



PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Budget Impact Statement 2023

Coalition

20 March 2023

Preface

Section 23 of the *Parliamentary Budget Officer Act 2010* requires the Parliamentary Budget Officer to prepare a separate budget impact statement for the policies of the Premier and the Leader of the Opposition that have been costed.

The budget impact statement lists the relevant costed policies, summarises the financial impact of each costed policy and shows the total net financial impact of all the costed policies on the 2022-23 State budget and forward estimates from 2023-24 to 2025-26.

The budget impact statement shows the impact of all the costed policies on the following financial indicators:

- General Government Sector Net Operating Result
- General Government Sector Capital Expenditure
- General Government Sector Net Lending/(Borrowing).

The Parliamentary Budget Officer must publicly release the budget impact statements on the fifth last day before the State general election. For the 2023 New South Wales General Election, this will be Monday, 20 March 2023.

Release of a revised final budget impact statement can occur following further costings of policies after the date of this statement.

Stephen Bartos

Parliamentary Budget Officer

20 March 2023

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About this Budget Impact Statement

The aim of the Budget Impact Statement is to provide thorough, independent, transparent, and reliable information on the costs of election policies proposed by the NSW Government in advance of the New South Wales General Election.

The Budget Impact Statement captures the estimated budget impact of all policies that the Premier proposes to implement, if elected.

Parliamentary leaders have an obligation under s 18(1A)(b) of the *Parliamentary Budget Officer Act 2010* to advise in writing that they have submitted all relevant policies for inclusion in this Budget Impact Statement. The PBO has received advice to this effect from the Premier.

The Budget Impact Statement summarises the budget impact of all costed election policies for the Premier. It provides an overview of the total impact on the budget for the current financial year (the 2022-23 budget year) and the next three years (the forward estimates, from 2023-24 to 2025-26).

The detailed costings for individual election policies are published separately on the Parliamentary Budget Office website.

The NSW Treasury [How to read the Budget Papers](#) provides guidance on terms used in this statement and the election policy costings prepared by the PBO.

All figures in tables, charts and text are shown in millions of dollars, except when otherwise indicated. Discrepancies between totals and the sum of components reflect rounding. Percentages are based on the underlying unrounded amounts

1. Current Budget Position

This current New South Wales budget position is the baseline against which each major party's election policies are added or subtracted. Once these policies are added to or subtracted from the baseline, this generates an estimated budget position for each party.

New South Wales Fiscal Position and Outlook

The current budget aggregates have been taken from the 2023 Pre-Election Budget Update (PEBU), published by NSW Treasury on 8 March 2023. The PEBU updates the fiscal and economic position for New South Wales since the 2022-23 NSW Half Yearly Review (released 7 February 2023).

The PEBU takes into account NSW Government decisions made before the beginning of the caretaker period on 3 March 2023. It also includes updated measures of New South Wales' economic performance and other changes that could affect the State's economic and fiscal outlook.

The table below outlines the budget aggregates announced in the PEBU.

Table 1: NSW General Government Aggregates (\$ million) PEBU

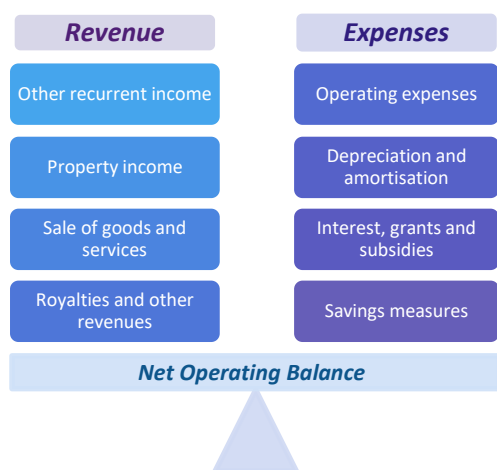
| (\$ million) | 2022-23 (Revised) | 2023-24 | 2024-25 | 2025-26 |
|---------------------------------------|----------------------|-----------------|-----------------|-----------------|
| Revenue | 105,244 | 108,577 | 113,783 | 115,693 |
| Expenses | 117,275 | 115,684 | 113,456 | 114,869 |
| Net Operating Balance (Budget Result) | (12,031) | (7,107) | 328 | 824 |
| Capital Expenditure | 22,806 | 22,211 | 22,573 | 21,406 |
| Net Lending / (Borrowing) | (25,271) | (18,147) | (11,419) | (10,123) |

Source: 2023 Pre-Election Budget Update

Each budget aggregate is outlined in detail in the following sections.

Net Operating Balance Outlook

The General Government Net Operating Balance, also known as the Budget Result, is the difference between total revenue and total expenses from transactions within the General Government Sector.



According to the PEBU, the Net Operating Balance is forecast to be a \$12.0 billion deficit in 2022-23. It has decreased since the 2023 NSW Half Yearly Review (when it was a deficit of \$11.4 billion). This change is based on the decrease in mineral royalties expected to be received in 2022-23 with the recent sharp decline in the global spot price for thermal coal.

Over the forward estimates, the forecast Net Operating Balance shows a higher deficit than that shown in the Half Yearly Review (\$16.4 billion over four years vs \$18.0 billion over four years), with the Net Operating Balance forecast to return to a surplus in 2024-25 (\$328 million) and 2025-26 (\$824 million).

Table 2 provides an overview of the Net Operating Balance outlook in 2022-23 and the forward estimates.

Table 2: Changes in NSW General Government Net Operating Balance (\$ million)

| (\$ million) | 2022-23 (Revised) | 2023-24 | 2024-25 | 2025-26 |
|---|----------------------|---------|---------|---------|
| Position as at Half Yearly Review | (11,363) | (6,492) | 333 | 1,166 |
| Changes since the Half Yearly Review | (668) | (615) | (5) | (342) |
| Position as at the Pre-Election Budget Update | (12,031) | (7,107) | 328 | 824 |

Source: 2023 Pre-Election Budget Update

Revenue Outlook

General Government Sector Total Revenue from Transactions is the total amount of revenue received from State taxation, Commonwealth Government grants and other sources (but excluding asset sales).

Over the four years to 2025-26, General Government Sector Revenue is forecast to be \$1.2 billion (0.3 per cent) lower than estimated in the Half Yearly Review (from \$444.5 billion in the Half Yearly Review to \$443.3 billion in the PEBU).

In 2022-23, General Government Revenue is projected to be \$105.2 billion (0.5 per cent lower than the estimated \$105.7 billion in the Half Yearly Review). This is also \$1.6 billion (1.6 per cent) higher than forecast at the 2022-23 Budget.

The key drivers for the change include:



Decreased royalties expected from mining, specifically coal

The estimated revenue in 2022-23 and 2023-24 have decreased by \$568.2 million and \$329.5 million, respectively. This is linked to sharp declines in the global spot prices of thermal coal (which has dropped by around 50 per cent since late January 2023).



Revised assessments of the anticipated GST Revenue

Considering updated economic forecasts for national inflation and consumption growth, and other factors that influence the proportion of GST payments apportioned to New South Wales, revenue forecasts have decreased in 2023-24.



Projected reduction in NSW Generation Fund returns

There has also been a \$71.9 million reduction in returns from the NSW Generation Fund over the three years to 2025-26. This reflects fewer mining royalties being available to invest in the Fund.

Table 3 provides an overview of the Revenue outlook in 2022-23 and the forward estimates.

Table 3: Changes in NSW General Government Revenue (\$ million)

| (\$ million) | 2022-23 (Revised) | 2023-24 | 2024-25 | 2025-26 |
|---|----------------------|---------|---------|---------|
| Position as at Half Yearly Review | 105,736 | 109,212 | 113,842 | 115,704 |
| Changes since the Half Yearly Review | (492) | (635) | (59) | (11) |
| Position as at the Pre-Election Budget Update | 105,244 | 108,577 | 113,783 | 115,693 |

Source: 2023 Pre-Election Budget Update

Expenses Outlook

General Government Sector Total Expenses from Transactions refers to the total amount of expenses incurred in the provision of goods and services including interest on debt and depreciation on capital assets.

General Government Sector Expenses are now projected to be \$117.3 billion in 2022-23, an increase of \$176 million since the Half Yearly Review, with higher expenses across the four years to 2025-26 (an increase of 0.2 per cent). This is an increase of \$15.9 billion when compared to the 2022-23 Budget Papers (an increase of 3.6 per cent).

