



**The Hon. Dominic Perrottet MP**  
Treasurer

Your ref: D20/35808

Mr Greg Piper MP  
Chairman  
Public Accounts Committee  
Legislative Assembly  
Parliament House  
Sydney NSW 2000

Dear Mr Piper

As you know, the Government has sought to keep the Public Accounts Committee informed about its fiscal and economic response to the Covid-19 pandemic.

I trust the briefings provided by Treasury thus far have been helpful to the Committee in its important work. As requested in your letter of 6 August 2020, please find attached answers to the Committee's further questions, a copy of which I understand will be incorporated into the public records of the Legislative Assembly.

Should you require clarification or further information, please contact my Parliamentary Director, Chris Ashton.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Perrottet', written over the typed name and title.

**The Hon. Dominic Perrottet MP**  
Treasurer

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## COVID-19 Budget Review

### Public Accounts Committee

#### Treasurer responses to written questions – August/September 2020

## 1 Economic stimulus measures

### 1.1 Forecasting of costs and benefits

1.1.1 How is Treasury forecasting the costs and benefits of economic stimulus measures, and what is the confidence level around the accuracy of these forecasts?

- In assessing the need for stimulus, Treasury undertakes economic analysis to understand the impact of the COVID-19 pandemic, and the outlook for the economy. For example, economic analysis has been done on the impact of border closures on regions and industries.
- Treasury works with other NSW Government agencies and consults with Ministerial Offices and business/industry groups to identify and assess stimulus and support measures against a set of objectives and principles for stimulus design. This includes stimulus being timely, temporary and targeted, complimentary (and avoid duplication) of Commonwealth and Reserve Bank measures and ensure the continuity of service delivery in essential areas.
- Agencies are responsible for estimating the costs and benefits of any proposed programs in line with Treasury guidance as set out in *TPP17-03 NSW Government Guide to Cost-Benefit Analysis*.
- TPP17-03 aims to provide guidance and promote a consistent approach to appraisal and evaluation of public projects, programs and policies across the NSW Government.
- To provide confidence in delivery of stimulus and support measures, the NSW Treasury, in collaboration with agencies, tracks and monitors progress of each measure.

1.1.2 How often are the forecasts revised?

- There are two main updates to the public forecast of macroeconomic variables (e.g., unemployment rate, etc.) conducted by the NSW Treasury (Half-Yearly Review and Budget).
- Treasury regularly updates its economic analysis on the outlook for the NSW economy. These updates are regularly provided to ERC by the Treasurer or the Chief Economist.
- Forward estimates for each measure are due to be revised in the 2020-21 NSW Budget which has been deferred from June 2020 to late 2020.

1.1.3 What measures are in place to avoid material forecasting errors similar to the Australian Government's \$60 billion JobKeeper forecasting error?

- There are inherent challenges in forecasting measures that are demand driven, including uncertainty in forecasting program uptake where there are multiple drivers and in a continually evolving environment.
- To support agencies' forecasting of costs and benefits of programs, the NSW Treasury guideline paper, *TPP17-03 NSW Government Guide to Cost-Benefit Analysis*, particularly Appendix 2, provides guidance to agencies on forecasting methods and issues.
- For COVID-19 stimulus and support measures, Treasury works in collaboration with the relevant Department delivering the program to monitor uptake and recommend adjustments where relevant.

## 1.2 Oversight of measures

1.2.1 What governance arrangements are in place, or proposed to monitor the implementation of economic stimulus measures?

- A COVID taskforce was established at the commencement of the crisis to manage the economic response. Part of this taskforce included the establishment of a delivery function to track and monitor economic stimulus measures.

1.2.2 What control mechanisms are in place, or proposed to ensure the implementation of economic stimulus measures in an efficient, effective, and economical way?

- Stimulus & support measures are reviewed regularly and agencies are asked to provide updates on the implementation of measures. As an additional level of assurance, the Treasury risk function provides risk assurance for each measure to ensure appropriate governance is in place.

1.2.3 What lessons from previous stimulus measures has Treasury drawn from in implementing the COVID-19 stimulus measures?

Key lessons drawn from the previous stimulus and support measures include:

- Streamlining support through Service NSW where possible – a one-stop-shop for the people of NSW to access COVID supports
- Considering a variety of delivery channels (including new channels) to get support where it is needed. For example, some existing channels – such as NGO capacity – were heavily impacted requiring alternative channels to be utilised
- Streamlined and coordinated communications – across government and to the public with all messaging provided via 'nsw.gov.au' and utilising Service NSW as the key delivery channel where possible.
- The need for industry, business and other stakeholder engagement
- Close engagement with delivery agencies to ensure any issues with implementation are identified and addressed early, and fed back into design of future measures.

### 1.3 Transparency and accountability mechanisms

1.3.1 What transparency mechanisms are in place, or proposed to publicly report on the costs, benefits, risks, governance, and controls related to the economic stimulus measures?

