



Education Report: Draw Down Public Sector Pay Adjustment Remuneration Cost Pressures Contingency Funding

To:	Hon Grant Robertson, Minister of Finance Hon Jan Tinetti, Minister of Education		
Date:	4 September 2023	Priority:	High
Security Level:	Budget Sensitive	METIS No:	1314568
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

1. This paper seeks to draw down outstanding funding from the tagged operating contingencies established in Budget 2023 for Public Sector Pay Adjustment (PSPA) Remuneration Cost Pressures in the Ministry of Education and Tertiary Education Commission and to close those contingencies.

Summary

2. As part of Budget 2023 several cost pressure contingencies were established for funding PSPA agreements for agencies that were still being negotiated.
3. Now the Ministry of Education and Tertiary Education Commission have recently completed negotiations for those pay adjustments that were outstanding on 31 March but for which contingencies were created.
4. The agencies are now seeking to draw down contingency funding for these final agreements, to close the contingencies and return any remaining funds to the centre.

Recommended Actions

The Ministry of Education recommends the Minister of Finance and the Minister of Education (jointly):

- a. **note** that on 11 April 2023 Cabinet established the following tagged operating contingencies for remuneration cost pressures to support Public Sector Pay Adjustment (PSPA) negotiations [CAB-23-MIN-0139 Initiative Nos: 15391 & 15354 refer]:

	\$m - increase/(decrease)				
Operating Contingencies	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Public Sector Pay Adjustment					
• Vote Education Remuneration Cost Pressure Initiative No: 15391	-	8.195	10.883	10.883	10.883
• Vote Tertiary Education Remuneration Cost Pressure Initiative No: 15354	-	3.022	3.761	3.761	3.761

and

- a.1. **noted** that the Ministry of Education has not yet settled PSPA negotiations for several of its collective agreements;
- a.2. **noted** that the Tertiary Education Commission and Education New Zealand are subject to the PSPA, and have not yet settled PSPA negotiations across their collective agreements;
- a.3. **noted** that these cost pressure initiatives are limited to funding the settlement of PSPA related remuneration pressures;
- a.4. **agreed** that the Minister of Finance and the Minister of Education (Joint Ministers) jointly approve draw down from the tagged contingencies established above, on settlement of each of the remaining PSPA negotiations;
- a.5. **agreed** that the expiry date for the above tagged contingencies is 1 February 2024 or earlier if agreed to by Joint Ministers;
- a.6. **agreed** that any unused portion of the tagged contingencies is to be returned if not required for PSPA settlement purposes;
- b. **note** that Cabinet subsequently agreed the tagged operating contingencies described in recommendation 1 above would expire on 31 July 2023 if a PSPA settlement was not concluded on or before that date, unless otherwise agreed by the Minister for the Public Service, the Minister of Finance, and the Minister of Education [CAB-23-MIN-0194 refers];
- c. **note** that all PSPA-related settlements covered by the contingencies described in recommendation a above were ratified prior to 31 July 2023, except for field staff employed by the Ministry of Education;
- d. **note** that on 28 July 2023 joint Ministers (Public Service, Finance, and Education) agreed:
- that the Ministry can oversee the ratification with NZEI and make offers to field staff on Individual Employment Agreements (IEAs) under the terms of the PSPA until 25 August 2023, and

- to extend the expiry date for the PSPA tagged contingency, Public Sector Pay Adjustment Vote Education Remuneration Cost Pressure (Initiative No: 15391), from 31 July 2023 to 30 November 2023, to give the Ministry time to draw down from the contingency post-ratification as part of the October Baseline Update process [METIS No: 1314835 refers];
- e. **note** that the various PSPA agreements for which funding is sought from the contingencies described in recommendation a above have now been ratified as follows:
- PSA - Tertiary Education Commission – 25 July 2023,
 - NZEI Support Workers – 12 May 2023,
 - NZEI Service Managers – 18 May 2023,
 - APEX Psychologists – 30 June 2023, and
 - NZEI Field Staff (including Psychologists) – 2 August 2023;
- f. **approve** the following changes to appropriations to reflect settlement of PSPA negotiations for Tertiary Education Commission-related collective agreements, with a corresponding impact on the operating balance and net debt:

	\$m – increase/(decrease)				
Vote Tertiary Education Minister of Education	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Non-Departmental Output Expense:					
Administration of and Support for the Tertiary Education and Careers Systems	-	2.009	2.875	2.875	2.875

- g. **note** the estimated costs for the settlements of the NZEI Te Riu Roa Field Staff and NZEI Service Managers and Support Workers collective agreements for Ministry of Education staff are \$8.745 million in 2023/24 and \$11.824 million in outyears – the extent to which this exceeds the contingency will be managed from existing Ministry baselines;
- h. **approve** the following changes to appropriations to reflect settlement of PSPA negotiations for NZEI Te Riu Roa Field Staff and NZEI Service Managers and Support Workers collective agreements for Ministry of Education staff, with a corresponding impact on the operating balance and net debt:

	\$m – increase/(decrease)				
Vote Education Minister of Education	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Multi-Category Expenses and Capital Expenditure:					
Outcomes for Target Student Groups MCA					
<i>Departmental Output Expense:</i>					
Interventions for Target Student Groups (funded by Revenue Crown)	-	8.195	10.883	10.883	10.883

- i. **agree** that the proposed changes to appropriations for 2023/24 above be included in the 2023/24 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- j. **agree** that the expenses incurred under recommendation h above be charged against the Public Sector Pay Adjustment Vote Education Remuneration Cost Pressure contingency established as part of Budget 2023;