Key spending measures included in the PEBU include \$266.7 million over the four years from 2023-24 for the transition to cashless electronic gaming machines; and \$114.5 over four years for the delivery of projects out of the WestInvest Fund offset by an adjustment to the existing program allowance for WestInvest. The increase in expenses from the Half Yearly Review includes \$559.3 million in increased interest expenses.

Increases from the Budget Papers include spending related to the significant and ongoing NSW Government response to major storms and floods across New South Wales, increased expenses for NSW Health in recovery from the COVID-19 pandemic, and increased transport expenses to maintain transport services. Table 4 provides an overview of the Expenses outlook in 2022-23 and the forward estimates.

Table 4: Changes in NSW General Government Expenses (\$ million)

| (\$ million) | 2022-23 (Revised) | 2023-24 | 2024-25 | 2025-26 |
|---|----------------------|---------|---------|---------|
| Position as at Half Yearly Review | 117,099 | 115,704 | 113,509 | 114,538 |
| Changes since the Half Yearly Review | 176 | (20) | (54) | 331 |
| Position as at the Pre-Election Budget Update | 117,275 | 115,684 | 113,456 | 114,869 |

Source: 2023 Pre-Election Budget Update

Capital Expenditure Outlook

General Government Sector Capital Expenditure relates to the acquisition or enhancement of property, plant, and equipment (e.g., land and buildings, plant and equipment, infrastructure systems), and intangibles (e.g., computer software, easements). It also includes assets acquired using finance leases.

Over the four years to 2025-26, Capital Expenditure in the PEBU has increased by \$279.9 million when compared to the Half Yearly Review. Capital expenditure across the General Government Sector is forecast to be \$22.8 billion in 2022-23, which is \$140.1 million greater than the 2022-23

Budget. COVID-19 and other global events continue to present unprecedented challenges to infrastructure delivery.

The \$140.1 million increased against the 2022-23 Budget reflects funding for various new projects and upgrades across the transport network and further funding for new and upgraded health facilities.

Table 5 provides an overview of the Capital Expenditure outlook in 2022-23 and the forward estimates.

Table 5: NSW General Government Capital Expenditure (\$ million)

| (\$ million) | 2022-23 (Revised) | 2023-24 | 2024-25 | 2025-26 |
|---|----------------------|---------|---------|---------|
| Position as at Half Yearly Review | 22,768 | 22,515 | 22,315 | 21,118 |
| Changes since the Half Yearly Review | 38 | (304) | 258 | 288 |
| Position as at the Pre-Election Budget Update | 22,806 | 22,211 | 22,573 | 21,406 |

Source: 2023 Pre-Election Budget Update

Net Lending/(Borrowing) Outlook

General Government Sector Net Lending/(Borrowing) shows the financing requirement of the General Government Sector (i.e., the extent to which government's spending is financed from a call on financial assets or borrowings). It is equal to the Net Operating Balance minus the net acquisition of non-financial assets, which includes capital expenditure and asset sales, but excludes depreciation and amortisation.

General Government Sector Net Debt in the PEBU is projected to be \$79.2 billion by June 2023 (10.4 per cent of gross state product (GSP)). This is \$1.0 billion higher than estimated at the 2022-23 Budget, and \$0.8 billion higher than the Half Yearly Review. This is driven by a reduction in cash and cash equivalents by \$1.3 billion over the four years to June 2026, reflecting higher projected cash payments for interest expense and inflationary pressures.

The increase in net debt over the four years to June 2026 is primarily driven by increased borrowings to fund infrastructure investment. There are several challenges to the delivery of the Government's infrastructure program in tight market conditions, with associated risks to the timing and cost of construction projects. Construction sector capacity to deliver large projects remains stretched on the back of significant increases in infrastructure spending by the Australian and State Governments in recent years, and demand pressures in the construction market more broadly. As a result, there is a higher degree of uncertainty around assumed construction costs and timelines.

Table 6 provides an overview of the Net Lending/(Borrowing) outlook in 2022-23 and the forward estimates.

Table 6: Changes in NSW General Government Net Lending/(Borrowing) (\$ million)

| (\$ million) | 2022-23 (Revised) | 2023-24 | 2024-25 | 2025-26 |
|---|----------------------|----------|----------|----------|
| Position as at Half Yearly Review | (26,231) | (19,666) | (11,156) | (9,493) |
| Changes since the Half Yearly Review | 960 | 1,519 | (263) | (630) |
| Position as at the Pre-Election Budget Update | (25,271) | (18,147) | (11,419) | (10,123) |

Source: 2023 Pre-Election Budget Update

2. Impact of Policies on Budget Aggregates

This section shows the expected financial impact of policies announced by the Coalition for the 2023 NSW Election as listed in section three.

These figures represent the best available, estimated financial impact of these policies on the aggregates outlined below.

The expected financial impact may change between this statement and implementation as policies, projects and initiatives are fully planned and executed.

Capital projects have to be funded, increasing net borrowing, and on the net operating balance as they require funding for depreciation once they are completed and come into operation.

Net Operating Balance

For the Net Operating Balance aggregate, costed policies have been categorised as:



The policies are categorised according to their main impact on expenditure, revenue, or savings.¹

As shown in Table 7, the estimated impact of policies announced by the Coalition on the Net Operating Balance² is an increase of \$97.2 million over the four years to 2025-26 (\$12.1 billion deficit in 2022-23 to \$1.3 billion surplus in 2025-26).

Table 7: Movements in General Government Net Operating Balance (Budget Result)² (\$ million)

| (\$ million) | 2022-23 (Revised) | 2023-24 | 2024-25 | 2025-26 |
|---|----------------------|----------------|------------|--------------|
| Position as at the Pre-Election Budget Update | (12,031) | (7,107) | 328 | 824 |
| Costed Policies | | | | |
| New Expenditure initiatives | (14) | (1,245) | (514) | (512) |
| New Revenue initiatives | (8) | (133) | (107) | (150) |
| New Savings initiatives | - | 682 | 978 | 1,120 |
| Current position | (12,053) | (7,802) | 685 | 1,281 |

Source: 2023 Pre-Election Budget Update

¹ Some costed policies may have minor impacts on other categories. For example, a new revenue policy may include some administrative expenses. As the policy is primarily a revenue initiative, the net total has been included under the revenue initiatives.

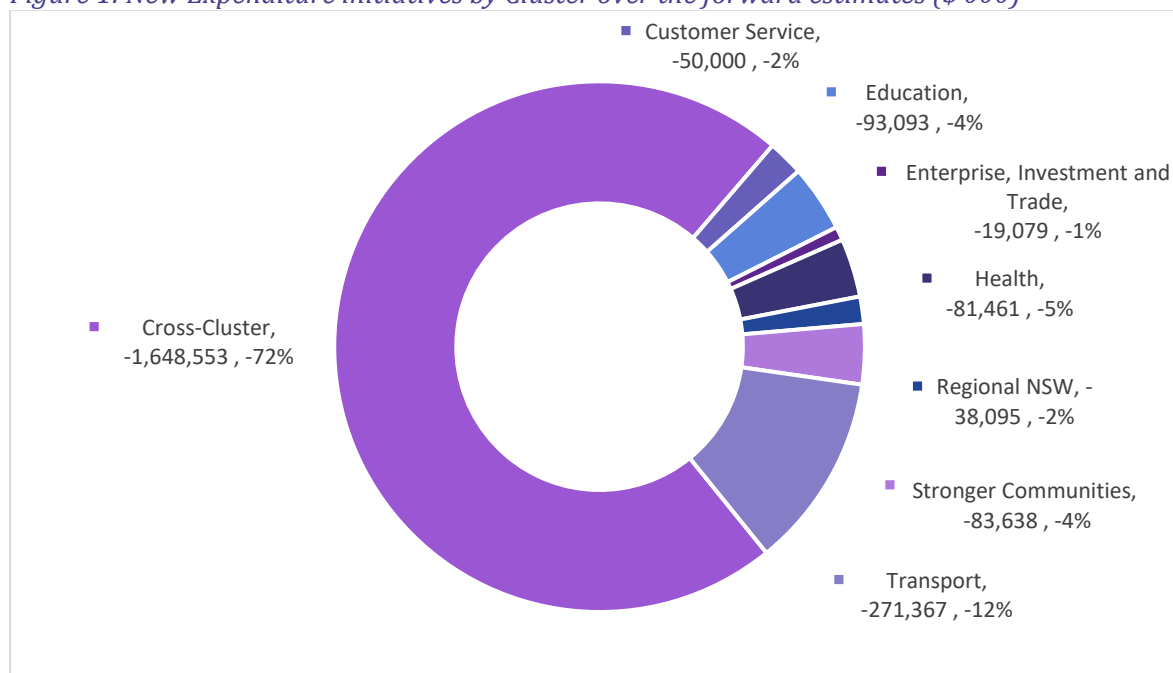
² A positive figure lowers the deficit or increases the surplus.

