


Request for Costing an Election Commitment

Name of election commitment:	<i>Delivering cost efficiencies through further competitive tender processes</i>					
Person and party requesting costing:	Meredith Hunter, ACT Greens Parliamentary Leader					
Date of public release of election commitment, including source:	11 October 2012 http://act.greens.org.au/content/government-savings					
Summary of election commitment:	The Greens will require: <ul style="list-style-type: none"> • Savings through more efficient and effective procurement processes of \$4.5M per annum from 2013-14; Legislative change to the <i>Government Procurement Act 2001</i> and <i>Government Procurement Regulation 2007</i> to reduce the public tender threshold from \$200,000 to \$80,000					
Intention of election commitment:	To target efficiencies in procurement processes.					
Signature of person requesting costing:						
Date of request for costing:	12/10/12					
What are the key assumptions that have been made in the election commitment?						
<p>Note: that where the request to cost an election commitment differs from the public announcement, the costing will be on the basis of information provided in the costing request.</p> <p>Note: it will be up to the professional judgment of the Director-General as to whether these assumptions are adopted in the costing of the election commitment.</p>						
Where relevant, is the funding for the policy to be demand driven or a capped amount?						
N/A						
Will third parties, for instance the Commonwealth or other State/Territories, have a role in funding or delivering the election commitment?						
No.						
Will funding/the cost require indexation?						
No.						
What are the estimated revenue and operating costs each year (if available) and what are the capital requirements for this election commitment and estimated costs each year (if available)?						
	2012-13	2013-14	2014-15	2015-16	2016-17	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue ^(a)						
Expenses ^(a)		4,500	4,500	4,500	4,500	18,000
Capital						
(a) A negative number indicates a decrease in revenue or an increase in expenses.						
What is the likely take up?						
N/A						

Any other assumptions?

- The *Commonwealth Procurement Guidelines* which are legally binding on Commonwealth Financial Management Act agencies, require that a public tender process be used for procurement activity with an expected cost of \$80,000 or more. These Guidelines are seen as 'better practice guidelines' across the Australian Government sectors.
- Pursuant to the *Government Procurement Act 2001* and the *Government Procurement Regulation 2007* the following procurement processes are legislated for ACT Government:
 - Less than \$25,000 – one oral quotation;
 - \$25,000 to \$200,000 – three written quotations; and
 - Over \$200,000 – public tender.

The ACT Government currently has four mechanisms that it utilises for the purchase of goods and/or services, being public tender, single select, select and quotations.

A review of the ACT Contracts Register has been undertaken to identify all procurement processes utilising single select, select or quotations as the method of procurement where the value of the goods and/or services was in excess of \$80,000. This has been done for each of the financial years, 2009-10, 2010-11 and 2011-12. Once a listing of these procurements was identified, all goods and/or services that related to community funding agreements or whether it was considered that there was only one available supplier (for example, Microsoft licences or agreements with the football codes) were removed from the analysis. The results of this analysis identified that the total amount contracted via single select, select, or quotation processes in each of the selected financial years was:

2009-10 - \$106,265,961;
2010-11 - \$103,362,989
2011-12 - \$66,308,391.

This equates to an average spend per year of \$91,979,113 utilising these procurement methods. There are numerous public reviews that have been conducted of procurement processes over some years (for example, the Victorian Auditor-General and the Productivity Commission) which clearly state that introducing more efficient and effective procurement methods leads to annual savings anywhere between 5 and 20% per annum. Taking a conservative approach to savings, we have determined that a saving target of 5% per annum is achievable which equates to a saving of \$4.5M per annum.

- The legislative changes to the *Government Procurement Act 2001* and the *Government Procurement Regulation 2007* will be made utilising existing resources .

Administration of the election commitment

How will the election commitment be administered?

It will be the responsibility of Treasury Directorate to oversee the administration of this election commitment across the Directorates

Who will administer the election commitment?

As above.

Has an allowance been made for expenses necessary to support the implementation of this election commitment?

– If no, will the government agency be expected to absorb expenses associated with this election commitment?

– If yes, please specify the key assumptions.

The legislative changes to the *Government Procurement Act 2001* and the *Government Procurement*