



PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

Referred by: Australian Labor Party **Proposal No:** C975
Date Referred: 14/12/2022 **Date Published:** 20/03/2023
Proposal Title: Cutting Waste- prudent management of legal expenses (\$20m)
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)	-	(20,000)	(20,600)	(21,167)	(61,767)
Depreciation					-
Less: Offsets					-
Revenue					-
Net Operating Balance:	-	20,000	20,600	21,167	61,767

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

Net Lending/(Borrowing):	-	20,000	20,600	21,167	61,767
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Total State Sector Impacts

Net Lending/(Borrowing):	-	20,000	20,600	21,167	61,767
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Notes and costing assumptions:

The proposal is to reduce General Government expenditure on external legal contracts by \$20 million each year from 1 July 2023, with future years escalated using the Sydney Consumer Price Index (CPI). The PBO estimates the policy will deliver savings of \$61.8 million over the forward estimates.

The policy specifies that:

- the reduction in funding would be allocated to agencies relative to existing legal spending.
- Government executives would maintain the discretion to allocate these savings to agencies to target specific activities for efficiencies and to protect government priorities and essential services.
- Where possible, agencies should be encouraged to make use of the Crown Solicitor's Office and to redirect their existing legal budgets towards this and similar internal government resources.

Based on reported legal expenditure (legal panel billings and data from agency annual reports) the PBO estimates the total annual expenditure across the General Government sector of around \$140 million.

Notes and costing assumptions continued:

Proposed saving of \$20 million per annum would therefore represent a cut of around 14% of annual spending.

The PBO notes that over 60% of identified legal expenditure in 2020-21 was undertaken by only four agencies – The Ministry of Health, Sydney Metro, Transport for NSW and the Independent Liquor and Gaming Authority. Much of this legal expenditure is associated with negotiating capital works contracts in the transport sector.

Risks/uncertainties

- A reduction in legal expenditure will potentially increase the risks of adverse legal findings against the NSW government and contractual provisions in capital works projects which do not adequately protect government interests.
- Legal fees are often not discretionary when incurred in relation to matters brought against government agencies.
- This policy will be in addition to the existing savings and/or efficiency dividend targets allocated to the Government agencies.

Background

The NSW Government Legal Services Panel commenced on 1 July 2016. The panel offers a range of legal services and expertise to meet the external legal needs of NSW Government agencies. Agencies are required use panel services where possible. Legal panel expenditure represents the bulk of NSW Government external legal costs.

[NSW Government Legal Services Panel Generic Annual Report 1 July 2020 - 30 June 2021](#)