A full list of the Coalition’s costed policies that affect the Net Operating Balance is presented in Chapter 3 of this publication.

Key Clusters with new Expenditure initiatives that impact the Net Operating Balance (*Figure 1*) include Transport (12 per cent), Health (5 per cent), Education (4 per cent), Stronger Communities (4 per cent), and those that affect a number of Clusters (“Cross-Cluster”, 72 per cent). These initiatives include funding for the incentives for NSW children and families, safe driving, and energy relief.

The new Savings initiatives are deemed Whole-of Government. The new Revenue savings are Cross-Cluster or Transport-specific.

Figure 1: New Expenditure initiatives by Cluster over the forward estimates (\$'000)



Expenses

The impact of costed policies announced by Coalition on General Government Sector Expenses is estimated to result in a decrease in expenses of \$500 million over the four years to 2025-26.

Table 8: Movements in General Government Sector Total Expenses (\$ million)

| (\$ million) | 2022-23 (Revised) | 2023-24 | 2024-25 | 2025-26 |
|---|----------------------|----------------|----------------|----------------|
| Position as at the Pre-Election Budget Update | 117,275 | 115,684 | 113,455 | 114,869 |
| Costed policies | | | | |
| New Expenditure initiatives | 12 | 1,234 | 519 | 521 |
| New Revenue initiatives | - | (2) | (2) | (2) |
| New Savings initiatives | - | (682) | (978) | (1,120) |
| Current position | 117,287 | 116,234 | 112,994 | 114,268 |

Source: 2023 Pre-Election Budget Update

Revenue

The impact of costed policies announced by the Coalition on General Government Sector Revenue is estimated to result in a decrease of \$403 million over the four years to 2025-26.

Table 9: Movements in General Government Sector Total Revenue (\$ million)

| (\$ million) | 2022-23 (Revised) | 2023-24 | 2024-25 | 2025-26 |
|---|----------------------|----------------|----------------|----------------|
| Position as at the Pre-Election Budget Update | 105,244 | 108,577 | 113,783 | 115,693 |
| Costed policies | | | | |
| New Expenditure initiatives | (2) | (11) | 5 | 8 |
| New Revenue initiatives | (8) | (135) | (109) | (152) |
| New Savings initiatives | - | - | - | - |
| Current position | 105,234 | 108,431 | 113,679 | 115,549 |

Source: 2023 Pre-Election Budget Update

Capital Expenditure

The impact of costed policies announced by the Coalition on Capital Expenditure is estimated to result in an increase of \$3.0 billion over the four years to 2025-26.

A number of costed policies that impact capital expenditure are proposed to be funded through the infrastructure funds available to the NSW Government. Appendix A outlines the PBO's approach to policies costed from these funds.

Table 10: Movements in the General Government Sector Capital Expenditure (\$ million)

| (\$ million) | 2022-23 (Revised) | 2023-24 | 2024-25 | 2025-26 |
|---|----------------------|---------------|---------------|---------------|
| Position as at the Pre-Election Budget Update | 22,806 | 22,211 | 22,573 | 21,406 |
| Costed policies | 4 | 925 | 1,358 | 725 |
| Current position | 22,810 | 23,136 | 23,931 | 22,131 |

Source: 2023 Pre-Election Budget Update

Net Lending/(Borrowing)

The impact of costed policies announced by the Coalition on Net Lending/(Borrowing) is estimated to result in an increase in net borrowing over the four years to 2025-26.

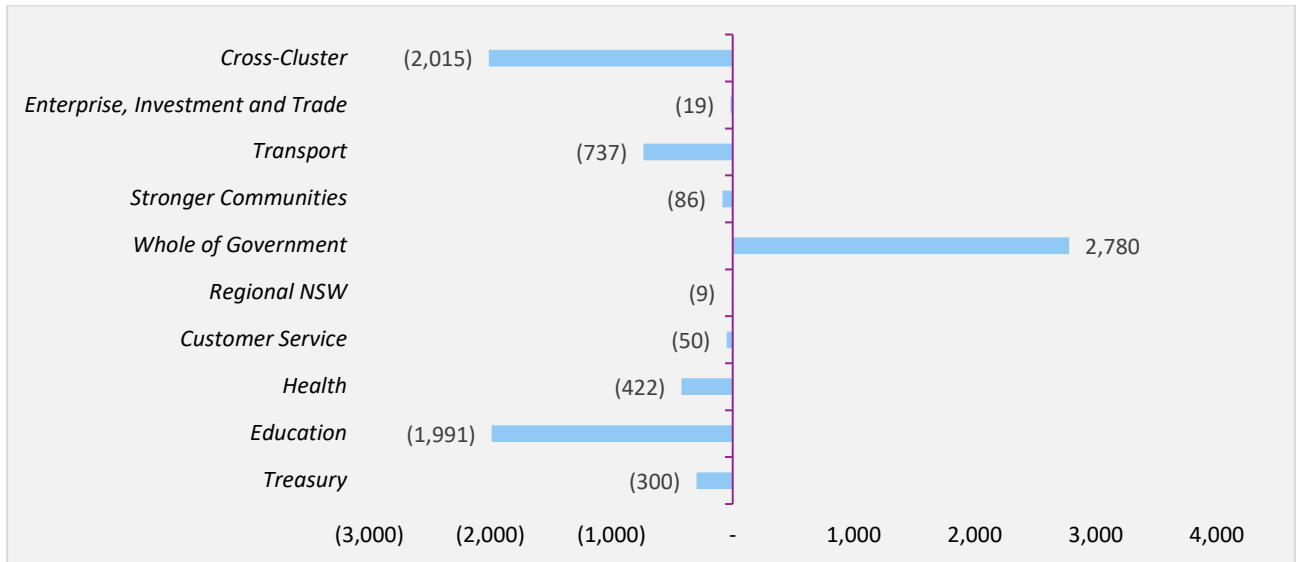
Table 11: Movements in General Government Sector Net Lending/(Borrowing) (\$ million)

| (\$ million) | 2022-23 (Revised) | 2023-24 | 2024-25 | 2025-26 |
|---|----------------------|-----------------|-----------------|-----------------|
| Position as at the Pre-Election Budget Update | (25,271) | (18,147) | (11,419) | (10,123) |
| Costed policies | (25) | (1,608) | (980) | (235) |
| Current position | (25,296) | (19,755) | (12,399) | (10,358) |

Source: 2023 Pre-Election Budget Update

Key Clusters where Net Borrowing is impacted by costed policies Education and Cross-Cluster policies. The current Net Borrowing position is offset by a number of Whole-of-Government costed policies which drive savings across the General Government Sector. Figure 1 presents the impact of costed policies on Net Lending/(borrowing) by Cluster over the forward estimates.

Figure 2: Impact of Coalition policies on Net Lending/(Borrowing) over the forward estimates by Cluster (\$'000)



3. Detailed Costed Policy Impacts

Table 12 lists the impact of all election policy costings on the General Government Sector Net Operating Balance (Budget Result). These policies have been separated into policies primarily resulting in changes to expenditure, policies that primarily result in savings, and policies that primarily affect revenue.

