



Treasury

Our Reference: TA20/3856

Mr David Shoebridge
Chair
Public Accountability Committee
Parliament House
SYDNEY NSW 2000

Dear Mr Shoebridge,

Inquiry into NSW Government's management of the COVID-19 pandemic

Please find enclosed Treasury's responses to the Questions taken on notice arising from the hearing held on 15 May 2020.

Yours sincerely

A handwritten signature in black ink, appearing to read "Michael Pratt".

**Michael Pratt AM
Secretary**

10 June 2020

**INQUIRY INTO NSW GOVERNMENT'S MANAGEMENT OF THE COVID-19
PANDEMIC**

LEGISLATIVE COUNCIL

Treasury responses to Questions on Notice – 15 June 2020

Question 1 – Poverty data

Ms ABIGAIL BOYD: I really hope so, thank you. Before the COVID-19 crisis, statistics that I have read from organisations such as the NSW Council of Social Service were saying that around 13.3 per cent of all New South Wales people are living in poverty. Do you have in the current statistics how many people would now be living in poverty in the midst of COVID-19?

Mr WALTERS: I do not, Ms Boyd, I am afraid, no.

Mr PRATT: We could come back to you, Ms Boyd, on that. We do not have that data with us, sorry.

Answer

The NSW Council of Social Services (NCOSS) report 'Mapping Economic Disadvantage in New South Wales' notes that the poverty rate in NSW is around 13.3 per cent (that is, the proportion of households that earn less than 50 per cent of the equivalized median income). The organisation calculates this measure using unit level data from an ABS publication that is released every two years. As such, data is not readily available to calculate this measure to incorporate the impact of the COVID-19 pandemic.

Question 2 – Temporary social housing arrangements

Ms ABIGAIL BOYD: When do those temporary housing arrangements run out? Is it when the hotels decide that they can get people to pay for rooms? Is this the hotel room thing?

Mr PRATT: We have the data on that.

Ms WILKIE: I think it is June/July, but I do not have the exact date with me. The transition issue that you mentioned is one of the things that is being looked at at the moment.

Ms ABIGAIL BOYD: Being chucked back out on the street in the middle of winter is obviously pretty grim and I am sure those people are keen to find out what is going to happen to them.

Mr PRATT: Do you want me to come back to you—

Ms ABIGAIL BOYD: Sorry, I think my time is up. I will go back to the Chair.

The CHAIR: Mr Pratt, did you say you would be able to come back with some further information to answer that question from Ms Boyd?

Mr PRATT: Yes, we will, Chair.

Answer

As part of the Government's COVID response to prevent and respond to homelessness, \$39 million is being provided to support more people with temporary accommodation, including in hotels.

The additional accommodation in hotels across metropolitan Sydney is booked until the end of June. The extension of these measures beyond June is being reviewed.

The Government has also recently announced an additional \$36 million to secure homes from the private rental market for rough sleepers and to provide them with access to services for up to two years. This will assist in providing transitional arrangements for clients exiting temporary accommodation.

Question 3 – Public Sector employees in NSW

The CHAIR: Do you know how many people are employed by the State of New South Wales, as best you can, the most recent figures you have?

Mr PRATT: I do not have the up-to-date figures with me, Chair, but, as I understand it, it is in excess of 400,000. That entails all front-line as well, so that is police, nurses et cetera—that is the total workforce.

The CHAIR: The figure I had was about 469,000 employees in New South Wales. Would that be about right?

Mr PRATT: That sounds a little high to me. I understood it was around 400,000 to 420,000, but we can get that number for you.

Answer

As at June 2019, the public sector headcount was 407,999 or 337,787 FTE (as sourced from the Public Service Commission Workforce Profile Report 2019).

Question 4 – Wage control measures

The CHAIR: The most obvious case would be teachers. In questioning with the education Minister this morning, when we asked about that very question she said to refer that question to you this afternoon, Mr Pratt, so that is good news for you. So teachers have an entrenched award entitlement for a pay rise. Is there a capacity, without going back to the Industrial Relations Commission for the Treasurer to revert that pay rise through wage control measures that the Treasurer had?

