



## Parliamentary Budget Office - Election Policy Costing

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Proposal Title: Reducing Procurement Spending, Saving Taxpayer Dollars

Cluster: Treasury

### General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	(122,617)	(176,256)	(205,022)	(503,895)
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue	-	-	-	-	-
<b>Net Operating Balance:</b>	-	<b>122,617</b>	<b>176,256</b>	<b>205,022</b>	<b>503,895</b>

Capital Expenditure	-	-	-	-	-
Capital Offsets	-	-	-	-	-
<b>Net Capital Expenditure:</b>	-	-	-	-	-

<b>Net Lending/(Borrowing):</b>	-	<b>122,617</b>	<b>176,256</b>	<b>205,022</b>	<b>503,895</b>
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### Total State Sector Impacts

<b>Net Lending/(Borrowing):</b>	-	<b>122,617</b>	<b>176,256</b>	<b>205,022</b>	<b>503,895</b>
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### Notes and costing assumptions

The policy proposes to deliver whole-of-government administrative and procurement savings over the next four years from 1 July 2019, including savings in:

- consultants expenses by 20% each year from 2019-20 (excluding capital-related consultancy expenses)
- public service senior executive expenses by 10% each year from 2019-20 (excluding health, police, teaching, transport and crown services executives in Sydney Trains and NSW Trains)
- advertising expenses by \$30m
- legal expenses by 10% (excluding capital-related legal expenses)
- travel expenses by \$40 million
- various ICT, and other procurement savings.

The PBO estimates that the policy would generate savings of up to \$503.9 million over the forward estimates and \$728.9 million by 2022-23 (see table below).

	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	2022-23 \$'000	Forward Estimates \$'000	Total by 2022-23 \$'000
Senior executives	-32,968	-62,126	-63,679	-65,271	-158,772	-224,043
Legal	-5,139	-4,174	-3,468	-2,882	-12,781	-15,662
Consultants	-24,511	-24,206	-26,356	-24,549	-75,073	-99,622
Advertising	-30,000	-30,750	-31,519	-32,307	-92,269	-124,576
Travel expenses	-10,000	-20,000	-30,000	-40,000	-80,000	-100,000
Treasury and Finance Cluster - other procurement related opportunities	-20,000	-35,000	-50,000	-60,000	-105,000	-165,000
<b>Total</b>	<b>-122,617</b>	<b>-176,256</b>	<b>-205,022</b>	<b>-225,009</b>	<b>-503,895</b>	<b>-728,904</b>

**Notes and costing assumptions continued:**

**Travel expenses**

The PBO estimates that reducing travel by \$40 million would generate savings totalling up to \$60 million over the forward estimates, and \$100 million by 2022-23. This is based on advice from Treasury on the recurrent total travel spend. Treasury has phased in the reduction by \$10 million in 2019-20, rising to \$40 million in 2022-23 (see table below).

	2019-20	2020-21	2021-22	2022-23	Forward Estimates	Total by 2022-23
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Travel expenses	-10,000	-20,000	-30,000	-40,000	-60,000	-100,000

The phasing reflects NSW Procurement's advice that there is currently scope to reduce \$31 million of the \$340 million in government travel expenses. The PBO considers this approach to be a reasonable approach in implementing the savings.

**Advertising expenses**

The PBO estimates that reducing advertising by \$30 million for four years would generate savings totalling up to \$92.3 million over the forward estimates, and \$124.6 million by 2022-23 (see table below). This estimate is based on Treasury's approach to reduce expenses by \$30 million in 2019-20. This includes indexation of 2.5% per year, which the PBO considers to be a reasonable measure of future prices changes for advertising expenses.

	2019-20	2020-21	2021-22	2022-23	Forward Estimates	Total by 2022-23
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Advertising expenses	-30,000	-30,750	-31,519	-32,307	-92,269	-124,576

**Consultancy expenses**

The PBO estimates that reducing expenditure by 20% would generate savings totalling up to \$75.1 million over the forward estimates, and \$99.6 million by 2022-23. This is based on Treasury's advice from January 2019 on the General Government Sector's recurrent consultancy expenses from 2019-20 (see table below). The PBO has applied the reduction of 20% for each of the years' expenses.

	2019-20	2020-21	2021-22	2022-23	Forward Estimates	Total by 2022-23
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurrent consultancy expenses	122,555	121,030	131,780	122,745	375,365	498,110
Impact of 20% reduction	-24,511	-24,206	-26,356	-24,549	-75,073	-99,622

**Other procurement savings**

Treasury reviewed \$410 million in potential savings in the following areas, between 2019-20 and 2022-23, including:

- information and communications technology (ICT) (\$227.7 million)
- residual procurement initiatives for waste management, utilities, office furniture, printing, medical expenses, salary packaging and removalists etc. (\$104 million)
- fleet expenses (\$28 million)
- Supply Demand Management (\$20 million)
- individual contract reviews (\$15 million)
- internal learning and development (\$15 million).