



**Government
of South Australia**

Government response to the Sustainable Budget Commission's second report

September 2010

Recommendation 1: Improving overall budget discipline

The Sustainable Budget Cabinet Committee (SBCC) should determine the appropriate budget 'bottom line' targets for the forthcoming budget and forward estimates period, based on advice from the Department of Treasury and Finance (DTF), as the first step in the annual budget cycle. Cabinet should endorse achievement of these targets as the overriding priority for all subsequent budget decisions. In aggregate, all subsequent budget proposals should be consistent with these targets. Spending envelopes for specific agency programs should be developed consistent with the approved accrual budget of the agency. Program budget supplementation should be discouraged, and only granted in exceptional circumstances.

Response: Support

The Government acknowledges this recommendation is crucial for good financial management and supports this recommendation.

Lead agency: Department of Treasury and Finance (DTF)

Implementation: Ongoing as part of annual budget process.

Recommendation 2: More transparent reporting of forecast savings initiatives

When governments announce savings initiatives expected to apply in future years, and included in forward estimates, these should be separately reported in the budget papers showing forecast budget 'bottom line' measures, especially those reporting the forecast net operating balance and the net financial liabilities-to-revenue ratio. The reporting should provide a breakdown of the forecast savings between (i) those allocated to agencies, and (ii) those not allocated to agencies. In subsequent years, this information should be updated. In addition, in subsequent years, the total savings for the year in question should be split between (i) achieved savings, and (ii) unachieved savings. An agency-specific breakdown of this latter split should be available in the budget papers as well.

Response: Support

The Government supports the inclusion of this information in the Budget papers.

Lead agency: DTF

Implementation: Information will be included in budget papers.

Recommendation 3: More focussed use of budget resources

SBCC scrutiny of specific programs should begin with an assessment of whether or not they are core functions of government. What constitutes 'core functions' is necessarily partly subjective. However, establishing and policing property rights, law and order, funding health and basic education, and protecting the vulnerable, are widely agreed to be core functions. As part of the budget improvement process over the forward estimates period, this assessment should be applied to all budget-financed programs. Only programs deemed to be core functions of the South Australian Government should be financed. For others, funding should be cut or phased out.

Response: Support in principle

The Government supports in principle this recommendation. The focus of expenditure should be on the key priorities of the Government: better services and well targeted investment in infrastructure. New expenditure as part of the budget process should be directed to priority areas. A long term aspiration of the Government should be a more comprehensive evaluation framework for all of its programs.

Lead agency: DTF

Implementation: Ongoing as part of the Government's monitoring regime.

Recommendation 4: More cost-effective service delivery

Major South Australian government programs should be benchmarked against 'best practice' performance across all Australian state governments. Where appropriate, agency funding for these programs should be limited to that required for 'best practice' service delivery, either immediately, or over a short, defined period within the forward estimates years. Agency Chief Executives should be required to manage their programs within these 'best practice' funding limits, without expectation of supplementation.

Response: Support in principle

The Government aims to continually strive to make its service provision as efficient as possible. The Government notes there are practical difficulties in implementing this recommendation. The Government will seek to use existing data (eg Commonwealth Grants Commission, Report on Government Services, South Australia's Strategic Plan) to avoid duplication and unnecessary data collection and reporting.

Lead agency: DTF

Implementation: Ongoing as part of the annual budget process.

Recommendation 5: Budget responses to unexpected economic strength

Stronger economic growth might provide unexpected improvement in budget revenues. There would be risk management benefits if the additional revenue went to the budget bottom line.

Response: Support in principle

The Government acknowledges that there would be risk management benefits if unexpected improvements in budget revenue went to the budget bottom line. The Government will give due consideration to the application of unexpected budget revenues in the context of expenditure demands for key Government services and the overall fiscal position of the state.

Lead agency: DTF

Implementation: Ongoing as part of the annual budget process.

Recommendation 6: Bases for addressing the savings task

The Commission recommends the bulk of the savings task should fall on (i) eliminating unnecessary costs and delivering key government programs as cost-effectively as possible, and (ii) eliminating or phasing-out lower priority spending programs.

Response: Support

The Government's response to the savings task is outlined in the 2010-11 Budget.

Lead agency: DTF

Implementation: As part of the 2010-11 Budget.