Table 12: List of Costed Policies Affecting General Government Sector Net Operating Balance (Budget Result) (\$ million)

| <i>Proposal title</i> | <i>2022-23 (Revised)</i> | <i>2023-24</i> | <i>2024-25 Forward Estimates</i> | <i>2025-26</i> | <i>4-year total</i> |
|--|------------------------------|----------------|--------------------------------------|----------------|-------------------------|
| <i>New Expenditure initiatives</i> | | | | | |
| <i>Cross-Cluster</i> | | | | | |
| A bright future for NSW children | (2.5) | (379.8) | (229.6) | (255.2) | (867.1) |
| Supercharging electric vehicle infrastructure | - | - | - | - | - |
| Unblocking supply chains | - | - | - | - | - |
| Better Environment and Better Farms Services | - | (5.1) | (5.3) | (5.2) | (15.6) |
| Investing in Local Communities | (8.5) | (101.9) | (70.3) | (35.2) | (215.8) |
| Energy Bill Relief for NSW Families | - | (550.0) | - | - | (550.0) |
| <i>Customer Service</i> | | | | | |
| Small Business Package | - | (25.0) | (25.0) | - | (50.0) |
| Improving Security for Renters in NSW | - | - | - | - | - |
| More community input into our suburbs | - | - | - | - | - |
| Supporting NSW Seniors | - | - | - | - | - |
| <i>Education</i> | | | | | |
| Rewarding Excellence in Teaching | - | - | - | - | - |
| Universal Pre-Kindergarten Acceleration | - | - | (9.8) | (21.2) | (31.0) |
| Ambassador Schools Expansion | - | - | - | - | - |
| Making school a safer place for all students | - | - | - | - | - |
| Support for Regional Education | - | - | - | - | - |
| Building for Growth - Schools | - | - | (0.3) | (1.8) | (2.1) |
| Improving Financial Literacy and Financial Advice Services | - | (10.0) | - | - | (10.0) |
| Non-Government Schools Infrastructure Investment | - | (50.0) | - | - | (50.0) |
| <i>Enterprise, Investment and Trade</i> | | | | | |
| Funding Boost for Surf Life Saving | - | (5.7) | (5.7) | (7.7) | (19.1) |
| <i>Health</i> | | | | | |
| Free car parking at Regional Hospitals | (1.9) | (4.1) | (4.3) | (4.4) | (14.6) |
| Better access to regional health care | - | (7.4) | (4.5) | (4.6) | (16.6) |
| Expanded Scope of Practice for Pharmacists | - | - | - | - | - |
| Women's Health Package | - | (9.5) | (10.6) | (13.5) | (33.6) |
| Building for growth - Health | - | - | (0.2) | (1.4) | (1.6) |
| A Sustainable Future for the Royal Flying Doctor Service | - | (5.0) | (5.0) | (5.0) | (15.0) |
| <i>Regional NSW</i> | | | | | |
| Farm Innovation Fund 3.0 | - | (13.7) | (12.7) | (11.8) | (38.1) |
| <i>Stronger Communities</i> | | | | | |
| Stronger Together Festivals and Events | - | (1.4) | (1.4) | (1.4) | (4.1) |
| Safety and Security at Religious Institutions | - | (2.5) | (2.5) | (2.5) | (7.5) |
| Domestic and Family Violence Package | (0.8) | (33.9) | (34.8) | (2.5) | (72.0) |
| <i>Transport</i> | | | | | |
| Planning funding to complete the Metro in Western Sydney | - | - | - | - | - |
| \$1 billion to build better bush roads and rail | - | - | (75.0) | (125.2) | (200.2) |
| Strategic Dredging Program | - | (11.0) | (10.9) | (10.8) | (32.7) |
| Bus Driver Shortage Plan | - | (12.0) | - | - | (12.0) |
| Building for growth - Roads and Transport | - | (17.0) | (6.5) | (3.0) | (26.5) |

| <i>Proposal title</i> | 2022-23 <i>(Revised)</i> | 2023-24 | 2024-25 <i>Forward Estimates</i> | 2025-26 | 4-year total |
|---|------------------------------------|------------------|--|----------------|-------------------------------|
| Enhancing Women's Safety | - | - | - | - | - |
| <i>Treasury</i> | | | | | |
| Clean Energy Superpower Fund | - | - | - | - | - |
| Total new Expenditure initiatives | (13.6) | (1,245.0) | (514.4) | (512.3) | (2,285.3) |
| New Revenue initiatives | | | | | |
| <i>Cross-Cluster</i> | | | | | |
| Expanding First Home Buyer Choice | - | (62.9) | (97.9) | (141.2) | (302.0) |
| Rewarding safe drivers | - | (8.9) | (8.9) | (8.8) | (26.6) |
| <i>Transport</i> | | | | | |
| Reducing the Opal Cap | (7.9) | (60.9) | - | - | (68.8) |
| Total new Revenue initiatives | (7.9) | (132.7) | (106.8) | (149.9) | (397.4) |
| New Savings initiatives | | | | | |
| <i>Whole of Government</i> | | | | | |
| Efficient bureaucracy – labour hire | - | 430.0 | 528.8 | 650.3 | 1,609.1 |
| Efficient bureaucracy – senior executives reduction | - | 88.2 | 239.5 | 245.5 | 573.2 |
| Government Efficiencies | - | 120.0 | 120.0 | 120.0 | 360.0 |
| Office Accommodation Footprint | - | 6.4 | 19.5 | 32.0 | 57.9 |
| Senior Executive and Parliamentarian Wage Freeze | - | 37.7 | 70.1 | 71.8 | 179.6 |
| Total new Savings initiatives | - | 682.4 | 977.9 | 1,119.6 | 2,779.9 |
| Total Net Operating Balance (Budget Result) Impact | (21.5) | (695.4) | 356.7 | 457.4 | 97.2 |

*A positive number means the policies' impact would increase a surplus or decrease a deficit.

Table 13: All policies that affect Capital Expenditure

Table 13 lists the impact of all election policy costings on General Government Sector Capital Expenditure. This table also then provides a reconciliation to General Government Sector Net Lending/(Borrowing) by combining the impacts on the Net Operating Balance and capital expenditure, and then adjusting for changes to depreciation and other impacts from the net acquisition of non-financial assets.

Table 13: List of Costed Policies Affecting General Government Sector Capital Expenditure and Net Lending/(Borrowing) (\$ million)

| <i>Proposal title</i> | 2022-23 <i>(Revised)</i> | 2023-24 | 2024-25 <i>(Forward estimates)</i> | 2025-26 | 4-year total |
|--|------------------------------------|----------------|--|----------------|-------------------------------|
| New Capital Expenditure initiatives | | | | | |
| <i>Cross-Cluster</i> | | | | | |
| Better Environment and Better Farms Services | - | 1.9 | 1.4 | 1.2 | 4.6 |
| Investing in Local Communities | - | 9.5 | 19.2 | 5.6 | 34.3 |
| <i>Education</i> | | | | | |
| Universal Pre-Kindergarten Acceleration | - | 600.0 | 698.2 | (223.9) | 1,074.3 |
| Building for Growth - Schools | - | 58.2 | 272.6 | 525.6 | 856.3 |
| <i>Health</i> | | | | | |
| Better access to regional health care | 3.9 | - | - | - | 3.9 |
| Women's Health Package | - | 3.9 | 1.3 | - | 5.2 |
| Building for growth - Health | - | 40.5 | 121.3 | 173.0 | 334.8 |
| <i>Stronger Communities</i> | | | | | |
| Domestic and Family Violence Package | - | 2.0 | - | - | 2.0 |
| <i>Transport</i> | | | | | |
| Planning funding to complete the Metro in Western Sydney | - | 60.0 | 90.0 | 90.0 | 240.0 |
| \$1 billion to build better bush roads and rail | - | - | 10.0 | 20.0 | 30.0 |

| <i>Proposal title</i> | 2022-23 <i>(Revised)</i> | 2023-24 | 2024-25 | 2025-26 | 4-year total |
|--|------------------------------------|----------------|----------------|----------------|-------------------------------|
| Strategic Dredging Program | - | 0.1 | - | 1.0 | 1.1 |
| Building for growth - Roads and Transport | - | 34.2 | 29.0 | 33.0 | 96.2 |
| Enhancing Women's Safety | - | 15.0 | 15.0 | - | 30.0 |
| <i>Treasury</i> | | | | | |
| Clean Energy Superpower Fund | - | 100.0 | 100.0 | 100.0 | 300.0 |
| Total new Capital Expenditure initiatives | 3.9 | 925.3 | 1,358.0 | 725.5 | 3,012.6 |
| Total Capital impact of policies | 3.9 | 925.3 | 1,358.0 | 725.5 | 3,012.6 |

| Reconciliation | | | | | |
|---|---------------|------------------|----------------|----------------|------------------|
| Total Net Operating Balance (Budget Result) Impact | (21.5) | (695.4) | 356.7 | 457.4 | 97.2 |
| <i>include:</i> | | | | | |
| Capital Expenditure Impacts | 3.9 | 925.3 | 1,358.0 | 725.5 | 3,012.6 |
| <i>less:</i> | | | | | |
| Depreciation Impacts | - | 0.4 | 11.4 | 25.6 | 37.5 |
| Other Adjustments | | (12.0) | (9.7) | (7.8) | (29.4) |
| Total General Government Sector Net Lending/(Borrowing) Impact | (25.4) | (1,608.3) | (980.1) | (234.7) | (2,848.5) |

* A positive number means the policies' impact would increase Capital Expenditure.