Mr PRATT: I would have to take that on notice. We do not have control of industrial relations within Treasury; I think you may be aware that sits with Premier and Cabinet and they would be the people addressing the various powers and controls on those issues. But I am happy to take it on notice on their behalf if you wish me to.

Answer

The current award that covers teachers is the *Crown Employees (Teachers in Schools and Related Employees) Salaries and Conditions Award 2020*. This award is a legal instrument that outlines the minimum pay rates and conditions of employment. The Treasurer is not a party to this award.

The Labour Expense Cap (LEC) is a key budget control measure introduced in the 2012-13 Budget. The cap limits employee related and contractor expenses (excluding consultants) across general government sector agencies as well as selected public trading enterprises.

Clusters are expected to manage their employee related and contractor costs (excluding consultants) within the LEC established in the Budget process. This does not include setting rates of pay, which as noted earlier, is the responsibility of the Industrial Relations Commission, not Treasury.

Question 5 – Cost of 2.5% wage increase

The CHAIR: Have you got figures as to what the cost of a 2.5 per cent wage increase would be to the NSW Treasury and, therefore, figures about what forgoing that would mean as a bottom line budget saving?

Mr PRATT: No, I do not have it with me, no.

The CHAIR: Would you be able to provide those on notice?

Mr PRATT: Yes.

Answer

The Government's proposal of a 12-month pause to the 2.5 per cent wage increase would provide a net saving of \$3 billion over the four years from 2020-21.

Due to specific funding models in place, the savings from a wage pause applied to instruments that apply to staff in Education and in commercial entities do not flow back to the Consolidated Fund and are therefore not included in the \$3 billion savings figure.

Question 6 – Cost of 2.5% wage increase

The CHAIR: I am not asking about the policy; I am just asking about what the cost to Treasury is of a 2.5 per cent wage increase. Surely, pre-COVID those sorts of figures would have definitely been to your fingertips.

Mr PRATT: I do not have them with me. I could certainly get them for you. I am happy to take it on notice, but I do not have them with me, no.

Answer

As noted in question 5, the Government's proposal of a 12-month pause to the 2.5 per cent wage increase would provide a net saving of \$3b over the four years from 2020-21.

Question 7 – Meetings with universities

The CHAIR: You said there is a series of productive conversations, as I understood it, with vice-chancellors. Can you indicate which vice-chancellors those conversations were with?

Mr PRATT: They have been with them one-on-one over a period of probably four or five weeks now, but also in small groups, also with—you may be aware Paul Wellings is the vice-chancellor [VC] at Wollongong and is the chair of the university group in New South Wales. So we have had numerous discussions with him as chair. Then on Friday night I gave a Skype such as this; I think 10 VCs were involved in that together.

The CHAIR: And that would have included, obviously, Wollongong. Did it also include Western Sydney, the University of Technology Sydney and the University of New South Wales in Sydney?

Mr PRATT: Yes, it did.

The CHAIR: Can you indicate what regional universities were also included in that?

Mr PRATT: I would have to check for you, but I think all three were represented. We are very careful to make sure that we get a total New South Wales view, not just a City of Sydney view. So we have been having a good example of what I mentioned earlier, we have been having one-on-one specific meetings with universities for that reason, including the regionals.

Answer

The meeting of the NSW Vice-Chancellors Committee attended by the Treasury Secretary on 8 May included the Vice-Chancellors of all three NSW Universities principally based in Regional NSW – Charles Sturt University, Southern Cross University and the University of New England.

In addition to this meeting, NSW Treasury had individual meetings with every NSW University between April and May. The purpose of these meetings was to discuss the impact COVID-19 was having (and likely to have) on each university.

Question 8 – Cost of quarantine

The Hon. WALT SECORD: In the last bracket of questions from Ms Boyd, Ms Wilkie made reference to spending on homelessness and programs like that. How much is being spent on quarantining people in New South Wales at the moment?

Mr PRATT: Let us see if we have got that, Mr Secord.