Recommendation 7: Setting program priorities within appropriate constraints

Governments must determine program priorities within budget constraints. The Commission strongly recommends that program priorities be consistent with appropriate overall budget constraints delivering sustainable budgets over time.

Response: Support

The Government acknowledges that priorities for expenditure must be developed in light of budget constraints.

Lead agency: DTF

Implementation: Ongoing as part of the annual budget process.

Recommendation 10: Government advertising

The Commission recommends that the Government should:

- ensure quantification of all elements (media and non-media) of advertising related expenditure, with this to be included in the Department of Premier and Cabinet's Annual report from 2009-10 onwards;
- make permanent the current suspension of some government advertising;
- ensure implementation of these arrangements and monitoring the savings generated by making them the responsibility of the Sustainable Budget Oversight Unit (see Recommendation 42 and Section 10);
- maintain the current Premier's Communications Advisory Group (PCAG) assessment process for all campaigns with a total spend above the set thresholds (refer Appendix D);
- review the PCAG guidelines annually;
- review annually all agencies' advertising strategies and minimise duplication through collaboration of agencies with common advertising themes;
- rationalise the number of advertising templates and styles; and
- extend PCAG membership to include a non-marketing officer with experience and skills in program effectiveness evaluation.

Response: Support

The Government supports the Commission's recommendations in respect of government advertising and will implement all aspects of this recommendation.

On the basis that the Sustainable Budget Oversight Unit (see recommendation 42) is not adopted, monitoring arrangements will be determined jointly by the Department of the Premier and Cabinet and Department of Treasury and Finance.

Lead agency: The Department of the Premier and Cabinet (DPC) (in consultation with DTF)

Implementation: Immediately.

Recommendation 11: Health

The Commission recommends:

- commitment to a top-down sustainable funding model that funds activity growth, higher than CPI costs for medical goods and services, and the national benchmark efficient price for health services;
- commitment to a budget and financial management framework that limits overall health funding to the top-down sustainable funding model allocation and ceases the practice of mid-year health supplementation;
- the implementation of specific proposals to achieve the benchmark efficient price; and
- the Commonwealth Government fully fund those health services which are the agreed responsibility of the Commonwealth (eg, aged care places). The resultant reduction in State funding should be applied to the South Australian Government's savings task.

Response: Support in principle

The Government will seek to implement measures to provide an efficient price for health services in line with the Commonwealth's requirements. The Government will continue to provide additional support for activity growth in health and supplementation for higher than CPI costs for medical goods and services. The current practice of supplementing for enterprise bargaining outcomes will also continue.

The Government is also committed to pursuing a budget and financial management framework within Health that supports good budget discipline.

The Government will continue discussions with the Commonwealth to ensure South Australia receives the appropriate level of Commonwealth funding.

Lead agency: Health (in conjunction with DTF and DPC)

Implementation: The Department of Health to implement the specific proposals adopted in the budget and put in place arrangements to ensure that these are achieved.

The Department of Health (in consultation with DTF) to provide further advice to the Government on the implications of the Commission's recommendations by March 2011.

Recommendation 12: External review of the Families and Communities portfolio

The Commission recommends an external review of the Families and Communities portfolio should be conducted. The review should be undertaken by an independent party, and identify reforms that will deliver efficiency improvements.

The review should commence as a priority and be completed by no later than end-March 2011.

Response: Support

There are a number of reviews being conducted (both at State and Federal level) which may lead to significant reform in the activity of the Families and Communities Portfolio.

The Social Inclusion Unit has just commenced a review of disability services in South Australia, while the Productivity Commission is currently investigating the feasibility of a national disability care and support scheme.

The South Australian Housing Trust has just publicly released, and is responding to, the findings of an external review required by legislation.

It needs to be recognised that the future provision of aged care services will depend heavily on overall health reforms at the national level.

Any terms of reference of the external review should complement the reviews underway, to avoid duplication. These specific reviews will be important inputs into the broader comprehensive review proposed by the Commission.

Lead agency: Department for Families and Communities (in consultation with the DTF and DPC)

Implementation: To be determined.

Recommendation 13: Courts

The Commission recommends that measures to increase the efficiency of the court system should be explored and implemented as a priority. The objective should be improving efficiency while maintaining fair access to justice. These measures may not offer immediate savings, but should lead to a reduced backlog of court cases, and over time a reduction in the level of resources required.

