

THE GOVERNMENT'S BUDGET PLAN

The Tasmanian economy is showing welcome signs of resilience in the face of the ongoing impact of the Global Financial Crisis. The Government needs to continue its strong record of prudently managing its own finances, as a return to high levels of net debt could adversely impact on the wider economy by jeopardising business confidence and investment.

THE GOVERNMENT IS TAKING ACTION

The Government is committed to:

- returning the State's financial position to pre-GFC levels;
- improving government services through the prioritisation of funding and increasing productivity; and
- infrastructure investment that supports public and private sector productivity improvement and long-term economic growth.

PUBLIC SECTOR PRODUCTIVITY STRATEGY

- The past decade has seen significant growth in the services provided to the Tasmanian community and with it an increase in the level of public sector employment.
- The number of General Government public sector employees has increased from 20 166 in 1999-00 to 25 001 in 2009-10.
- Expenditure is currently outstripping the Government's revenue, and it is clearly not sustainable to continue to provide the current level of services at the current cost.

Major Review of Agency Programs

The key focus of the review will be ceasing programs which:

- do not align with Government policy priorities and government responsibilities under formal agreements such as those with the Australian Government;
- are inefficient and ineffective; or
- duplicate equivalent programs in other agencies.

Other key elements of the Review are:

- All areas of government expenditure will be subject to the review process.
- A productivity savings target of 3 per cent per annum has been established for this strategy.
- Assuming restraint in wages growth, a 3 per cent productivity savings target implies savings in public sector employment costs of \$200 million in 2014-15 or the equivalent of up to 2 300 FTEs over the next four years.
- Agencies will be expected to continue to identify and achieve savings in non-salary expenditure areas including the purchase of supplies and consumables, travel, advertising, motor vehicles and mobile phones.
- Where possible, labour turnover and transfer policies will be used to achieve the necessary outcomes but specific, targeted separations cannot be ruled out if other measures are inefficient or ineffective.
- A recurrent savings target of \$30 million in 2011-12 increasing to \$200 million per annum by 2014-15 has been established for the strategy.

FOUR KEY ACTIONS:

- Implement a Public Sector Productivity Strategy.
- Implement a new Government Businesses Strategy.
- Achieve savings from an Initial Policy Review.
- Fund Government Business equity requirements from within the Government Business portfolio.

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GOVERNMENT BUSINESS STRATEGY

While recent Government business reforms have resulted in some progress in relation to overall governance, there has not been significant improvement in the financial performance of Government businesses. There is a need to ensure the efficient operation of Government businesses, including:

- appropriate returns to the Budget;
- reducing impacts on the Budget from Community Service Obligation funding and equity contributions;
- ensuring scarce capital resources are appropriately invested;
- reducing financial risks to the Budget; and
- minimising price increases to customers.

While it is not appropriate for the Government to become directly involved in the day to day operation of these businesses (this is the responsibility of boards and executive management), Treasury will review the operation of Government businesses prior to the 2011-12 Budget with the aim of improving their cost efficiency, removing the need for Government assistance, and improving their returns to taxpayers.

INITIAL POLICY REVIEW SAVINGS

As a first step towards finding savings, the Government has decided to defer, reduce or not pursue the following Budget funding commitments which are yet to be implemented.

The savings measures also include avoided future costs through the decision not to proceed with the withdrawal of Police from Prisoner Transport and Court Security.

	Total	2010-11	2011-12	2012-13	2013-14
	\$m	\$m	\$m	\$m	\$m
IT Initiatives	3.9	2.4	1.5	....	....
Cosgrove Specialist Sports School	18.0	1.0	9.0	8.0	....
Events Attraction Program ⁽¹⁾	3.8	....	0.8	1.5	1.5
Helicopter Emergency Medical Service	30.9	1.1	6.8	11.4	11.7
Ministerial Restructure ⁽¹⁾	2.5	....	0.5	1.0	1.0
Renewable Energy Loan Fund ⁽²⁾	2.0	0.5	0.5	0.5	0.5
Revised equity policy for Government businesses	97.5	....	32.5	32.5	32.5
TOTAL SAVINGS	158.6	5.0	51.6	54.9	47.2

Notes:

1. These initiatives were initially allocated \$1.5 million per annum from 2010-11 and thereafter.

2. This saving represents a reduction in the original Budget and Forward Estimates allocation of 50 per cent.

Importantly the IT Savings initiatives retain \$1 million in funding for the Digital Futures Development Fund.

GOVERNMENT BUSINESS EQUITY TRANSFERS

The 2010-11 Budget and Forward Estimates included the provision of significant levels of funding for equity transfers to Government businesses, especially the Tasmanian Railway Pty Ltd. These equity requirements will now be met from within the Government business portfolio.

THE IMPACT OF THE GOVERNMENT'S BUDGET PLAN

- It is expected that the implementation of the Government's four key actions will deliver on the objective of returning the State's finances to pre-GFC levels.
- The success of existing Budget savings, together with the savings to be delivered by the four key actions, will be crucial to the final outcome.
- The aim is to return to pre-GFC net debt levels by 2016-17.