

PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

Referred by:	Australian Labor Party	Proposal No:	C794	
Date Referred:	6/12/2022	Date Published:	20/03/2023	
Proposal Title:	Cutting waste – reduce spending on consultants by \$35 million per annum			
Cluster:	Treasury			

General Government Sector Impacts

	2022-23 \$'000	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	4 year Total \$'000
Expenses (ex. depreciation)		(27,038)	(37,132)	(38,153)	(102,323)
Depreciation					
Less: Offsets					
Revenue					
Net Operating Balance:		27,038	37,132	38,153	102,323

Capital Expenditure				
Capital Offsets				
Net Capital Expenditure:				
Net Lending/(Borrowing):	27,038	37,132	38,153	102,323
Total State Sector Impacts				

Total State Sector Impacts

Net Lending/(Borrowing):	27,038	37,132	38,153	102,323

Notes and costing assumptions:

The proposed policy is to reduce expenditure on all consultants in the general government sector by \$35 million per annum. The PBO has costed this policy as delivering savings of \$102.3 million over the period to 2025-26.

Assumptions

The PBO has assumed:

- Total recurrent expenditure on consultants of \$175 million per annum, indicating there is scope for savings of the level proposed.
- Agencies would implement strategies to deliver savings from 1 July 2023.
- Existing consulting contracts would be honoured and therefore savings in the first year would be only 75 per cent of the annual saving target of \$35 million.
- The proposed savings target has been increased annually by CPI.
- Consultancy spending included in capital projects is outside the scope of the proposed policy.

The proposed cut in consultancy expenditure represents around a 20 per cent reduction in spending against the actual spend figures across 2020-21, sourced from agency annual reports.

Significant recurrent consultancy expenditure is concentrated in a small number of agencies as shown in the following table:

Agency	2019-20 \$mill	2020-21 \$mill
Department of Education	9.1	4.5
Department of Planning, Industry and Environment	8.5	10.8
Independent Liquor and Gaming Authority	12.1	10.1
Infrastructure NSW	17.5	43.6
Ministry of Health	31.1	19.7
State Insurance Regulatory Authority	9.3	9.3
Treasury	40.3	18.7
Transport for NSW	27.3	12.1
Other	33.4	34.9
Total	189.9	162.1

Significant Consultancy Expenditure by Agency

A reduction in consultancy expenditure could affect the timing and delivery of key projects in these agencies.

Background

Consultancy expenses represent the costs of engaging an individual of organisation on a temporary basis to provide high-level specialist advice.

Estimates of total expenditure on consultants across the general government sector are not readily available. Estimates from the Report <u>2021-22 NSW Report on State Finances | NSW Treasury</u> put the total cost of consultants in 2020-21 at \$131 million and in 2020-21 at \$147 million. Research by the PBO based on agency annual reports shows total spending on consultants in 2020-21 of \$190 million and \$162 million in 2019-20 – See attached table in the appendix.

Risks

Savings on consultants may result in delay in delivery of key government priorities and projects. To avoid this, agencies may need to employ additional in-house staff, reducing the level of savings that can be achieved.