Response: Support in principle

The Government has already instigated a review to identify concrete measures that can be taken to improve efficiency in the courts. Independence of the judiciary is recognised and will not change.

The Government has also accepted a comprehensive suite of recommendations made by the Criminal Justice Taskforce aimed at improving the efficiency of the justice system, some of which still require legislative change to allow implementation. These will also contribute to improved efficiency of the courts.

The Government will seek further information from the Courts Administration Authority before making a final decision on the Commission's recommendation.

Lead agency: Courts Administration Authority (in consultation with DTF)

Implementation: To be determined.

Recommendation 14: Department of Justice

The Commission recommends that the Justice portfolio structure should be disbanded and the South Australian Police Department, the Department for Correctional Services, the Courts Administration Authority, the emergency services sector agencies (through SAFECOM) and the Attorney-General's Department should operate as independent administrative units reporting through their respective Ministers.

Response: Support in principle

The Government supports reforms to the Justice Portfolio structure where improvements in efficiency, effectiveness, and management can be identified.

Lead agency: DPC (in consultation with the Justice agencies and DTF)

Implementation: Revised arrangements should be put in place to commence 1 July 2011.

Recommendation 15: Crown Solicitor's Office

The Commission recommends that, with the exception of constitutional law advice and core 'public policy' issues, where the experience in the private sector is likely to be more limited, all legal work required by agencies should be purchased from a panel of preferred legal service providers. The Crown Solicitor's Office should be able to tender for this work on a competitively neutral basis.

Response: Partially support

The Government will consider greater use of private sector legal services on an ad-hoc basis.

Lead agency: Attorney-General's Department (in consultation with DTF)

Implementation: AGD should provide further advice to Cabinet by March 2011 to enable the Government to make a more informed decision.

Recommendation 16: Children's services, education and further education

The Commission recommends that the Government continue to focus on the cost efficiency of delivery of education services, with a view to flexibility in its delivery beyond current constraints.

Response: Support

The Government supports this recommendation.

Lead agency: Department of Education and Children's Services/Department of Further Education, Employment, Science and Technology

Implementation: Ongoing.

Recommendation 17: Industry assistance

The Commission recommends that the Government should cease selective industry assistance and significantly reduce sporting and arts events attraction and assistance.

The Commission recommends that the Department of Treasury and Finance should be the agency responsible for assessing policies with economic implications both before and after implementation.

Response: Partially support

The Government acknowledges its role in assisting business by providing a stable economic environment with skilled labour, adequate energy and utility supplies, and fair and efficient taxes and regulation.

The Government will continue to support sporting and arts events attraction where there are demonstrable benefits to the State.

The Government agrees with the Department of Treasury and Finance assessing policies with economic implications.

Lead agency: Department of Trade and Economic Development (DTED) in relation to industry assistance. Tourism in relation to support and attraction of sporting events. Department of Primary Industries and Resources (PIRSA) in relation to development of mining, food, wine, fisheries, aquaculture and forestry DTF in relation to policy assessment and the use of appropriate evaluation and measurement frameworks.

Implementation: Ongoing.

Recommendation 18: Incorporate Defence SA into a department

The Commission recommends that the operations of Defence SA be merged into a larger department, with a leaner board.

Response: Do not support

Maximising South Australia's proportion of the defence spend and balancing that with the most efficient defence attraction administration will be regularly reviewed by the Government.

At this point, the Government believes the current stand alone arrangements of Defence SA are in the best interests of the State.

Lead agency: Defence SA

Implementation: Review every 12 months.

Recommendation 19: Department of Trade and Economic Development

The Commission recommends that the Department of Trade and Economic Development should be abolished with residual functions transferred to the Department of Primary Industries and Resources (PIRSA) and the Department of the Premier and Cabinet.

Response: Do not support

The Government has significantly reduced the size of DTED and refocused its activities to economic policy development and advice. In the light of this, the Government does not consider it appropriate to abolish the department.

Lead agency: DTED

Implementation: Not applicable.

Recommendation 20: Bio Innovation SA

The Commission recommends that the operations of Bio Innovation SA cease and that any residual contracts be administered by the Department of Further Education, Employment, Science and Technology. If the operations of Bio Innovation SA do not cease then it should still be merged with the Department of Further Education, Employment, Science and Technology.

Response: Do not support

The Government has decided that it will continue with Bio Innovation SA as an organisation.

