

Territory shells out \$4.5m to cut costs

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EXCLUSIVE

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The ACT Government will pay a panel of accountants up to \$4.5 million to help its razor gang find \$122 million in public service cuts, including \$21 million in the coming 2010-11 budget.

Last year, Treasurer Katy Gallagher announced the establishment of the Expenditure Review and Evaluation Committee, a team of public servants co-chaired by Under Treasurer Megan Smithies and Chief Minister's Department chief executive Andrew Cappie-Wood, tasked with finding \$122 million in unallocated savings over three years from 2010-11.

This figure does not include the \$37 million and the \$19 million the Government expects to save over the next three years respectively through "wage restraint" and an efficiency dividend on government departments and agencies.

The measures were announced in last year's budget that predicted combined deficits of \$770 million over four years.

Contract details obtained by The Canberra Times show Treasury engaged last month a panel of five accounting firms – KPMG, International Economics, **Macroeconomics**, Allen Consulting Group, and the Australia and New Zealand School of Government's Institute for Governance – to assist Treasury in finding the unallocated savings over the next three years, capping the contract at \$4.5 million.

The outsourcing has infuriated the Community and Public Sector Union, which represents ACT public servants. The union's ACT branch regional director Vince McDevitt said if the work could not be done within the Government, it supported his argument that the public sector was already under-resourced.

“Why is it that Treasury and the Chief Minister's Department can't come up with savings?”

Ms Gallagher said last night the panel would be at the committee's disposal but the \$4.5 million cap might not be exhausted. It was necessary that some of the work be done by consultants because Treasury was a small department with less than 100 staff.

“The committee is the decision making body that provides recommendations to cabinet, so if they wanted to pursue an area of efficiencies they can commission some work from one of these providers,” Ms Gallagher said.

“This is one-off expenditure that will be used very sparingly. [The committee] won't be commissioning work just for the fun of it and it has already done a lot of work in coming up with ideas for efficiencies and savings.”

Ms Gallagher also revealed the midyear budget review she will table in the Assembly on Thursday will show a significantly improved ACT budget, however, the task ahead of her and the committee to find big savings remains.

“I can say that there have been improvements across all revenue lines, so part of that is the recovery of the financial market, GST revenue and improvements in our own revenue lines such as conveyancing and payroll tax, and I think all of that leads to an improved budget outcome,” she said.

“Having said that, we did lose over \$1 billion in [projected] revenue over the forward estimates when we tabled the last budget, and we haven't had the recovery that would make that problem disappear.”

The update is the latest in a trend of improvements for the ACT budget, following news in August showing the territory had a surplus of \$14.3 million in the 2008-09 financial year, well up on the \$46 million deficit predicted in the May budget.

According to the contract, the panel's role includes "undertaking financial modelling and economic analysis of agency performance, forecasts or proposals; undertaking cost/benefit analysis of policies and projects on behalf of agencies . . . and providing advice on options for reform of service delivery mechanisms, structures and approaches to improve their efficiency and effectiveness." Mr McDevitt said the union was worried cuts to the public service would widen the wage gap between ACT and Commonwealth workers. He said public consultation on the 2010-11 budget that Ms Gallagher had recently concluded was a token gesture because she had already decided to cut \$178 million from the public service over the next three years.

"It was lip service, the real decisions were made behind closed doors 12 months ago," Mr McDevitt said.

"You're going to see job losses and service capacity undermined, and that's clearly demonstrated through this contract to pay half a dozen accountants \$4.5 million to tell them how to slash and burn the public service."

Opposition treasury spokesman Brendan Smyth said the contract was proof Ms Gallagher was struggling to return the territory to surplus.

"ACT taxpayers should not be spending \$4.5 million because of Ms Gallagher's ineptitude," Mr Smyth said.

"This is a struggling Treasurer forced to spend millions because she doesn't have any answers. If Ms Gallagher cannot find any savings in an over \$3 billion budget, she is clearly out of her depth."