PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

Referred by:	Australian Labor Party	**Proposal No:**	C785
Date Referred:	22/11/2022	**Date Published:**	20/03/2023
Proposal Title:	Remove duplication across agencies		
Cluster:	Whole of Government		

General Government Sector Impacts

	2022-23 $'000	2023-24 $'000	2024-25 $'000	2025-26 $'000	4 year Total $'000
Expenses (ex. depreciation)	-	(29,000)	(60,000)	(61,000)	(150,000)
Depreciation					-
Less: Offsets					-
Revenue					-
Net Operating Balance:	-	29,000	60,000	61,000	150,000
Capital Expenditure	-	-	-	-	-
Capital Offsets					
Net Capital Expenditure:	-	-	-	-	-
Net Lending/(Borrowing):	-	29,000	60,000	61,000	150,000

Total State Sector Impacts

Net Lending/(Borrowing):	-	29,000	60,000	61,000	150,000

Notes and costing assumptions:

The proposed policy is to reduce duplication between general government agencies and seek efficiency savings totalling $150 million over the 3 years to 2025-26.

Assumptions

The PBO assumes the savings associated with a reduction in duplication across agencies would be implemented following analysis through a formal whole of government process. Such a process would likely find savings. PBO has also assumed the savings would be phased in during 2023-24. Annual savings are escalated by CPI.

Background

Governments currently have a number of ways to reduce duplication and create efficiencies.

Machinery of government arrangements, which governments review frequently, aim to structure the public service to better align with Government objectives and enable economic, efficient and effective operations.

A component of the current machinery of government in NSW is cluster-based budgeting, first introduced in the 2011-12 Budget. Under cluster-based budgeting, coordinating Ministers for each

Notes and costing assumptions continued:

cluster receive an appropriation for the principal department and are responsible for allocating resources to agencies within the cluster. The objectives of this include better integration of services, helping allocate resources to high priority areas and reducing duplication and inefficiency.

Another mechanism is efficiency dividends. These are annual across the board percentage cuts to agency operational (running) costs which among other things aim to return a proportion of gains from improvements in administrative and management practices to the Budget.

The forward estimates for NSW budget sector agencies already include an annual efficiency dividend. The 2022-23 NSW Budget introduced a target of $645.8 million in savings from 2023-24 to 2025-26 onwards that include an efficiency dividend and lower wages growth for senior executives.