Lead agency: Bio Innovation SA

Implementation: Not applicable.

Recommendation 21: Integration of regional natural resource management service delivery

It is recommended that the Government consider the long term reform direction for the integration of regional natural resource management service delivery, and explore opportunities to improve coordination between agencies to improve service delivery and realise efficiencies.

Response: Support in principle

The Department of Environment and Natural Resources (DENR) will lead an investigation into the opportunities for integrating and improving regional natural resource management and related regional services in the medium to long term. DENR will be supported by relevant service delivery agencies including the Department for Water, PIRSA as well as central agencies.

Lead agency: DENR

Implementation: DENR should report back to Cabinet by February 2011.

Recommendation 22: Environment Protection Authority

It is recommended that there be an independent review of EPA functions with a view to ceasing those which are non-legislated, achieving a greater level of cost recovery, and withdrawing from policy and planning activities.

Policy and planning functions should be structurally separated from the EPA and be performed within the non regulatory component of the portfolio (eg, the Department of Environment and Natural Resources — DENR).

The practice of hypothecating revenues from the Solid Waste Levy should cease.

Response: Partially support

The Environment Protection Authority (EPA) in consultation with the Department of Treasury and Finance and other environmental agencies should ensure that there is an independent review of the EPA.

The Government agrees to review the need and most appropriate delivery structure for policy and planning elements of the EPA. This will be considered as part of the independent review.

The Government will continue hypothecation of the Solid Waste Levy.

Lead agency: EPA (in consultation with DTF, DPC and DENR)

Implementation: Results of the independent review should be available for Government consideration by June 2011.

Recommendation 23: Cease major Zero Waste programs

The Commission recommends that the majority of Zero Waste's programs cease, with waste policy functions brought within DENR.

Response: Do not support

This is a policy priority of the Government and it will ensure that Zero Waste SA operates efficiently.

Lead agency: Zero Waste

Implementation: Not applicable.

Recommendation 24: State Government concessions

The Commission recommends that State Government concessions should be targeted at sections of the community most in need. This may be assisted by Commonwealth reforms to concession card eligibility.

Response: Support in principle

The Government supports the principle of targeting assistance to those most in need.

Lead agency: DTF

Implementation: Ongoing.

Recommendation 25: Provision of local government services

The Commission recommends:

- services or programs best delivered by local government should not be provided and/or duplicated by state government agencies; and
- as an extension to the boundary reforms of the 1990s, further boundary reform (ie, larger and fewer councils) be undertaken to strengthen the revenue base of local government in South Australia.

Response: Support in principle

The Government agrees in principle with the concept that services should not be duplicated by state and local governments.

The Government supports local government (as well as state and Commonwealth governments) operating efficiently and effectively. The responsibility for efficient local government rests primarily with local government.

Lead agency: Department of Planning and Local Government.

Implementation: Ongoing.

Recommendation 26: Workforce policy

The Commission recommends that:

- there should be a non-voluntary separation policy for managing staff who are excess to agency requirements;
- entitlement and pay provisions (eg, minimum notice periods and severance pay) should be established with regard to other jurisdictions' policies for the treatment of excess employees, redeployment and involuntary severance arrangements. Consideration should also be given to aligning public sector practice with current private sector practice; and
- there be a review of the use of Chief Executives' powers to separate employees who are poor performers, with a view to strengthening the existing provisions, where necessary.

Response: Partial support

The Government is fully committed to achieving a sustainable Budget outcome through the approved savings measures. Government employees whose positions are determined to be redundant as a consequence of those savings measures will have the opportunity for training and skills development to find alternative employment positions that arise from natural attrition and higher priority expenditure initiatives in the public sector.

Employees whose positions are determined to be redundant and who are not assigned to other positions will also have available generous voluntary separation packages.

Following the introduction of separation packages, if the required reduction in employee numbers is not achieved in 12 months through redeployment and voluntary separation packages, the Government will reconsider its 'no forced redundancy policy'.

