



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party
Date Referred: 26/03/2014

Proposal No: A394
Date Published: 27/03/2014

Proposal Title: **ADDITIONAL SAVINGS AND OFFSETS**

Cluster:

General Government Sector Impacts

	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 Year Total \$'000
Expenses (ex. depreciation)		(7,620)	(10,840)	(10,320)	(28,780)
Depreciation					-
Less: Offsets		72,920	115,780	123,320	312,020
Revenue		54,500	59,500	59,500	173,500
Net Operating Result:	-	135,040	186,120	193,140	514,300

Capital Expenditure					-
Capital Offsets					-
Net Capital Expenditure:	-	-	-	-	-

Net Lending/(Borrowing):	-	135,040	186,120	193,140	514,300
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Net Financial Liabilities:	-	(135,040)	(321,160)	(514,300)	
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Total State Sector Impacts

Net Financial Liabilities:	-	(135,040)	(321,160)	(514,300)	
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Notes and costing assumptions

The proposal consists of three policies:

1. Implementation of 10 whole of government procurement initiatives.

The policy proposes to implement efficiency savings through 10 whole of government procurement initiatives.

The net efficiency savings under the policy are estimated to be \$286.8 million over the forward estimates.

The mechanism for achieving the policy will be to take the savings up front by a reduction in agency budgets. The savings appear as an offset to the Net Operating Result. The estimated annual savings are:

2015-16: \$72.920 million
2016-17: \$115.780 million
2017-18: \$123.320 million

Once the savings have been taken, there will be a process to implement new approaches to procurement. These are estimated to require spending of \$25.2 million over the forward estimates (\$32.9 million to 2018-19), which is included as an expense in the above calculations. The estimated annual expenses are:

2015-16: \$10.380 million
2016-17: \$7.160 million
2017-18: \$7.680 million

Costing assumptions continued:

2. Cash management practices

This policy proposes to make cash management practices in NSW public sectors more efficient. The specific changes are:

- Transferring current Treasury Corporation (TCorp) Hourglass Deposits held by General Government agencies into the Treasury Banking System to allow funds to be invested in higher yielding term deposits. NSW Treasury expects that an average increase in yield of 0.3 per cent could be achieved.
- Adopting a more diversified approach to investing surplus funds which recognises that greater risk (including in relation to capital) could increase investment returns.
- Taking advantage of a more diversified range of investments to increase investment revenue while maintaining the existing conservative risk management objective.

The changes are expected to improve the Net Operating Result by \$62.5 million per year, with expenses expected to decline by \$18.0 million per year and revenues expected to increase by \$44.5 million per year.

3. Offsetting additional police spending with \$40 million from the Confiscated Proceeds of Crime special deposit account.

The policy proposes to use \$40 million from the Confiscated Proceeds of Crime (CPC) special deposit account to offset additional police spending .

The policy proposes withdrawing \$10 million from the CPC in 2015-16, and \$15 million in each of 2016-17 and 2017-18. This money is recognised as revenue for the first time when withdrawals are made from the CPC according to NSW Treasury accounting treatment. Hence the policy provides a \$40 million increase in revenue over the forward estimates.