



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party

Proposal No: A051

Date Referred: 22/10/2018

Date Published: 18/03/2019

Proposal Title: No bonuses for senior executive public servants

Cluster: Whole of government

General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	-	-	-	-
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue	-	2,243	2,299	2,357	6,899
Net Operating Balance:	-	2,243	2,299	2,357	6,899

Capital Expenditure	-	-	-	-	-
Capital Offsets	-	-	-	-	-
Net Capital Expenditure:	-	-	-	-	-

Net Lending/(Borrowing):	-	2,243	2,299	2,357	6,899
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Total State Sector Impacts

Net Lending/(Borrowing):	-	2,243	2,299	2,357	6,899
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Notes and costing assumptions

This policy proposes abolishing discretionary pay for NSW general government sector senior executives on contracts. This proposal commences on 1 July 2019, with this abolition occurring for individual senior executives upon negotiating a new contract in line with standard contractual review timing.

Information provided by the Public Service Commission notes that the vast majority of senior executives in the NSW general government sector are not eligible for discretionary payments. The exceptions to this are Departmental Secretaries, TAFE NSW and the Independent Commission on Corruption (ICAC). The estimated maximum saving over the forward estimates (inclusive of 2.5% wage escalation per annum) is approximately \$6.9 million. Discretionary pay for all relevant executives has been included in this costing, except where noted or caveated in the following sections.

Note that there is a general risk that removing discretionary pay for most senior roles will be uncompetitive, with the NSW public sector being unable to attract and retain talent.

Departmental Secretaries

The policy applies to Departmental Secretaries employed under the *Government Sector Employment Act 2013* (GSE Act). These Secretaries are employed under ongoing contracts which are not renegotiated on a periodic basis.

Notes and costing assumptions continued:

In its annual determination the independent Statutory and Other Officers Remuneration Tribunal (SOORT) sets a discretionary payment range of up to 12% for these Secretaries. The actual amount of the discretionary payment is determined by the Premier, who can choose the value of individual discretionary payments.

The PBO has assumed the following for the purpose of this costing (noting that Secretaries may not receive this level of payment in practice):

- The Premier will not award any discretionary payments over the forward estimates
- In the absence of the Premier's action, Secretaries would have received the maximum 12% discretionary payment figure across the forward estimates.

TAFE NSW

The maximum discretionary payment of 12% has been assumed for TAFE NSW senior executives (excluding the Managing Director, whose discretionary pay is included in the Departmental Secretaries category).

However, TAFE NSW senior executives are employed under common law contracts, with any discretionary payment at the discretion of TAFE NSW. No at-risk payments were made in 2018-19. TAFE NSW has advised that removing the possibility of these payments altogether changes the terms of affected employees' employment contracts, and may require further legal advice to implement.

Independent Commission Against Corruption (ICAC)

The ICAC CEO has been excluded from the costing as he was appointed on 2 July 2018 with an assumed contract expiry date after 30 June 2022. As such, any savings from the abolition of discretionary pay falls outside the forward estimates.