Lead agency: DPC (in consultation with DTF)

Implementation: Ongoing

Recommendation 27: OHS&W arrangements

The Commission recommends the following in relation to OHS&W issues:

- **Governance arrangements** — the Public Sector Workforce Relations unit of DPC role on OHS&W be restricted to a purely advisory and data collection role. Chief Executives should manage agency OHS&W performance and outcomes in accordance with their legislated 'responsible officer' obligations.
- **Workers compensation insurance arrangements** — the Government should remain self-insured on the grounds that it is currently the most cost effective option. This position should be reviewed from time to time.
- **Injury management arrangements** — all government injury management service centre activities should be competitively tendered.
- **Legal advice** — all legal advice for government claims and injury management services should be competitively tendered.
- **Review of WorkCover reforms** — an independent review of the application of the 2008 WorkCover changes and their effectiveness in the public sector should be undertaken.

Response: Support

Governance arrangements — The Government agrees with this recommendation.

Lead agency: DPC

Implementation: The Government's response is outlined in the 2010-11 Budget.

Workers compensation insurance arrangements — The Government will continue to self-insure.

Lead agency: DPC

Implementation: Ongoing

Injury management arrangements — The Government will investigate competitive tendering of injury management arrangements for government's own employee groups.

Lead agency: DPC

Implementation: Competitive tender process should be completed by June 2011.

Legal advice — The Government will investigate greater use of private sector legal advice for government claims and injury management. An across-government panel arrangement is most likely to drive maximum efficiencies.

Lead agency: DPC

Implementation: Initial competitive tender process should be completed by June 2011.

Review of WorkCover reforms — The Government will launch an independent review of the application of the 2008 WorkCover changes and their effectiveness in driving reduced compliance costs and administration costs in the public sector.

Lead agency: DPC

Implementation: Results of the review should be provided to Cabinet by June 2011.

Recommendation 28: Facilities management

The Commission recommends that facilities management works for all agencies of government be subject to a competitive tender process. Private sector bidders should be able to tender for all or part of the work requirement.

Centralised government contract administration and management should be streamlined and costs reduced.

Response: Partially Support

The Government will extend to all agencies the current centralised management model to enhance economies of scale in Facilities Management.

It will review management and contract administration to reduce costs where possible.

Lead agency: DTEI and DTF (in consultation with Health, DECS, DFEEST and DFC)

Implementation: Procurement planning and strategy for Cabinet consideration should be completed by June 2011.

Recommendation 29: Building management

The Commission recommends that the management of all government accommodation should be put to competitive tender. Standards for government accommodation fit-outs should be established and a competitive tender for the managing contractor role for all government fit-outs should be undertaken.

Response: Partially Support

The Government will develop a business case on alternative models for the management of government office accommodation.

The Government will establish a stronger mandate to support application of established office accommodation standards.

Lead agency: DTEI (in consultation with DTF)

Implementation: Business case completed and referred to Government by June 2012.

Recommendation 30: Government ICT

The Commission recommends that the results of the Information and Communication Technology (ICT) cost assessment and benchmarking analysis be used by the ICT Board and the Office of the Chief Information Officer (OCIO) to inform:

- the analysis of future ICT capital projects and future reporting to Cabinet on the Government's ICT spending;
- ICT investment prioritisation and provision of advice to the Department of Treasury and Finance on the merits of individual projects, as part of the Budget process;
- future reform concerning consolidation of ICT services, clustering of similar agencies with like needs, and strengthening across government procurement practices; and
- investigation of new service delivery models, including opportunities to centralise within government, or external provision of services.

The Commission also recommends that major reforms and new service delivery model proposals, including consolidation within government and external service provision, be subject to rigorous analysis of net benefits and that business cases have a high level of oversight and governance.

Response: Support

The Government supports all parts of this recommendation. The ICT Board and the OCIO have lead responsibility for ICT activities within government.

Lead agency: OCIO

Implementation: Ongoing.

Recommendation 31: Procurement governance and legislative changes

The Commission recommends that:

- the *State Procurement Act 2007* be repealed and the State Procurement Board abolished;
- the *Public Finance and Audit Act 1987* be amended to encompass procurement;
- the Treasurer issue Procurement Instructions (PIs) to replace the current State Procurement Board policies and guidelines;
- Chief Executives be held accountable for procurement outcomes and compliance with centrally set PIs; and
- the Procurement Policy and Governance Group within the Department of Treasury and Finance be reduced with a focus on policy matters only.

Response: Do not support

The Government considers that the State Procurement Board together with the State Procurement Act should remain as they are the most effective means of delivering fair and transparent procurement outcomes.

Lead agency: Not applicable.

Implementation: Not applicable.

