffing reductions from improving the efficiency of back office functions as well as in agency services are estimated at around 210 FTEs. In general, these will be achieved through the normal staff turnover during the process reconfiguration. Where appropriate, targeted redundancies will be provided through a voluntary redundancy process. There will be no involuntary redundancies.

The review of the ACT Public Service has identified considerable potential for improved collaboration and alignment of effort. The new structure, under the auspices of the Strategic Board, will assist in not only improving the effectiveness of the public service, but also its efficiency. The Strategic Board will be tasked with advising the Government on the achievement of the overall efficiency and staffing objectives.

Table 1.5.2 below provides a summary of savings. Specific savings initiatives are further discussed in Chapter 4.3.

Table 1.5.2
Saving Initiatives

Saving Initiatives	2011-12	2012-13	2013-14	2014-15
	\$m	\$m	\$m	\$m
Travel and Accommodation	0.6	0.7	0.7	0.7
Printing and Stationery	1.9	1.9	2.0	2.0
Consultants and Contractors	2.0	4.5	4.5	4.5
Shared Services: HR/Finance	2.0	4.5	4.5	4.5
Recruitment and Training	1.0	1.0	1.0	1.0
Electricity Usage	2.3	2.3	2.4	2.5
Efficiency in Land Development	5.6	5.9	5.0	7.2
Fleet Leasing	0.5	0.5	0.5	0.5
LDA Savings	2.0	2.0	2.0	2.0
Staff Savings	15.0	15.4	15.6	15.8
Total General Savings	33.0	38.7	38.2	40.7

Note: Table may not add due to rounding.