



# Victorian Budget

2011-12

## **Efficiency savings background brief**

## BACKGROUND

The 2011-12 Budget delivers \$2.2 billion in savings through administrative and other departmental efficiencies across government. The savings outlined in the Budget represent 1 per cent of total government expenses over the next four years.

These efficiency savings focus on cutting waste and duplication, and targeting departmental administrative costs.

Details of the efficiency savings are summarised below.

	(\$ million)					
	2010-11 <i>Revised</i>	2011-12 <i>Budget</i>	2012-13 <i>Estimate</i>	2013-14 <i>Estimate</i>	2014-15 <i>Estimate</i>	5 Yr <i>Total</i> <i>Estimate</i>
Reduction of ministerial staff	- 3.5	- 7.2	- 7.4	- 7.6	- 7.8	- 33.5
Media and marketing positions	- 9.0	- 18.5	- 19.0	- 19.4	- 19.9	- 85.8
Consultants	- 19.3	- 39.9	- 40.9	- 41.9	- 43.0	- 185.0
Government advertising	- 26.7	- 55.0	- 56.4	- 57.8	- 59.1	- 255.0
Political opinion polling	- 0.1	- 0.2	- 0.2	- 0.2	- 0.3	- 1.0
External legal advice	- 7.3	- 15.0	- 15.4	- 15.8	- 16.1	- 69.6
Senior public service travel	- 0.3	- 0.5	- 0.5	- 0.5	- 0.5	- 2.3
Government office floor space	..	0.6	- 10.9	- 11.2	- 11.5	- 33.0
Supplies and consumables	- 74.1	- 157.3	- 160.0	- 163.6	- 167.3	- 722.3
Promoting shared services	- 9.5	- 9.8	- 10.0	- 10.3	- 10.6	- 50.2
Capping head office staff	- 13.8	- 28.2	- 28.9	- 29.7	- 30.4	- 131.0
<b>Sub-total election commitment savings</b>	<b>- 163.6</b>	<b>- 331.0</b>	<b>- 349.6</b>	<b>- 358.0</b>	<b>- 366.5</b>	<b>- 1 568.7</b>
Measures to offset the GST reduction	..	- 143.5	- 161.7	- 162.3	- 170.2	- 637.7
<b>Total savings measures</b>	<b>- 163.6</b>	<b>- 474.5</b>	<b>- 511.3</b>	<b>- 520.3</b>	<b>- 536.7</b>	<b>- 2 206.4</b>

## ELECTION COMMITMENTS

In the 2010 election, the Coalition committed to achieving savings of \$1.6 billion over the five years from 2010-11 to 2014-15. These savings included reductions in Ministerial staff, reduced use of consultants, reduced government advertising and lower growth in supplies and consumables costs across all departments.

The Government has implemented these savings from 1 January 2011, including \$19 million from consultancies, \$9 million from media and marketing positions and \$27 million from advertising being saved in the current financial year.

## SAVINGS FOLLOWING GST REDUCTION

In February 2011, the Commonwealth Grants Commission released its *2011 Update*, recommending a \$2.5 billion reduction in Victoria's share of forecast GST revenue. This recommendation was subsequently accepted by the Federal Government. In addition, slower national consumption and dwelling investment have led to a further reduction in GST revenue of \$1.6 billion between 2010-11 and 2014-15. In total, these two factors have combined to see Victoria's GST revenue reduced by \$4.1 billion by 2014-15.

To manage this reduction in GST revenue and ensure ongoing services are provided, the Government has made further efficiency savings. The Government undertook an evaluation across departments to ascertain where there was scope for additional efficiencies to be achieved. Following this assessment, savings have been made in each portfolio with key priorities specified for their achievement. These savings are factored into the appropriations for 2011-12 and the forward estimates for each portfolio as outlined in Budget Paper No. 3.

In total, the amount of these additional savings is \$638 million over four years – substantially less than the total GST reduction, but reflecting an appropriate level of savings which can be achieved in the short term without undue impact on front line service delivery.

The dollar savings achieved across each department are discussed below, along with the key priorities specified by government for their delivery.

### **Business and Innovation**

Additional savings in the Business and Innovation portfolio are worth \$11 million in 2011-12. Key priorities for these savings include financial support for the Alfred Deakin Lecture, a reduction in the size of the Business Development program, a consolidation of central business district office tenancies, and further head office cost reductions and operational efficiencies.

### **Education and Early Childhood Development**

Additional savings in the Education portfolio are worth \$27 million in 2011-12. Key priorities for these savings include ceasing new content development for FUSE (the content repository of the Ultranet), ending the annual DEECD Innovation Showcase, reducing the use of contractors in the Information Technology Division, reducing support for Industry Training and Advisory Boards, reduced departmental discretionary spending, and an update to the eligibility criteria for new recipients of the conveyance allowance.

These savings are in addition to the decision to better target the School Start Bonus by basing eligibility for the payment on eligibility for the Education Maintenance Allowance.

### **Health**

Additional savings in the Health portfolio are worth \$38 million in 2011-12. Key priorities for these savings include efficiencies in service planning within the Department, reductions in grant programs which do not impact on front line service delivery, reductions in departmental planning and support functions, and streamlined policy development and program administration.

### **Human Services**

Additional savings in the Human Services portfolio are worth \$5 million in 2011-12. Key priorities will include reducing departmental expenses by consolidating activities and minimising duplication in strategy, policy, corporate and management functions. These include consolidation of budget management and agency management functions.

## **Justice**

Additional savings in the Justice portfolio are worth \$21 million in 2011-12. Key priorities will include efficiencies through further competitive tendering of contracts, reduced corporate services through redesign or amalgamation of functions. Within Victoria Police, key priorities will include a reduction of agency contractors and consultants and further corporate services savings.

## **Planning and Community Development**

Additional savings in the Planning and Community Development portfolio are worth \$10 million in 2011-12. Key priorities include greater operational efficiencies at head office and within VicUrban and the Growth Areas Authority, and abolition of the Respect program.

## **Premier and Cabinet**

Additional savings in the Premier's portfolio are worth \$2 million in 2011-12. Key priorities will include efficiencies in the policy advice and corporate support functions.

## **Primary Industries**

Additional savings in the Primary Industries portfolio are worth \$4 million in 2011-12. Key priorities will include consolidation of metropolitan office accommodation, a further reduction in Ministerial office budgets and a reduction in discretionary corporate projects including reduced consultancy costs associated with internal financial modelling.

## **Sustainability and Environment**

Additional savings in the Sustainability and Environment portfolio are worth \$12 million in 2011-12. Key priorities include non-core corporate business services, a reduction in the use of consultancies and contractors, efficiency savings as a result of a restructure of the Department's Corporate and Business Services Division, ICT efficiencies within Land Victoria enabling more efficient processing of land dealings within the Land Registration Service, moving to a more regionally based executive structure, reduced use of contract services by the Environment Protection Authority (EPA) and a reduction in duplication of support functions between the EPA and the Department.

## **Transport**

Additional savings in the Transport portfolio are worth \$11 million in 2011-12. Key priorities will include reduced funding to advocacy groups including Environment Victoria, a reduction in public transport surveys, reduced marketing and communications by Metlink, reduction in grant funding to develop carpooling programs, and reduction in the development of behaviour change programs.

## **Treasury and Finance**

Additional savings in the Treasury portfolio are worth \$3 million in 2011-12. Key priorities will include a reduction in policy advice provided by the Government Services output, a reduction in corporate support provided to the Department's outputs and operational efficiencies within the State Revenue Office.