Recommendation 32: Benefits of purchase pooling

The Commission recommends that a strategic spending analysis be undertaken by Shared Services SA to identify purchasing activities amenable to improved price outcomes through use of whole-of-government purchasing power in addition to those outlined in this report.

Response: Support

Shared Services SA will undertake an analysis with the aim of identifying purchases that could be made cheaper through whole-of-government purchasing.

Lead agency: DTF (Shared Services SA)

Implementation: Ongoing.

Recommendation 33: Review of non price and service specification in government policies

The Commission recommends that all government policies seeking to achieve indirect outcomes through procurement should be reviewed. The review should:

- document all the specification elements;
- assess their effectiveness in achieving the other policy objectives;
- estimate the additional cost to government of including these specification requirements; and
- consider other program responses to achieve these other policy objectives.

Response: Support

The Government will review its policies relating to procurement to assess the costs and benefits of specifying indirect outcomes.

Lead agency: DTF and DPC

Implementation: Ongoing.

Recommendation 34: Statutory bodies

The Commission recommends that the Government:

- develop guidelines for establishing statutory bodies, including on what functions should be performed outside departmental structures, when and in what circumstances a new statutory body should be formed, and what legal and statutory form the body should take;
- undertake an assessment of existing bodies against these guidelines to reduce duplication and overlap and determine whether they are well governed, performing to meet Government objectives, and are still required in their current forms;
- develop a standard for legislation to set up statutory authorities to make board accountability clear and consistent; and
- develop guidelines on when and in what circumstances non-statutory advisory bodies can/should be developed.

Response: Support

The Government will develop guidelines for establishing statutory authorities, and then assess current authorities against those guidelines. Standards for legislation for creating new authorities will also be developed. As part of this, guidelines will be created for when other advisory bodies should be formed.

Lead agency: DPC

Implementation: Recommendation should be initially actioned by June 2011 and will require ongoing application and monitoring of revised policies.

Recommendation 35: Review and sale of surplus assets

The Commission recommends that the Department of Treasury and Finance continue its work of identifying land and buildings that are surplus to core government activities or inefficiently used. The Department, with support of Chief Executives, should generate options for the Government to consider for the disposal of those properties.

Response: Support

A process for identifying surplus land and buildings is underway.

Lead agency: DTF

Implementation: Ongoing.

Recommendation 36: Government businesses — SA Lotteries

The Commission recommends that the Department of Treasury and Finance undertake a detailed assessment of the future options for SA Lotteries, including sale options.

Response: Do not support

The Government does not intend to pursue the sale of SA Lotteries.

Lead agency: Not Applicable.

Report back to Cabinet: Not Applicable.

Recommendation 37: Government businesses — HomeStart Finance

The Commission recommends that HomeStart Finance should be the subject of a thorough 'root and branch' review. This review should be independent of HomeStart Finance.

Response: Support

As the Commission noted in its second report, the Government is already working with HomeStart Finance on a review of all its operations.

Lead agency: DTF (in consultation with HomeStart Finance and DPC)

Recommendation 38: Government businesses — Land Management Corporation

- The Government needs to clearly specify the non-commercial objectives assigned to the Land Management Corporation.
- The Land Management Corporation's regulations and Charter should be amended to better reflect its identified role.
- A review of the Land Management Corporation's Performance Targets should be undertaken, with the Performance Statement to include rolling ten-year targets.
- The Industrial Premises Development Scheme should be wound up.
- Business cases for the Land Management Corporation's projects should examine the scope for greater private sector involvement and alternative methods for delivering the Government's objectives.

Response: Defer for further advice

The Government will review the Land Management Corporation to consider the points raised by the Commission.

The Government will give consideration to winding up the Industrial Premises Development Scheme following a review of its effectiveness in assisting the State attract industry.

Lead agency: LMC (in consultation with DTF and DTED)

Implementation: Response should be provided to the Government by June 2011.

Recommendation 39: Government businesses — ForestrySA

The Commission recommends that the Government should sell ForestrySA. The Commission concludes there are no public policy arguments for the State to be involved in a commercial plantation forestry operation.

Response: Do not support

The Government announced in the 2008-09 Mid-Year Budget Review that it would investigate the sale of the harvesting rights to ForestrySA's plantations. The Government reaffirms its public position of supporting the possible sale of 2 or 3 harvesting rotations.