Figure 3: Impact of Net Capital Expenditure on Net Operating Balance and Net Lending (\$'000)

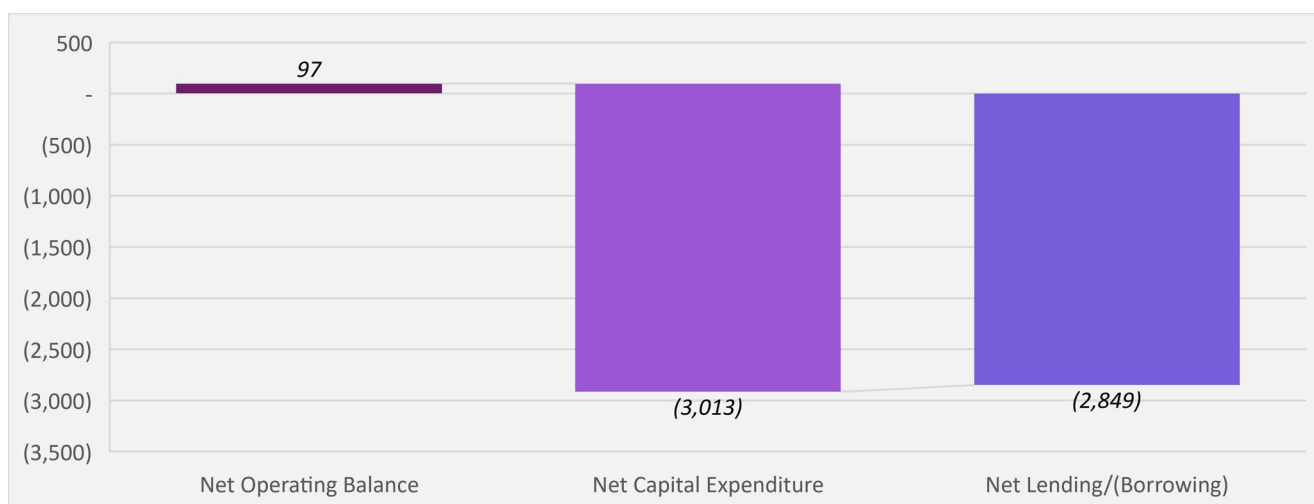


Table 14 lists any impacts from election policy costings that affect sectors other than the General Government Sector. This is presented on a Net Lending/(Borrowing) basis.

Table 14: List of Costed Policies Affecting the Public Non-Financial Corporation and the Public Financial Corporation Sectors (\$ million)

| <i>Proposal title</i> | 2022-23 <i>(Revised)</i> | 2023-24 | 2024-25 | 2025-26 | 4-year total |
|---|------------------------------------|------------------|----------------|----------------|-------------------------------|
| Total General Government Sector Net Lending/(Borrowing) Impact | (25.4) | (1,608.3) | (980.1) | (234.7) | (2,848.5) |
| <i>Other Sector Impacts</i> | | | | | |
| Total Other Sector Impacts | - | - | - | - | - |
| Total General Government Sector Net Lending/(Borrowing) Impact | (25.4) | (1,608.3) | (980.1) | (234.7) | (2,848.5) |

4. Risks and Uncertainty in the Budget Impact Statement

General limitations

The Budget Impact Statement contains financial information including estimates for revenue and expenses related to events and actions that have not yet occurred. The prospective nature of this financial information means that it is necessary to apply professional judgement in its preparation. That judgement includes an informed assessment of the most likely future economic and financial outcomes, including spending and revenue profiles.

Election costings and the Budget Impact Statement are based on assumptions and the best available information at the time. However, the evidence and underlying data used to support these assumptions is less certain than historical information. The Parliamentary Budget Officer (PBO) examines assumptions and underlying data for reasonableness, but estimates can range from reasonably certain to highly uncertain. The degree of uncertainty depends on many factors including:

- The time period – the degree of uncertainty generally increases over time
- The complexity of the election policy. For example, the greater the number of variables associated with the assumptions, and the number of inputs required for the costing, the greater the uncertainty may become
- The degree to which the financial position is affected by uncontrollable external conditions, such as major events in other jurisdictions
- The stability of the policy. For example, a policy that introduces a new program is likely to be more uncertain than a policy that extends an existing program
- The degree of control New South Wales has over its future operating environment
- The availability of information to support assumptions.

The election costings are the best possible estimate of costs on the Budget in the time available. Some of the estimates will be refined further in the budget process to take into account additional information or changed circumstances. Other factors that may change the estimates are updates in key parameters – including official estimates of growth, inflation, and wages - between the PEBU and the first post-election Budget.

General risks versus specific risks

General risks refer to the economic or societal factors that cause greater uncertainty across a number of election policy costings and have a more pervasive impact on the Budget Impact Statement in its entirety. In contrast, specific risks have a significant impact on particular election policy costings only.

The general risks that affect the entire Budget Impact Statement include changes in the following:

- Economic variables such as inflation (e.g., consumer price indexation and wage price index)
Population growth and demand growth
- Interest rates and volatility in financial markets
- Property transaction volumes and/or prices
- Employment growth and rates of employee retention, and
- Growth in operating costs beyond inflation. Specific risks relating to individual costings are available in the detailed costing documents.

Fiscal planning environment

The fiscal planning environment in which the 2023 election costings have been prepared is more uncertain and volatile than it has been in the two previous elections. This is primarily due to factors outside the control of the NSW government.

This includes:

- the impacts on prices of ongoing supply chain uncertainties,
- the persistence of the COVID-19 pandemic,
- the economic impact of the Russian invasion of Ukraine,
- unexpected extreme weather events due to global warming,
- uncertainties in relations with Australia's largest trading partner, the People's Republic of China,
- the outlook for inflation and interest rates, and

Further detail on the fiscal planning environment and its effects on the budget are included in the 2022-23 Half-Yearly Review (see Section 2.4, Risks to the Economic Outlook).

Different elements of Government spending are subject to both general and specific risks. For example, the Government has an extensive program of infrastructure investment, including projects which are not yet budgeted but for which planning has begun. The cost of these projects can increase over time if inflation is higher than expected, leading to increases in input prices and wages. International supply chain disruptions can increase key input prices. The cumulative pressure of infrastructure programs in NSW and in other States creates risks of labour shortages and upward pressure on labour costs. To some degree, governments can manage these risks by delaying projects. But delays come with their own risks, including shutdown costs and the subsequent need to revise preparatory work because of changed circumstances.

As another example, policies in respect of public sector employment and pay are subject to the broader outlook for wages and employment across the economy. If public sector wage growth does not keep pace with private sector wage growth, there is a risk that the public sector will be unable to retain key staff, threatening effective service delivery. To the extent that public sector employment policies rely on the realisation of efficiency dividends or productivity savings to fund wage increases, there is a risk that the necessary savings will not be identified. Because wages represent over 40 per cent of the Government's operating expenses, the compounding of higher than expected wage growth can present a significant risk for the Budget outlook.

The implication of all these risks for the costings is that the costs shown in this BIS are likely to vary in practice more so than in the PBO's previous operation, and especially in later years where there is a prospect that uncertainties could compound.

5. Explanatory Notes

Basis of preparation

The Budget Impact Statement covers the budget year ending 30 June 2023 and the three forward years ending 30 June 2024, 2025 and 2026. All monetary amounts are presented in Australian dollars. Nil impact is presented as '-'. Negative numbers in tables are indicated by brackets.

The tables in this document are rounded to the nearest million dollars (\$m). All monetary amounts in tables of individual election policy costings are rounded to the nearest thousand dollars (\$000). These tables may not add in all instances due to rounding.

Key technical terms are defined in the Glossary at the end of this publication.

In preparing both the Budget Impact Statement and individual election costings, the PBO aims to apply the same accounting standards and reporting conventions used in the preparation of the New South Wales budget and forward estimates. This is to ensure accuracy, consistency, and comparability of reported results.

The PBO also applies the same parameters for economic growth, inflation, and other key economic indicators as those used in the 2023 Pre-Election Budget Update.

