

The Treasury

Budget 2016 Information Release

Release Document July 2016

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[1]	to prevent prejudice to the security or defence of New Zealand or the international relations of the government	6(a)
[4]	to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	6(c)
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[27]	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information - would be likely otherwise to damage the public interest	9(2)(ba)(ii)
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[31]	to maintain the current constitutional conventions protecting collective and individual ministerial responsibility	9(2)(f)(ii)
[33]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
[34]	to maintain the effective conduct of public affairs through the free and frank expression of opinions	9(2)(g)(i)
[36]	to maintain legal professional privilege	9(2)(h)
[37]	to enable the Crown to carry out commercial activities without disadvantages or prejudice	9(2)(i)
[38]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
[39]	to prevent the disclosure of official information for improper gain or improper advantage	9(2)(k)
[s18(c)(i)]	that the making available of the information requested would be contrary to the provisions of a specified enactment	
[40]	Not in scope	

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

Treasury Report: Briefing on Police Collective Agreements SOC Paper

Date:	10 February 2016	Report No:	T2016/111
		File Number:	DH-44-0

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Note that we support the Minister of Police's SOC paper seeking funding for Police's wage settlements.	17 February 2016
Associate Minister of Finance (Hon Steven Joyce)	Note that we support the Minister of Police's SOC paper seeking funding for Police's wage settlements.	17 February 2016
Associate Minister of Finance (Hon Paula Bennett)	Note that we support the Minister of Police's SOC paper seeking funding for Police's wage settlements.	17 February 2016

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
Alex Harrington	Senior Analyst, Justice and Security	04 890 7239 (wk)	[23]	✓
Gwen Rashbrooke	Acting Manager, Justice and Security	04 917 6239 (wk)		

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Briefing on Police Collective Agreements SOC Paper

The Minister of Police is taking a paper to the Cabinet Social Policy Committee (SOC) meeting on 17 February entitled “Police Collective Employment Agreement Negotiations 2015”, seeking funding for the costs of Police’s collective agreements.

Police and the New Zealand Police Association (NZPA) concluded negotiations on Police’s main collective employment agreements for constabulary and employees on 12 November 2015, and the agreements were ratified by members on 16 December 2015. The settlements are consistent with negotiating parameters discussed with Ministers in October 2015. The agreements are for three years, with a General Wage Increment (GWI) of two percent per year. The Competency Service Increment (CSI) is retained in the agreements. The parties have agreed to establish a remuneration working group to identify and model viable alternative remuneration frameworks for possible implementation.

Cabinet set aside a tagged contingency of \$12.3 million per annum in Budget 2015 to contribute to the costs of settling Police’s employment agreements. It was clear this would not be sufficient to meet the full costs of the settlements. Our advice has been that Police should return to Cabinet at the conclusion of negotiations and seek funding for the shortfall.

Police have undertaken an activity review, Policing Excellence the Future (PEtF), where they have demonstrated that they understand the cost and value of their business. Through PEtF Police have identified a number of opportunities to redeploy resources from lower to higher value activities within baselines, which they are looking to progress.

Through this SOC paper, the Minister of Police seeks the following funding, noting that Police have committed to meeting the net CSI costs from baselines for the term of the agreement:

Police wage pressures	\$m – increase/(decrease)				
	2015/16	2016/17	2017/18	2018/19	2019/20 & Outyears
Total wage pressures	35.1	60.8	88.3	88.3	88.3
<i>Minus</i> Budget 2015 tagged contingency	(12.3)	(12.3)	(12.3)	(12.3)	(12.3)
<i>Minus</i> net CSI costs to be met from baselines	(3.8)	(7.3)	(10.5)	(10.5)	(10.5)
New funding from the centre	19.0	41.2	65.5	65.5	65.5

We support Police receiving this funding. Because the Between-Budget Contingency has been exhausted, this new funding would be a pre-commitment against the Budget 2016 operating allowance.

[38]

Ministers may ask whether Police can absorb more of the costs of the wage settlements within baselines. We would make the following points:

- Police have committed to meeting the net costs of the CSI from baselines. As a result, Police are seeking funding for cost pressures through Budget 2016 (e.g. implementing the Child Protection Offender Register and [33, 34])
- Police's ability to manage their demand and cost pressures is limited by a commitment to sworn officer numbers, public resistance to rationalising their property footprint, and a constraining industrial relations framework.
- Police have identified savings opportunities through PEtF, which they are looking to redirect to higher priorities within baselines. It would be difficult to extract savings from Police's baselines without impacting on sworn officer numbers.

Recommended Action

We recommend that you:

- a **note** that the Minister of Police is taking a paper to the Cabinet Social Policy Committee on 17 February, seeking the following funding as a pre-commitment against Budget 2016 for the costs of Police's collective employment agreements:

Police wage pressures	\$m – increase/(decrease)				
	2015/16	2016/17	2017/18	2018/19	2019/20 & Outyears
Total wage pressures	35.1	60.8	88.3	88.3	88.3
<i>Minus</i> Budget 2015 tagged contingency	(12.3)	(12.3)	(12.3)	(12.3)	(12.3)
<i>Minus</i> net CSI costs to be met from baselines	(3.8)	(7.3)	(10.5)	(10.5)	(10.5)
New funding from the centre	19.0	41.2	65.5	65.5	65.5

- b **note** that we support Police receiving this funding, and
- c [38]

Gwen Rashbrooke
Acting Manager, Justice and Security

Hon Bill English
Minister of Finance

Hon Steven Joyce
Associate Minister of Finance

Hon Paula Bennett
Associate Minister of Finance

Treasury Report: Briefing on Police Collective Agreements SOC Paper

Purpose of Report

1. The Minister of Police is taking a paper to the Cabinet Social Policy Committee (SOC) meeting on 10 February entitled “Police Collective Employment Agreement Negotiations 2015”, which seeks funding for the costs of Police’s recently-settled collective employment agreements. This report provides a briefing ahead of that paper being considered.