Lead agency: DTF

Implementation: As per current process.

Recommendation 40: Government businesses — other government businesses

The Commission recommends that the Government should regularly reconsider its need for continued ownership of its other business enterprises.

The Commission recommends that the Government consider whether some Public Non Financial Corporations (PNFCs) that remain could be operated at reduced cost or more effectively if they were fully integrated into existing government departments.

Response: Support in principle

The Government will regularly consider the need for its various business enterprises and, if they are still required, whether they could be more efficient or effective if they were to operate as part of an existing department.

Lead agency: DTF

Implementation: Ongoing.

Recommendation 41: 'Locking-in' announced savings

The Commission recommends that announced budget savings initiatives be allocated to agencies as specific, properly-costed, program initiatives as soon as possible. Ideally, this should be done before savings initiatives are publicly announced. Where this is not possible, savings initiatives should be translated into specific agency measures within, say, six months of announcement, and supplementary announcements advising of the agency allocation of these savings released. For example, savings announcements made at budget time, but not allocated to agencies, could be the subject of agency allocation statements released as part of the Mid-Year Budget Review (MYBR).

Response: Support in principle

The Government supports this recommendation in principle, noting that the practicalities of budgeting mean that it is not always possible to cost and allocate all savings within a set time.

Lead agency: DTF

Implementation: Ongoing.

Recommendation 42: Independent monitoring of savings delivery

The Commission sees no case for its own continuation. It should be terminated.

However, the Commission recommends the Government establish a small, independent, Sustainable Budget Oversight Unit, appropriately resourced from key central agencies, to monitor, report, and make recommendations in relation to delivery of Government savings decisions made as a result of this report and other subsequent reviews.

This Unit should report to the Government, through the SBCC, at least annually in the lead-up to the tabling of the Budget each year, and possibly also as part of the Mid-Year Budget Review (MYBR) process.

Ideally, the Unit's reports to the Government should also be published, in the interests of a transparent process.

There may be a case for making this Unit a permanent part of the budget process, dealing not only with periodic reviews but also with budget over-runs after the tabling of the Budget each financial year.

Response: Partially support

The Government agrees that the Commission should be terminated.

The Government does not consider it necessary to establish the Sustainable Budget Oversight Unit proposed by the Commission. Ongoing budgetary reporting is a core function of DTF and therefore DTF will report to the SBCC in a manner similar to that proposed in the recommendation. The reporting to SBCC, as with other correspondence with Cabinet, will not be published.

Lead agency: DTF (in consultation with the DPC)

Implementation: Not applicable.

Recommendation 43: Cabinet process

The Commission recommends that Cabinet decisions affecting the budget, arising outside the budget process, should only be made in exceptional circumstances and ideally be concentrated in the MYBR.

Response: Support in principle

The Government agrees that the 'top down' deterministic process outlined in the Commission's first report is appropriate and that other decisions affecting the budget should be kept to a minimum.

Lead agency: DPC - Cabinet Office (in consultation with the DTF)

Implementation: Ongoing.

Recommendation 44: Measurement, reporting and evaluation

The Commission recommends that the Government implement a centrally-driven measuring, reporting and evaluation framework of programs and projects for both operating and investing expenditure.

Response: Support

The Government acknowledges the need for post-implementation review and evaluation. The Government has already mandated (through Treasurer's Instruction 17) the use by agencies of such evaluation in its *Guidelines for the Evaluation of Public Sector Initiatives*.

Making government reporting (such as the Portfolio Statements) consistent with comparative data from the Commonwealth Grants Commission and Report on Government Services is a longer term aim of the Government.

Lead agency: DTF (in consultation with the DPC)

Implementation: Ongoing.

Recommendation 45: Revenue forecasting

With input from the Department of Treasury and Finance, the Government should attempt to qualitatively assess the budget effects of the economic cycle. Temporary or unsustainable revenue increases should not be used to fund ongoing expenditures.

Response: Support

Recognising the state of the economic cycle and its impact on revenues is an important element of sustainable budgeting. The Government will seek qualitative advice from DTF on whether estimated revenue across the forward estimates is above or below the long term trend.

Lead agency: DTF

Implementation: Ongoing.

Note: Recommendations 8 and 9 relate to the menu of specific budget improvement proposals put forward by the Commission. The Government's response to the menu is outlined in the budget papers.