[Application of accounting standards in the budget and forward estimates](#)

The New South Wales budget and forward estimates are prepared using the accrual basis of accounting, which recognises the effect of transactions and events when they are forecast to occur. The recognition and measurement principles within Australian Accounting Standards are applied to the maximum extent possible.

The budget and forward estimates are prepared to reflect existing operations and the impact of new policy decisions taken by the New South Wales Government (where their financial effect can be reliably measured). In keeping with these principles, where the impact of a policy decision or planned event cannot be reliably estimated, the impact is not reflected within the budget and forward estimates (e.g., due to uncertainties regarding the timing and amount of future cash flows).

The budget and forward estimates also do not include the impact of business asset transactions until they are finalised. The financial impact of future planned discontinuing operations or restructuring transactions is not recognised due to the commercial-in-confidence nature of the transactions.

Any estimates or assumptions made in measuring revenues, expenses, assets, or liabilities are based on the latest information available at the time, professional judgments derived from experience and other factors considered to be reasonable under the circumstances.

The same basis used for the budget and forward estimates is applied to the 2022-23 Half-Yearly Budget Review.

More information about the basis of preparation for the New South Wales budget and forward estimates can be found in the 2022-23 Half Yearly Review (see Appendix A: Statement of Significant Accounting Policies and Forecast Assumptions).

[Pre-election estimate](#)

Tables 1-3 within Part One present a pre-election estimate for specific key fiscal aggregates. The pre-election estimates are calculated by adjusting the relevant aggregate within the 2022-23 Half-Yearly Review for the estimated effect of policy changes made by the Government up to the caretaker period.

Figures within the Budget Impact Statement are not a forecast of 2022-23 (or subsequent) budget outcomes. The Budget Impact Statement reflects the impact of proposed policy changes not the impact of other external factors that can affect revenues, expenses, and other budget outcomes.

Aggregate Impact of Costed Policies

Financing cost

Except for the 'Farm Innovation Fund' and 'A bright future for NSW children' policies, individual election policy costings do not include any consequential impacts related to financing costs or benefits (e.g., the cost of borrowing funds to finance policies). Instead, an aggregate impact is noted in Table 15 below.

This aggregate impact is determined by the forecast average NSW Treasury Corporation's (TCorp) 10-year bond rate and the cumulative impact of Net Lending/(Borrowing) over the forward estimates.

Treasury has advised that as of 10 March 2023, the forecast average TCorp 10-year bond rates are as follows:

| | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|---|---------|---------|---------|---------|---------|
| <i>Forecast average TCorp 10-year bond rate</i> | 4.4% | 4.2% | 3.9% | 3.9% | 4.0% |

Table 15: Financing impact of costed policies (\$ million)

| <i>Proposal title (\$ million)</i> | <i>2022-23 (Revised)</i> | <i>2023-24 (Forward estimates)</i> | <i>2024-25</i> | <i>2025-26</i> |
|---|------------------------------|--|----------------|----------------|
| General Government Sector | | | | |
| <i>Net Lending/(Borrowing) Impact</i> | (25.4) | (1,608.3) | (980.1) | (234.7) |
| Estimated General Government Sector Financing Cost | 1.1 | 72.0 | 112.5 | 123.1 |
| Public Non-Financial Corporation Sector | | | | |
| <i>Net Lending/(Borrowing) Impact</i> | - | - | - | - |
| Estimated Public Non-Financial Corporation Sector Financing Cost | - | - | - | - |

** A negative number means the policies' impact would decrease Net Lending or increase Net Borrowing.*

Ability to Achieve Savings

A number of costed policies allocate savings requirements to agencies. These savings may occur through the absorption of costs, or through the introduction of new savings and efficiency measures. The PBO is not in a position to consider the ability of agencies to achieve these policies, other than comparing the proposed savings against agency budgets and government expenditure where information is available. Based on this analysis, the PBO does not consider any proposal listed above to be unfeasible, however notes that Clusters may need to re-prioritise other programs and funding, which could be difficult in practice and may affect the delivery of some services.

Where the PBO has been able to estimate the value of costs to be met from, or absorbed, within existing agency budgets, these have been summarised in *Table 16* below.

Table 16: Costs for costed policies where costs will be met from existing Cluster budgets

| Cluster | Total costs over the forward estimates |
|--|--|
| Customer Service | 9,500 |
| Education | 92,450 |
| Health | 4,789 |
| Regional | 20,300 |
| Premier and Cabinet | 12,012 |
| Transport | 13,351 |
| Treasury | 12,000 |
| Total estimated absorption by General Government Sector | (164,402) |

Interactions between Costed Policies

Each PBO costing is prepared on its own merits as a change from a business as usual scenario. Nevertheless, some costings may interact with one another in different ways; for example, one costing may be contingent on additional employment funded as part of another costing. Where possible, the PBO has endeavoured to either remove double counting of policy costs or included in a policy costs from another policy where the latter is not an election policy.

Commitments beyond the forward estimate period

The Budget Impact Statement covers the budget year ending 30 June 2023 and the three forward years ending 30 June 2024, 2025 and 2026. However, election policies can include commitments that affect periods later than the published forward estimate period.

However, large infrastructure projects often have costs over a 10 year period. Two policies included in the Coalitions confirmed policies that have a profile of significant spending outside the forward estimates are; Building for Growth – Health – which has \$584 million and \$1 billion to build better bush roads and rail which has \$300 million.

Second round effects from election policies

Election policies frequently have a direct and indirect impact. Costings by the Parliamentary Budget Officer only estimate the direct impact of a policy, not any further effects on the New South Wales economy or government revenues that may arise. These ‘second round’ effects cannot be estimated precisely; they are likely to arise from any policy and are often unpredictable.

Structure of the NSW Government

The entities in the NSW Government are classified into three sectors in accordance with the principles and rules contained in the Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015 (ABS cat. No. 5514). These three categories are:

- general government sector (GGS) – this includes all government-controlled entities that perform regulatory functions, redistribute income and wealth, and deliver non-market goods and services. Non-market goods and services include policy advice, regulatory and service delivery functions. Examples of entities in this sector include the Department of Education, NSW Police Force and NSW Ministry of Health.
- public non-financial corporations (PNFC) – this covers all government-controlled entities that provide market goods or services and have a relatively higher share of own-source revenue. The NSW Government chooses to further classify entities in this sector as commercial or non-commercial: – commercial entities deliver services to customers from which they receive income covering their costs.

- An example is Sydney Water – non-commercial entities address social objectives and levy subsidised charges to their customers. An example is New South Wales Land and Housing Corporation.
- public financial corporations (PFC) – entities in this sector are government-controlled entities involved in providing financial services. An example includes the New South Wales Treasury Corporation.

When combined, these three sectors make up the total state sector which is also referred to as whole-of-government.

A list of which agencies comprise the GGS can be found in Budget Paper No. 1 of the 2022-23 Budget Papers, Appendix A4.

The need for reliable measurement before recognising budget impacts

The New South Wales budget and forward estimates reflect the impact of new policy decisions taken by the NSW Government where their financial effect can be reliably measured. Where the impact of a policy decision or planned event cannot be reliably estimated—for example, due to uncertainties about the timing and amount of future cash flows—the impact is not reflected within the budget and/or forward estimates.

This practice of only including the impacts when they can be reliably measured is consistent with the principles within Australian Accounting Standards, which have been applied to the budget and forward estimates to the maximum extent possible. The PBO aims to apply the same accounting standards and reporting conventions when costing election policies and preparing this Budget Impact Statement. This means that if an election policy costing cannot be reliably measured, a costing is not made or not included in the summary impacts. However, relevant individual election policy costings will discuss the reasons why it is not possible to measure the impact reliably and may include a range of potential outcomes.

Commitments involving future commercial negotiations

Election policies can relate to planned arrangements with private sector providers, which can raise commercial sensitivities. These arrangements may be for the provision of services but are often for provision of capital works. Where these arrangements have not yet been entered into, release of financial information could compromise competitive bidding processes or disadvantage the State in negotiations.

Typically, in such situations, the State’s budget papers do not include detailed information in order to preserve the State’s ability to obtain the best financial outcome. The commercial-in-confidence nature of potential asset sales or leases, or other business transactions, means the budget and forward estimates do not reflect their financial impacts until they are finalised. Accordingly, election policies containing proposals for the sale or lease of State assets, or other business asset transactions, have not been costed.