Background – Policing Excellence: the Future

2. Following Police’s 2009-14 transformation programme “Policing Excellence”, Police recognised a need to do more to further reduce crime, crashes and victimisation, to improve services, address growing demand, make efficiencies and prioritise activities.
3. To this end Police undertook a bottom-up activity review (“Policing Excellence: the Future”, or PEF) to build a thorough understanding of their business: what activities they do, what those activities cost, how they link together and their relative value. They have also developed a range of ideas for doing things differently, changing operating approaches and making efficiencies. This helped Police identify lower-value activities they could reduce, and areas where further investment would be most beneficial.
4. [33, 34]

5.

Police Collective Employment Agreement Negotiations

6. Police’s two main collective employment agreements (for Constabulary and Employees, covering 10,700 staff) expired on 30 June 2015. Bargaining was initiated on 4 May 2015, with negotiations with the New Zealand Police Association (NZPA) commencing on 2 June 2015.
7. [38]

8. [38]

9.

10. Following further bargaining, Police and the NZPA concluded negotiations on 12 November 2015 in line with the negotiating parameters in paragraph 9 above. The agreements were ratified by members on 16 December 2015. The parties have agreed to establish a remuneration working group to review the existing remuneration framework and identify and model viable remuneration frameworks for possible implementation.

[38]

Costs

15. The costs of Police's wage settlements are outlined below. [38]

Police wage pressures	\$m – increase/(decrease)				
	2015/16	2016/17	2017/18	2018/19	2019/20 & Outyears

[38]

Total wage pressures	35.1	60.8	88.3	88.3	88.3
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16. Because the settlements are for three years, the costs increase in 2016/17 and 2017/18. Police will face further wage pressures from 2018/19 when new agreements are negotiated, but these do not need to be considered by Ministers at this stage.
17. The Holidays Act remediation item is not directly related to Police's collective employment agreements. Rather, it stems from inaccuracies with allowances and entitlements in Police's payroll system. Police have recently gone through a process of calculating and addressing the historic liability to 30 June 2015 at a cost of \$33.3 million, which was met from baselines (Police had accrued expenses for this in 2013/14 and 2014/15). Strictly speaking, this item should be considered through Budget 2016 alongside other cost pressures. However on balance we are comfortable with it proceeding through this paper given Police's commitment to meet the net CSI costs from baselines.

Funding

18. With Police's main collective agreements expiring on 30 June 2015, it has been clear for some time that Police would need funding during 2015 to meet the costs of renegotiating their collective agreements. With this in mind, through Budget 2015 Police sought a tagged contingency of \$22.3 million per annum from 2015/16. This represented the estimated costs of their planned negotiating position at the time, including settling for a one-year term. Cabinet decided to set aside a smaller tagged contingency of \$12.3 million per annum.
19. As Police worked through their negotiations and their PETf review, Treasury's advice was that Police should return to Cabinet at the conclusion of negotiations and seek funding for the shortfall.

20. The table below sets out the wage costs and how Police propose these be funded:

Police wage pressures	\$m – increase/(decrease)				
	2015/16	2016/17	2017/18	2018/19	2019/20 & Outyears
Total wage pressures	35.1	60.8	88.3	88.3	88.3
<i>Minus</i> Budget 2015 tagged contingency	(12.3)	(12.3)	(12.3)	(12.3)	(12.3)
<i>Minus</i> net CSI costs to be met from baselines	(3.8)	(7.3)	(10.5)	(10.5)	(10.5)
New funding from the centre	19.0	41.2	65.5	65.5	65.5

21. As can be seen, the overall costs are offset by the Budget 2015 tagged contingency, and by Police’s commitment to meet the net CSI costs from baselines for the term of the agreement. That leaves a residual to be met from the centre. We support Police receiving this funding. [38]

22. Because the Between-Budget Contingency has been fully exhausted, the new funding would be a pre-commitment against the Budget 2016 operating allowance. This would reduce the funding available at Budget 2016 for other priorities.

23. Ministers may ask whether Police can absorb more of the costs of the wage settlements within baselines. We would make the following points:

- Police have committed to meeting the net costs of the CSI from baselines. As a result, Police are seeking funding for cost pressures through Budget 2016 (e.g. implementing the Child Protection Offender Register and [33, 34] [33, 34])
- Police’s ability to manage their demand and cost pressures is limited by a commitment to sworn officer numbers, public resistance to rationalising their property footprint, and a constraining industrial relations framework.
- Police have identified savings opportunities through PEtF, which they are looking to redirect to higher priorities within baselines. It would be difficult to extract savings from Police’s baselines without impacting on sworn officer numbers.