



# Election policy costing

## Halve expenditure on consultancies in the public sector

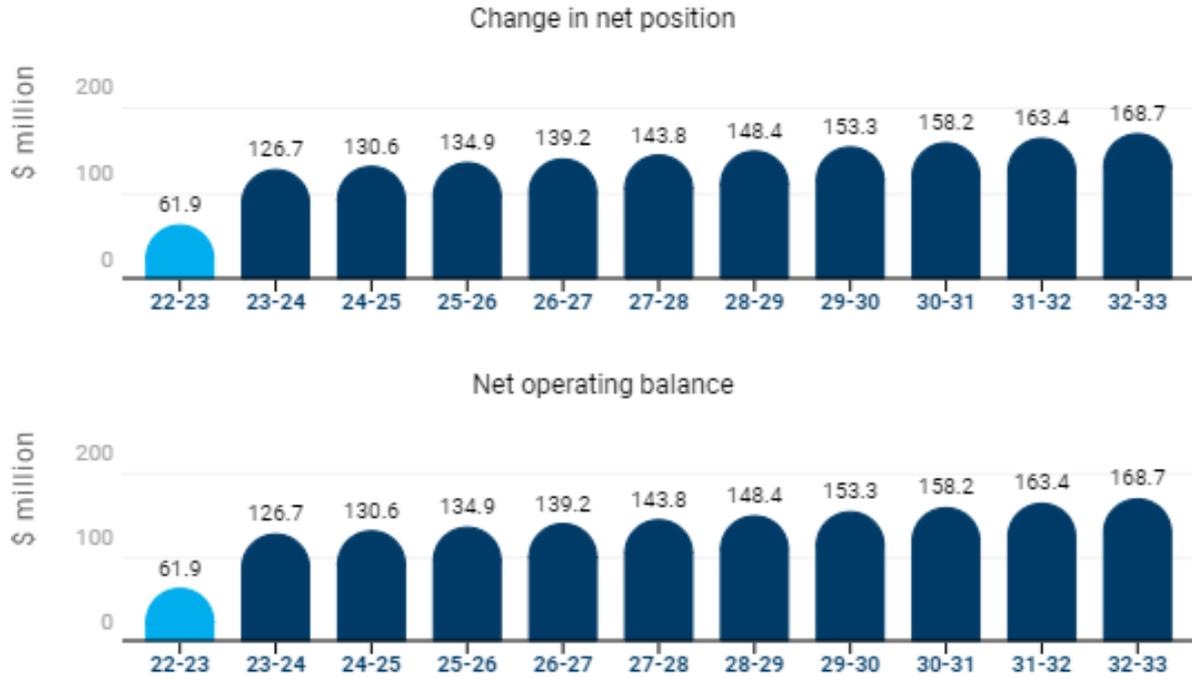
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<b>Political party</b>	The Australian Greens - Victoria
<b>Requestor</b>	Dr Samantha Ratnam MP
<b>Request date</b>	22 October 2022
<b>Response date</b>	18 November 2022
<b>Policy commencement</b>	1 January 2023
<b>Policy conclusion</b>	Ongoing
<b>Policy summary</b>	This policy would halve Victorian public sector expenditure on consultancies.
<b>Budget baseline</b>	November 2022 pre-election budget update
<b>Expiry date of this response</b>	At the release date of the next Victorian Government budget or budget update.

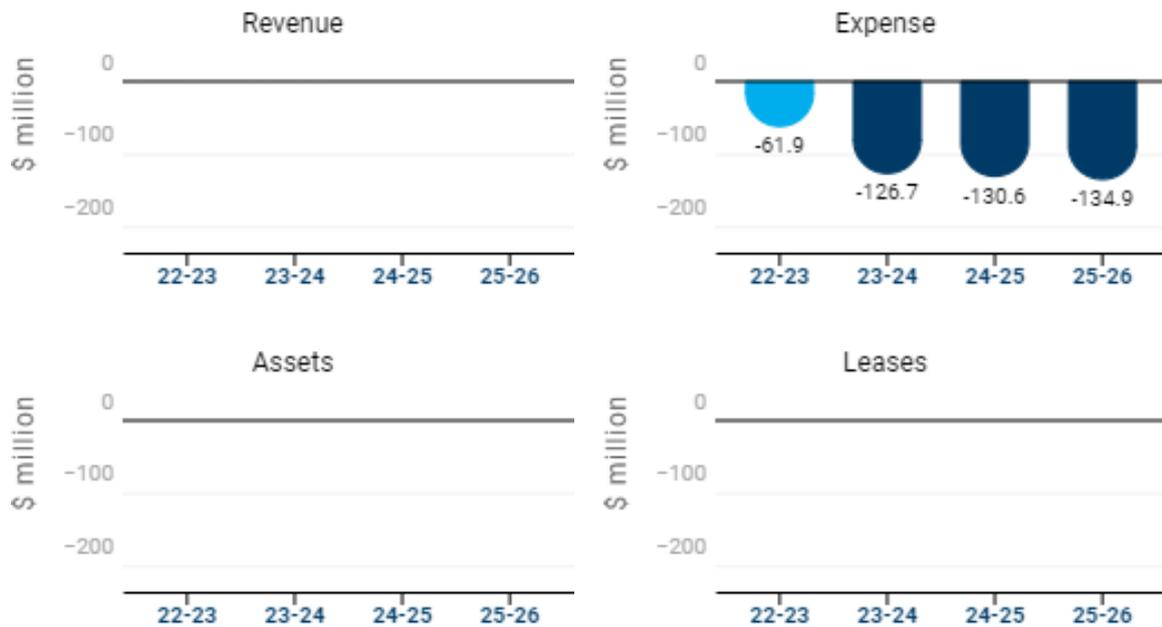
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# Our response