- k. **agree** that the Public Sector Pay Adjustment Vote Education Remuneration Cost Pressure contingency established in Budget 2023 (Initiative No: 15391 refers) can now be closed and the balance returned to the centre as follows:

Operating Contingencies \$m – increase/(decrease)	2022/23	2023/24	2024/25	2025/26	2026/27& Outyears
Public Sector Pay Adjustment Vote Education Remuneration Cost Pressure	-	8.195	10.883	10.883	10.883
Less Ministry of Education appropriation	-	(8.195)	(10.883)	(10.883)	(10.883)
Balance to be returned to the centre	-	-	-	-	-

- l. **agree** that that the expenses incurred under recommendation f above be charged against the Public Sector Pay Adjustment Vote Tertiary Education Remuneration Cost Pressure contingency established as part of Budget 2023;
- m. **note** Education NZ has decided to opt out of the PSPA and the Education NZ-related PSPA funding will not be appropriated;
- n. **agree** that the Public Sector Pay Adjustment Vote Tertiary Education Remuneration Cost Pressure contingency established in Budget 2023 (Initiative No: 15354 refers) can now be closed and the balance returned to the centre as follows:

Operating Contingencies \$m – increase/(decrease)	2022/23	2023/24	2024/25	2025/26	2026/27& Outyears
Public Sector Pay Adjustment Vote Tertiary Education Remuneration Cost Pressure	-	3.022	3.761	3.761	3.761
Less Tertiary Education Commission appropriation	-	(2.009)	(2.875)	(2.875)	(2.875)
Less Education NZ appropriation	-	-	-	-	-
Balance to be returned to the centre	-	1.013	0.886	0.886	0.886

- o. **agree** that once decisions are made, the information in this paper is proactively released in accordance with the Official Information Act of 1982.



James Shilling
Chief Financial Officer,
Te Pou Rangatōpū | Corporate

05/09/2023

Approved / Not approved

Approved / Not approved

Hon Grant Robertson
Minister of Finance

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Hon Jan Tinetti
Minister of Education

____/____/____

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James Shilling
Chief Financial Officer,
Te Pou Rangatōpū | Corporate

05/09/2023

Approved / Not approved

Approved / Not approved



Hon Grant Robertson
Minister of Finance

30/09/23

Hon Jan Tinetti
Minister of Education

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Background

1. Work on the PSPA has been underway since the New Zealand Council of Trade Unions' (NZCTU) wrote to the Minister for the Public Service on 27 May 2022 requesting a different approach to settling pay adjustments across the public sector. Cabinet met in November 2022 and confirmed the scope and parameters for PSPA offers, including that only collective agreements expiring in 2022 and 2023 would be eligible for the PSPA offer.
2. On 11 April 2023 Cabinet established several tagged contingencies for remuneration cost pressures to support Public Sector Pay Adjustment (PSPA) negotiations. These cost pressure initiatives were limited to funding the settlement of PSPA related remuneration pressures not settled before 31 March [CAB-23-MIN-0139 Initiative Nos: 15391 & 15354 refer]. Initiative No: 15391 related to the Ministry of Education negotiations and Initiative No: 15354 to the Tertiary Education Commission and Education New Zealand.
3. The expiry date for these tagged contingencies was to be 1 February 2024 or earlier if agreed to by Joint Ministers and any unused portion of the tagged contingencies is to be returned if not required for PSPA settlement purposes.
4. Cabinet subsequently decided instead that PSPA tagged contingencies established through Budget 2023 will expire on 31 July 2023, for those agencies that have not concluded a PSPA settlement on or before that date, unless otherwise agreed by the Minister for the Public Service, the Minister of Finance, and the responsible Minister for the affected agency (joint Ministers) [CAB-23-MIN-0194 refers].
5. The PSPA has been offered to all Ministry employees and accepted prior to 31 July, except field staff. The Tertiary Education Commission have also concluded PSPA negotiations, and the PSPA was ratified by PSA members on 25th July 2023. However, Education NZ has decided to opt out of the PSPA and the Education NZ-related PSPA funding will not be appropriated.
6. In respect of field staff employed by the Ministry of Education an agreement has been reached with NZEI Te Riu Roa (NZEI), with terms of settlement agreed and scheduled to be sent to union members for ratification. But ratification of the agreement will not be made prior to PSPA deadline of 31 July 2023 (actually ratified on 2 August).
7. Consequently joint Ministers approved a proposal to extend the expiry date for the Education PSPA tagged contingency Initiative No: 15391 from 31 July 2023 to 30 November 2023, to give the Ministry time to draw down from the contingency post-ratification as part of the October Baseline Update process [METIS No: 1314835 refers].

Financial Implications

8. The drawdowns for Initiative No: 15354 related to the Tertiary Education Commission will be lower than the contingency as follows, largely due to Education NZ opting out:

\$million	Contingency		Appropriation		Savings	
	2023/24	Outyears	2023/24	Outyears	2023/24	Outyears
Education NZ	0.938	0.884	-	-	0.938	0.884
Tertiary Education Commission	2.084	2.877	2.009	2.875	0.075	0.002
	3.022	3.761	2.009	2.875	1.013	0.886

9. The costs for Education settlements slightly exceed the Initiative No: 15391 contingency so the full amount of the contingency will be appropriated. The difference between the estimated costs and contingency will be met from existing Vote Education baselines.

\$million	Contingency		Estimated Cost		Savings	
	2023/24	Outyears	2023/24	Outyears	2023/24	Outyears
Ministry of Education	8.195	10.883	8.745	11.824	-	-

Proactive Release

10. The Ministry recommends that once decisions have been made, this Education Report is proactively released in accordance with the Official Information Act of 1982.