6. Glossary

Please note a NSW Treasury glossary of terms can also be found in Note 38 of the [Report on State Finances 2020-21](#) and the [How to read the Budget Papers](#) provides guidance on terms used in this statement and the election policy costings.

| | |
|---|---|
| ABS Government Finance Statistics GFS Manual (ABS GFS) | The ABS publication <i>Australian System of Government Finance Statistics: Concepts, Sources and Methods</i> as updated from time to time. |
| Act | A statute or law passed by both Houses of Parliament. |
| Appropriation | The authority given by Parliament for the expenditure of monies from the consolidated fund for the annual services of government and the Legislature. |
| Bill | A proposed law presented to Parliament for debate prior to becoming an Act. Most bills originate in the Legislative Assembly in New South Wales. |
| Budget result (net operating balance) | The budget result represents the difference between expenses and revenues from transactions for the general government sector. This measure is equivalent to the net operating balance adopted in accounting standard AASB 1049 <i>Whole-of-Government and General Government Sector Financial Reporting</i> . |
| Capital expenditure | Expenditure relating to the acquisition or enhancement of property, plant, and equipment (including land and buildings, plant and equipment and infrastructure systems) and intangibles (including computer software and easements). In NSW capital expenditure also includes leases and assets acquired using service concession arrangements under the financial liability model. |
| Capital grants | Amounts paid or received for capital purposes for which no economic benefits of equal value are receivable or payable in return. |
| Cash surplus/(deficit) | Net cash flows from operating activities plus net cash flows from acquisition and disposal of non-financial assets (less distributions paid for the public non-financial corporation (PNFC) and public financial corporation (PFC) sectors). |
| Classification of the functions of government – Australia (COFOG-A) | A system of classification for revenue, expenses, and transactions in non-financial assets, according to the primary purpose for the outlay (e.g., health, education, transport). This replaces the former government purpose classification (GPC) breakdown. |
| Contingent assets | Possible future assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly in control of the State. |
| Contingent liabilities | Possible future liabilities that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly in control of the State. It also includes present liabilities that arise from past events where it is not probable the State will be required to settle the liability, or the amount of the obligation cannot be reliably estimated. |
| Cluster | Under the NSW Governance Framework, NSW Government general government entities are consolidated into Clusters reflecting broad policy areas of government. Clusters are not legal entities. They are administrative arrangements that bring together a group of different legal and administrative entities. |
| Cluster grants | This represents the appropriation passed on by the principal department to the other government agencies within the Cluster to fund their services. |

| | |
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| Comprehensive Result (Change in net worth) | Change in net worth (comprehensive result) is revenue from transactions less expenses from transactions plus other economic flows and measures the variation in a government's accumulated assets and liabilities. |
| Concessional charges | Concessional charges apply to goods and services provided by government agencies at a lower fee or charge to certain members of the community, compared to the wider population, to pursue an economic or social policy goal such as reducing the cost of living. |
| Consolidated Fund | The fund is established under s39 of the <i>Constitution Act 1902</i> which includes all public monies collected, received, or held by any person for or on behalf of the State. |
| Current grants | Amounts paid or received for current purposes for which no economic benefits of equal value are receivable or payable in return. |
| Estimated total cost (ETC) | Represents the current cost estimate of planning, procuring and delivering the infrastructure/project/asset. The ETC may change as more detailed planning is undertaken and further information on market conditions becomes available. Due to commercial sensitivities, the ETC for some major works have been aggregated. |
| <i>Fiscal Responsibility Act 2012 (FRA)</i> | The Act sets out both medium-term and long-term fiscal targets and principles providing a framework for budgeting in New South Wales. |
| Forward estimates | Refers to the period from 2023-24 to 2025-26. |
| General government sector (GGS) | This is an ABS classification of agencies that provide public services (such as health, education, and police), or perform a regulatory function. General government agencies are funded mainly by taxation (directly or indirectly). |
| Goods | Represent any object or product that can be used to satisfy human wants and has a value. |
| government / Government | 'government' refers to the institution of government and is used as a pronoun in these budget papers (e.g., government department). The 'Government' refers to the present Government constituted by the Executive. |
| Government finance statistics (GFS) | A system of financial reporting developed by the International Monetary Fund and used by the Australian Bureau of Statistics to classify the financial transactions of governments and measure their impact on the rest of the economy. |
| <i>Government Sector Finance Act 2018</i> | The <i>Government Sector Finance Act 2018</i> (GSF Act) creates the financial management framework for the government sector in New South Wales that promotes and supports sound financial management, budgeting, performance, financial risk management, transparency, and accountability in the government sector. This Act will eventually replace four other Acts: <ul style="list-style-type: none"> • The GSF Act replaced the <i>Public Authorities (Financial Arrangements) Act 1987</i> from 1 December 2018. • With the commencement of the GSF Act financial reporting provisions on 1 July 2021, the <i>Public Finance and Audit Act 1983</i> (PF&A Act) financial reporting provisions have been repealed. Remaining provisions of the PF&A Act relate to the powers and functions of the Auditor-General and establishing the Audit Office, and the Public Accounts Committee. On 1 July 2021 the PF&A Act was renamed as the <i>Government Sector Audit Act 1983</i>. |

| | |
|---|--|
| | <ul style="list-style-type: none"> It is scheduled to repeal the <i>Annual Reports (Departments) Act 1985</i> and <i>Annual Reports (Statutory Bodies) Act 1984</i> and commence the GSF Act annual reporting provisions on 1 July 2023. |
| Grants for on-passing | All grants paid to one institutional sector (for example, a state government) to be passed on to another institutional sector (for example, local government or a non-profit institution). For New South Wales, these primarily comprise grants from the Commonwealth Government to be on-passed to specified private schools and to specified local government authorities. |
| Gross State Product (GSP) | The total market value of final goods and services produced within a state. |
| Half-Yearly Review | Required under the <i>Government Sector Finance Act 2018</i> , the Half-Yearly Review provides an update to the economic and financial assumptions released in the Budget. |
| Interest expense | Costs incurred in connection with the borrowing of funds. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of lease repayments, service concession financial liabilities and amortisation of discounts or premiums in relation to borrowings. Where discounting is used, the carrying amount of a liability increases in each period to reflect the passage of time. This increase is also recognised as an interest expense. |
| Machinery of Government (MoG) | MoG changes vary in scope and can involve: the abolition or creation of new government entities; the merger or absorption of entities; and small or large transfers of policy, program, or service delivery responsibilities to other entities. |
| Measure | Refers to government decisions, either as recurrent or capital expenditure, revenue, or savings decisions. |
| National Agreement (please also see National Specific Purpose Payments) | National Agreements define the objectives, outcomes, outputs, and performance indicators and clarify the roles and responsibilities that guide the Commonwealth and the States in the delivery of services across a particular sector. The sectors include Health, Education, Skills and Workforce, Disability and Indigenous. |
| National Partnership Payment (NPP) | A Commonwealth Government grant to States and Territories to support the delivery of specified outputs or projects, to facilitate reforms or to reward the delivery of nationally significant reforms. Each NPP is supported by a National Partnership Agreement which defines mutually agreed objectives, outputs, and performance benchmarks. |
| National Specific Purpose Payments (SPP) | A Commonwealth Government grant made to the States and Territories under the associated National Agreement. These grants must be spent in the key service delivery sector (Health, Education, Skills and Workforce, Disability and Indigenous) for which it is provided. States are free to allocate the funds within that sector to achieve the mutually agreed objectives specified in the associated National Agreement. |
| Net acquisition of non-financial assets | This is purchases (or acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Purchases and sales (or net acquisitions) of non-financial assets generally include accrued expenses and payables for capital items. Other movements in non-financial assets include non-cash capital grant revenue/expenses such as developer contribution assets. |
| Net financial assets | See net financial worth. |