The Hon. WALT SECORD: I noticed that Ms Wilkie was reading from a sheet of expenditure.

Mr PRATT: Yes. I am not sure those numbers are there. I am just checking.

Ms WILKIE: We have support package numbers with us but quarantining is not technically considered part of the support package.

Mr PRATT: No. I think we will have to come back to you. If I could take that on notice, Mr Secord?

Answer

As at 25th May 2020, \$37.3 million has been spent on quarantining returning travellers from abroad. This figure excludes costs to be reimbursed from the Commonwealth and other States and Territories.

Question 9 – Advisor Appointment of Mr Michael Carapiet to Virgin Transaction

The Hon. DANIEL MOOKHEY: I do not dispute that and, again, this is not to question at all the experience Mr Carapiet brings. I remember he had a lot to do with the bid to buy Qantas by Airline Partners Australia when he was at Macquarie Bank. He knows the industry very well. What I want to understand is whether the Treasurer appointed him directly. Did he call him up? Is there a contract in place? What exactly have we got? What is the mechanism? How does this work? How long is the engagement for?

Mr PRATT: I would have to take that on notice and come back to you, Mr Mookhey.

Answer

A short list was put forward and the Treasurer engaged Michael Carapiet to advise the NSW Government on a pro bono basis on how it can most effectively support existing Virgin jobs in NSW. Mr Carapiet is a very experienced executive with extensive background in dealing with complex financial matters. He is working with a team of NSW Treasury staff leading engagement with the Virgin bidders, administrators and their advisers. There is no specific term to Mr Carapiet's engagement and he has made full disclosures as per standard requirements.

Question 10 – Local Government funding

Ms WILKIE: Yes, I have got various different numbers here, Ms Boyd. Some of what we were variously referring to as shovel-ready projects or screwdriver-ready projects, because they are not the big shiny ones, they include things like \$96 million was provided to fencing in Crown lands. Coming out of the bushfires lots of fences were destroyed. It is significant for agricultural producers, obviously, to have fences repaired so the Government has put significant investment into having fences repaired.

Mr Pratt has already mentioned maintenance for social housing. There has been \$47 million put into that as well. There has been other smaller scale capital works in the transport space, so things like local road maintenance, maintenance of roundabouts and curbs and pedestrian things and bike lanes and that sort of thing going in as well. We already mentioned social housing, Aboriginal housing maintenance as well, so there is a \$500 million in that space as well, and then various other capital projects in—

Mr PRATT: Sorry, \$5 million.

Ms WILKIE: Yes, sorry, \$5 million. Various other projects in the health space, so regional hospital projects and that sort of thing as well. There is stuff going on across a whole heap of clusters in that screwdriver-ready space. Because we wanted to get the money out quickly, it is mostly focused on repairs and maintenance types of issues rather than new things.

Ms ABIGAIL BOYD: Okay, understood. Is any of that funding going direct to councils for some of the projects that councils are needing funding for?

Ms WILKIE: Yes, there are payments that are going direct to local councils.

Ms ABIGAIL BOYD: For those projects?

Ms WILKIE: No, not for those projects. There are separate buckets of money that are going to local government.

Ms ABIGAIL BOYD: Not in the form of loans but in actual money?

Ms WILKIE: There are loans as well as grants, depending on what the money is being used for.

Ms ABIGAIL BOYD: What percentage is grants and what percentage is loans?

Ms WILKIE: I would have to take that on notice. That is not in front of me right at the moment, and that will need to work through—with loans, usually what we do is say that there is a fund of money available so we would need to also have a look at how much has been taken up.

Answer

Funding is provided through grants (38%) and loans (62%).

Additionally:

- \$250 million in additional loan funding through Tcorp has been provided for council infrastructure projects, as part of the Tcorp administered Local Government Infrastructure Loan facility,
- Up to \$112.5 million in reimbursements for council staff has been made available to councils in financial distress who have stood down staff and put them on the council-designed Job Retention Allowance Scheme, and
- \$32.8m has been provided as grants to enable councils to meet their Emergency Services obligations.