



## Budget 2006-2007

### FACT SHEET #F1: FUNCTIONAL REVIEW

#### **What is the Functional Review?**

The Chief Minister commissioned the Strategic and Functional Review of ACT Public Sector and Services (the Functional Review) to review the outlook for the ACT Budget, to benchmark government expenditure against other jurisdictions and to identify options to improve efficiency through more effective government structures. The Review was also tasked with making recommendations for reducing expenditure or increasing non-taxation revenues.

The Stanhope Government is the first since self-government to undertake a comprehensive analysis of government services and structures.

The Government's key aims in commissioning the Review were to maintain community outcomes in priority areas such as health, education, law and order and emergency services and to place the ACT budget on a secure footing for future generations.

#### **What did the Functional Review find?**

The Review highlighted longstanding systemic weaknesses in ACT finances - namely that the ACT has long sustained public spending at well above State/Territory averages and has in turn relied largely upon land based revenues to support this higher spending. Our over reliance on land sales leaves us vulnerable to the fluctuations in the property market and cannot be sustained.

The ACT's high level of spending is across the whole public sector, with the Review confirming that the Territory's public services were generally high quality but costs are, on average, 20 to 25 per cent higher than the national average. Our structures tend to mirror larger jurisdictions and do not reflect our status as a small city/state.

The Review found that ACT Public Service superannuation arrangements, with employer contributions set at 15.4 per cent, contribute to higher costs and impose a high burden on the budget. The arrangements are more generous than that available to public sector employees in other States and Territories and most private sector employees.

The historic growth in health expenditure is also unsustainable, at an average rate of 11.2 per cent over the past four years. The Review noted that if this rate of growth continued, then health expenditure would represent more than 50 per cent of the total general government expenditure by the end of the next decade.

Across the nation the government education system is facing a significant loss of students to the non-government sector with this loss compounded by changing



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demographics, most notably an ageing population. The Review found that in the ACT there are about 18,000 empty desks in government schools.

The Review found that ACT Government expenditure on economic development is 61 per cent higher than the national average and that business assistance programs have not been structured to gain maximum leverage from the Territory.

In relation to tourism, the Review found that per capita expenditure in the ACT was 111 per cent above the national average, and that much of our marketing effort duplicated that of the National Capital Authority and individual national attractions such as the Australian War Memorial.

The Review also found that our rates and many of our fees and charges did not cover the cost of service provision, and were set at a lower level than neighbouring jurisdictions.

### **What is the Government's response to the Review?**

The Government's focus will remain very strongly on building and strengthening the economy and the ACT Budget position, while improving the efficiency and effectiveness of our services to the community – most particularly those relating to health and education.

To address emerging pressures and to position the ACT for future generations the Government will:

- restore the budget to a surplus position;
- strengthen and broaden the ACT Government's revenue base;
- continue to invest in health and education;
- reduce the number of public sector agencies;
- bring agency costs closer to the national averages;
- implement further reforms in government information technology, property and procurement;
- invest in infrastructure maintenance; and
- further streamline planning processes.

Specifically, the Government will:

- invest in our schools – strengthening curriculum, improving buildings, improving access to the latest technology;
- continue investing in public health services – streamlining our hospital systems to create centres of excellence;
- request people on high incomes to make a contribution to public health services, as they do in other States;
- streamline our public sector, removing duplication and reducing overheads;
- consolidate our regulatory activities, and keep working towards reducing the burden of regulation;



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- direct our business support to areas where it will have greatest impact – providing information and advice to small and micro businesses and making the ACT an even more attractive place in which to do business;
- make sure our tourism dollars go towards promoting Canberra's unique attractions, rather than duplicating national capital expenditure; and
- adjust our rates and some fees and charges to better reflect the cost of service delivery, and achieve parity with neighbouring jurisdictions.

### **What effect will this have on the ACT's bottom line?**

It is anticipated that these reforms will achieve savings of \$430 million over four years.