| | |
|---|---|
| Net debt | Net debt equals the sum of financial liabilities (deposits held, advances received, borrowings and derivatives) less the sum of financial assets (cash and deposits, advances paid and investments, loans, and placements). |
| Net financial liabilities (NFL) | This is the total liabilities less financial assets, other than equity in PNFCs and PFCs. It is a more accurate indicator than net debt of a jurisdiction's fiscal position. This is because it is a broader measure than net debt in that it includes significant liabilities other than borrowings (for example, accrued employee liabilities such as superannuation and long service leave entitlements). For the PNFC and PFC sectors, it is equal to negative net financial worth. For the general government sector NFL, excluding the net worth of other sectors results in a purer measure than net financial worth as, in general, the net worth of other sectors of government is backed up by physical assets. |
| Net financial worth | Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets less liabilities. It is a broader measure than net debt, in that it incorporates provisions made (such as superannuation) as well as holdings of equity. It includes all classes of financial assets and liabilities, only some of which are included in net debt. |
| Net interest on the net defined benefit liability/asset | This is the change during the period to the net defined benefit liability/asset that arises from the passage of time. |
| Net lending/(borrowing) | This is the financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. It also equals transactions in financial assets less transactions in liabilities. A positive result reflects a net lending position, and a negative result reflects a net borrowing position. |
| Net operating balance (budget result) | This is calculated as revenue from transactions less expenses from transactions. |
| Net worth | This is an economic measure of wealth and is equal to total assets less liabilities. |
| Nominal dollars/prices | This shows the dollars of the relevant period. No adjustment is made each time period for inflation. |
| Non-financial public sector (NFPS) | This is a sub-sector formed by the consolidation of the general government sector and PNFC sector. |
| NSW Generations Fund (NGF) | Is a world-first sovereign fund that combines the dual-purpose of debt retirement with citizen-led community investment. The NGF's assets are dedicated to debt retirement. |
| Operating Result | This is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains, and expenses (including losses) recognised for the period, excluding those that are classified as 'other comprehensive income'. |
| Other economic flows | These are the changes in the volume or value of an asset or liability that do not result from transactions (that is, revaluations and other changes in the volume of assets). |
| Program | The collection of activities, tasks, divisions, or functions of an agency, designed to deliver specific outputs that contribute towards achieving a State Outcome. |

| | |
|--|--|
| <i>Public Finance and Audit Act 1983</i> | An Act to make provision with respect to the administration and audit of public finances and for other purposes. On 1 July 2021 the <i>Public Finance and Audit Act 1983</i> was renamed as the <i>Government Sector Audit Act 1983</i> , with the elements relating to the financial matters of the State replaced by the <i>Government Sector Finance Act 2018</i> . |
| Public Private Partnerships (PPP) | The creation of an infrastructure asset through private sector financing and private ownership for a concession period (usually long term). The government may contribute to the project by providing land or capital works, through risk sharing, revenue diversion or purchase of the agreed services. |
| Public financial corporations (PFC) | An ABS classification of agencies that have one, or more, of the following functions: <ul style="list-style-type: none"> - that of a central bank - the acceptance of demand time or savings deposits or - the authority to incur liabilities and acquire financial assets in the market on their own account. |
| Public non-financial corporations (PNFC) | An ABS classification of Government controlled agencies where user charges represent a significant proportion of revenue, and the agencies operate within a broadly commercial orientation. |
| Receivables | An asset that includes short and long-term trade debtors, accounts receivable and interest accrued. |
| Recurrent expenditure | * See total expenses (from transactions) |
| Reservations(a) (Restart NSW) | Inflows that are reserved with a view to a future commitment. A Restart NSW reservation can only become a commitment once the Treasurer has accepted a specific Infrastructure NSW recommendation for each individual project. |
| Restart NSW | A fund established by the NSW Government in 2011. Funds deposited into Restart NSW come from asset recycling transactions, Commonwealth Government asset recycling initiative payments, proceeds from Waratah Bonds, windfall tax revenue and investment earnings. |
| Rebuilding NSW | The NSW Government's 10-year plan to invest \$20 billion in new infrastructure funded by electricity network transactions, Commonwealth Government asset recycling initiative payments and investment earnings. Proceeds are first deposited into Restart NSW before being invested into Rebuilding NSW projects. |
| Services | These are the 'end products' or direct services that are delivered to clients or recipients, the broader community, or another government agency. They are expected to contribute to government priorities and the delivery of outcomes. |
| Special deposits account | A Special deposits account is to consist of: <ul style="list-style-type: none"> - all accounts of money that the Treasurer is, under statutory authority, required to hold otherwise than for or on account of the Consolidated Fund and - all accounts of money that are directed or authorised to be paid to the special deposits account by or under legislation. |
| State Owned Corporation (SOC) | Government entities (mostly PNFCs) which have been established with a governance structure mirroring as far as possible that of a publicly listed company. NSW state owned corporations are scheduled under the <i>State Owned Corporations Act 1989</i> (Schedule 5). |

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| Superannuation interest cost | This is the net interest on the net defined benefit liability/asset determined by multiplying the net defined benefit liability/asset by the discount rate (government bond rate). |
| Surplus/deficit (net result) | In Budget Paper No.2 <i>Outcomes Statement</i> this is the agency accounting result which corresponds to profit or loss in private sector financial reports. It equals the net cost of services adjusted for government contributions. This is not the same as the budget result or the GFS cash surplus/(deficit). |
| Tax expenditure | Measures the additional tax that would have been payable if standard (or benchmark) tax rates had been applied to all taxpayers. Expenditures can include specific exemptions, reduced tax rates, allowances, deductions, and deferral of tax liabilities. Equivalent amounts may be paid as rebates. |
| Total expenses (from transactions) | The total amount of expenses incurred in the provision of goods and services, regardless of whether a cash payment is made to meet the expense in the same year. It does not include expenditure on the purchase of assets. It also excludes losses, which are classified as other economic flows. |
| Total revenues (from transactions) | This is the total amount of revenue due by way of taxation, Commonwealth Government grants and from other sources (excluding asset sales) regardless of whether a cash payment is received. It excludes gains, which are classified as other economic flows. |
| Total state sector | This represents all agencies and corporations owned and controlled by the NSW Government. It comprises the general government, public non-financial corporations, and public financial corporations. |
| Uniform Presentation Framework (UPF) | The uniform presentation framework provides uniformity in presentation of financial information so that users of the information can make valid comparisons between jurisdictions. A new framework was introduced in February 2019 which aligns the UPF with the ABS GFS Manual updates. |
| WestInvest | Program to fund and deliver transformation projects that will enhance communities, improve liveability, and support medium term economic recovery throughout Western Sydney. |

(a) *Terms used when referring to the Restart NSW and Rebuilding NSW programs.*

Appendix A

A number of policies listed in the Budget Impact Statement are proposed to be funded through drawing down on a Fund.

NSW has a large number of different types of Funds, established over time for a variety of different purposes. These include:

- the Snowy Hydro Legacy Fund,
- WestInvest,
- Restart NSW,
- the Future Economy Fund,
- the NSW Generations Fund, and
- the Regional Growth fund.

These are examples of whole of government funds: there are also funds within certain clusters (not considered in this Appendix). The funds have differing legal status – some are underpinned by their own legislation; while others are established administratively. The funds have different purposes and rules to determine the projects and initiatives that can be funded from them.

For the purposes of a costing, a proposed policy will have a net zero cost to the budget if it involves drawing on an allocation that is currently included in the forward estimates (i.e., where monies are already included in the forward estimates on an assumption that they will be spent). In these cases, all the costed policy is doing is specifying exactly how an allowance already provisioned in the budget will be spent.

An example of this can be found in the PEBU, where spending of \$114.5 million over four years for WestInvest Program projects was identified as being “...offset by an adjustment to the existing program allowance to reflect delivery of these projects...”.

In these Funds, monies in the forward estimates can be committed to be spent, loosely allocated, or unallocated. Different departments use terms like ‘allocated’ or ‘committed’ in differing ways.

For the purposes of costings, the approach taken has been to accept leaders’ assumptions that funds can be reallocated except where there is evidence that this is not legally possible. The PBO has therefore assumed monies in funds can be reallocated to a different initiative where the government has not entered into a legally binding commitment (such as a contract, memorandum of understanding, signed funding agreement or announced grant allocation) to spend the funds.

In cases where departments consider monies in Funds to be “allocated” because they have plans to spend the funding in the future, or the NSW Government has made public announcements about how they will be spent, the PBO considers that the relevant Fund can be a source of offsetting savings for the cost of the policy. This is because a future government could decide to reallocate relevant monies in the Fund to other purposes.

The Government could face public criticism from such a reallocation. The ability of a government to deal with such criticism is an important consideration. To the extent that the funds cannot be reallocated, there would be a risk around realising the Funds as offsetting savings for the cost of a policy.

Some Funds have legislated restrictions on the purposes for which they can be used. The PBO assumes that such legislation could be changed by a new government to give effect to a policy to reallocate funding, if needed.