## Budget impact



## Costing components



Source: Parliamentary Budget Office.

## Context

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The Victorian Government engages consultancy services to provide expert analysis or advice. Examples include:

- project feasibility studies
- business cases
- economic analysis
- market research
- workforce planning requirements.

The public sector is made up of the Victorian public service (VPS), and employees working for Victorian public entities, which include public health services, schools, TAFE, police and emergency services, water and land management, creative industries, finance, and transport.

## Costing overview

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We expect this policy to increase the state's budgeted net position by:

- \$454.1 million across 2022–23 to 2025–26
- \$1,529.1 million across 2022–23 to 2032–33.

This is entirely due to a decrease in operating expenses by halving the Victorian public sector's expenditure on consultancies.

This cost estimate is sensitive to changes in forecast use and price of consultancy services.

Reductions in the size of a public sector, whether permanent public servants or consultants, may impact on the activities that it can perform. We have not assessed the extent to which this policy would impact on Victorian Government service delivery.

## Our approach

### Assumptions

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When costing this policy, we made the following assumptions:

1. Departments would use similar consultancy services to those services used previously.
2. Consultancy expenditure would grow in line with the Victorian wage price index.
3. Other Victorian public service expenditures, such as employee expenses, would remain constant.
4. The policy would not affect funding to Victorian public entities outside the general government sector.

## Method

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When costing this policy, we:

- estimated the consultancy services expenditure by the Victorian public service
- escalated the consultancy services expenditure by the relevant indexation
- calculated a 50% reduction in the consultancy expenditure to estimate the change in operating expenses to 2032–33.

We applied a part year impact to the first year of this policy to reflect a proposed 1 January 2023 commencement date.

## Data sources

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- Victorian Greens. 2022. Easing cost of living and creating jobs. [ONLINE] Available at: <https://greens.org.au/vic/platform/economy> [Accessed on 16 November 2022]
- Information provided by Victorian Government departments.

# Attachment A – Detailed budget impacts

## Year-on-year impacts

(\$ million)	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31	2031–32	2032–33
Revenue	-	-	-	-	-	-	-	-	-	-	-
Expense	-61.9	-126.7	-130.6	-134.9	-139.2	-143.8	-148.4	-153.3	-158.2	-163.4	-168.7
Net operating balance	61.9	126.7	130.6	134.9	139.2	143.8	148.4	153.3	158.2	163.4	168.7
Assets	-	-	-	-	-	-	-	-	-	-	-
Leases	-	-	-	-	-	-	-	-	-	-	-
Change in net position	61.9	126.7	130.6	134.9	139.2	143.8	148.4	153.3	158.2	163.4	168.7

## Cumulative impacts

(\$ million)	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31	2031–32	2032–33
Revenue	-	-	-	-	-	-	-	-	-	-	-
Expense	-61.9	-188.6	-319.2	-454.1	-593.3	-737.1	-885.5	-1,038.8	-1,197.0	-1,360.4	-1,529.1
Net operating balance	61.9	188.6	319.2	454.1	593.3	737.1	885.5	1,038.8	1,197.0	1,360.4	1,529.1
Assets	-	-	-	-	-	-	-	-	-	-	-
Leases	-	-	-	-	-	-	-	-	-	-	-
Change in net position	61.9	188.6	319.2	454.1	593.3	737.1	885.5	1,038.8	1,197.0	1,360.4	1,529.1

Notes: Figures may not sum due to rounding. Consistent with Victorian Budget Paper No.3 – Service Delivery, we do not consider changes to interest, depreciation expense nor non-cash adjustments. The net operating balance measures the gap between government revenue and expenses, and is an indicator of the policy's impact on operating sustainability. A positive change indicates that this policy would improve the net operating balance of the state budget. The net position measures the gap between government revenue and expenses, and movements in financial and non-financial assets. It is an indicator of the policy's impact on the state budget, and is more appropriate for comparing policy costings. A positive change indicates that this policy would improve the net position of the state budget.

Source: Parliamentary Budget Office.