



PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

Referred by: Coalition **Proposal No:** C1187
Date Referred: 23/01/2023 **Date Published:** 20/3/2023
Proposal Title: Efficient bureaucracy – senior executives reduction
Cluster: Whole of Government

General Government Sector Impacts

	2022-23 \$'000	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	(88,236)	(239,490)	(245,477)	(573,203)
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue	-	-	-	-	-
Net Operating Balance:	-	88,236	239,490	245,477	573,203

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

Net Lending/(Borrowing):	-	88,236	239,490	245,477	573,203
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Total State Sector Impacts

Net Lending/(Borrowing):	-	88,236	239,490	245,477	573,203
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Notes and costing assumptions:

The proposal is to reduce senior executives by 20 per cent across NSW Government. This does not include senior executives in emergency services, NSW Police, the Legislature, Public Non-Financial Corporations, independent agencies and integrity agencies. Redundancy notices would be issued on 3 July 2023.

The PBO has calculated the proposed policy will result in budget savings of \$573 million across the forward estimates. This is broken down in Table 1 below.

Table 1. Savings breakdown from proposed redundancies

	2022-23 (\$)	2023-24 (\$)	2024-25 (\$)	2025-26 (\$)	Total (\$)
Baseline wages	945,180,156	973,535,560	997,873,949	1,022,820,798	3,939,410,463
After 20% reduction and wage increase	945,180,156	778,828,448	798,299,159	818,256,638	3,340,564,402
Assumed wage increase (Treasury Wage Policy)			3.0%	2.5%	2.5%
Redundancy costs		145,412,332			145,412,332
Savings		194,707,112	199,574,790	204,564,160	598,846,062
Oncosts Savings (Assumed 20%)		38,941,422	39,914,958	40,912,832	119,769,212
Total Savings		88,236,203	239,489,748	245,476,992	573,202,942

Notes and costing assumptions continued:

Assumptions

- There will be a 20 per cent reduction in senior executive expenses in NSW Government except for executives in emergency services, NSW Police, the Legislature, Public Non-Financial Corporations, independent agencies and integrity agencies.
- The number and salaries of NSW Government senior executives for the 2020-21 financial year was taken from NSW Public Service Commission data.
- The costing is based on an average senior executive salary of \$273,807 in 2022-23.
- The PBO has assumed wage increases of 3 per cent in 2023-24 and 2.5 per cent in both 2024-25 and 2025-26.
- Currently, the 2023-24 budget does not include funding for redundancies.
- Redundancy costs will occur in the 2023-24 financial year and redundancy notices will be given on 3 July 2023.
- Redundancy costs are 40-weeks of pay (calculated on the average senior executive salary). This includes a 38-week redundancy package plus a 2-week notice period.
- The costing assumes the total redundancies to be 690 people.
- On-cost savings are calculated at 20 per cent for corporate and executive on-costs. This includes the cost of overheads like back-office support functions, IT, accommodation, and other similar costs.