- Detail of the State's response to COVID-19 will be included in the State Budget to be handed down in November.
- Relevant agencies and the Total State Sector accounts will contain relevant content on stimulus spending in accordance with Australian Accounting Standards. In addition, a 'Supporting NSW' brochure was collated and published on [nsw.gov.au](https://www.nsw.gov.au/sites/default/files/2020-04/Supporting%20NSW%20COVID-19.pdf) to outline the support provided - <https://www.nsw.gov.au/sites/default/files/2020-04/Supporting%20NSW%20COVID-19.pdf>.

1.3.2 What accountability mechanisms are in place, or proposed to provide independent assurance that ensures the implementation of economic stimulus measures in an efficient, effective, and economical way?

- Alongside the internal governance arrangements noted in section 1.2, the Audit Office will be completing both a financial and performance Audit of the NSW economic response to COVID-19.
- Relevant agencies and the Total State Sector accounts will contain relevant content on stimulus spending in accordance with Australian Accounting Standards. In addition, existing accountability mechanisms were used in the approval of funding which restricted funding for a particular purpose as approved by the Governor.

### 1.4 Australian Government stimulus measures

1.4.1 What is the State's responsibility when funding is being delivered from the Commonwealth direct to agencies?

- The *Federal Financial Relations Act (Cth) 2009* and Schedule D to the Intergovernmental Agreement on Federal Financial Relations (IGAFFR) together provide the legal authority and framework to support payment arrangements from the Commonwealth to States and Territories to support joined up and collaborative government responses to COVID-19.
- Under these arrangements, monthly payments are made from Commonwealth Treasury to each State and Territory. Generally, Commonwealth payments to the NSW Government are made into the Consolidated Fund. The NSW Government is responsible for appropriating funding to NSW Government agencies.
- The Commonwealth and States enter National Partnerships (NPs) to deliver collaborative measures. Under each NP, the relevant roles, responsibilities and reporting obligations are set out in the relevant agreement and any relevant schedules to that agreement.

1.4.2 How do Commonwealth stimulus measures factor this in when considering State-based relief?

- The Commonwealth regularly enters into National Partnerships (NPs) with NSW to deliver Commonwealth measures. As such, the Commonwealth is well aware that the state has the appropriate mechanisms in place in order to deliver regular programs as well as relief (stimulus programs).
- Under each NP, the relevant roles, responsibilities and reporting obligations are set out in the relevant agreement and any relevant schedules to that agreement. For example, Revenue NSW is responsible for administering the HomeBuilder scheme in NSW on behalf of the Commonwealth.
- For NSW measures, stimulus and support measures were assessed against a set of objectives and principles for stimulus design, including the need to compliment and avoid duplication of Commonwealth stimulus measures.

## **1.5 Intergovernmental strategic planning**

### **1.5.1 What is the nature of current intergovernmental processes to coordinate activities?**

- Since June 2020, the National Federation Reform Council (NFRC) has replaced the Council of Australian Governments (COAG) as the peak intergovernmental forum in Australia.
- National Cabinet is at the centre of the NFRC coordinating Australian Governments' response to COVID-19 and currently meets on a fortnightly basis. The Council on Federal Financial Relations (CFFR) reports to National Cabinet and currently meets alternate fortnights to National Cabinet.
- CFFR consists of Commonwealth and State and Territory Treasurers and is supported by Heads of Treasuries (HoTs), which comprises Treasury Secretaries from the Commonwealth and States and Territories.
- The Board of Treasurers (BoT) forum comprises State and Territory Treasurers and meets fortnightly to coordinate responses as appropriate across the country. The role and focus for the Board of Treasurers in coordinating COVID-19 responses reflects state and territory government responsibilities for many of the critical service delivery tasks required in responding to COVID-19 (including health, police, public transport, business and community support),
- All these intergovernmental forums, supported by regular working-level communication among officials across governments, work together to support a coordinated approach to the health and economic challenges of COVID-19.

## **1.6 Management of government guarantees**

### **1.6.1 What mechanisms are in place to oversight the issuance and management of existing and new government guarantees (such as guaranteeing up to \$750 million of commercial debt by NSW universities)?**

- The issuing of guarantees is governed by legislation such as the Government Sector Finance Act 2018 (GSF Act), which provides that the Treasurer's approval is required for GSF Agencies to issue new guarantees.
- Treasury Policy TPP17-08 also provides guidance and requirements for agencies to adhere to when issuing, managing and reporting instruments of assurance (which includes guarantees).

- Each year in the preparation for the Budget and the Report on State Finances, as part of managing the State's guarantees, agencies are asked to submit a comprehensive list of all new and existing contingent liabilities, including government guarantees.

## 2 Budget Strategy

### 2.1 Prioritisation of programs and projects

2.1.1 What work has commenced on any re-prioritisation of programs and projects ahead of the next State Budget?

- The NSW Government continues to implement and utilise outcomes budgeting to aid decision making, including the prioritisation of programs. This approach intends to allocate resources based on the outcomes achieved for the people of NSW by driving a performance-based culture across the whole sector. The Government has established over 30 State Outcomes (see Budget Paper No 3. Budget Estimates) to assist with investment decision making.
- In the 2019-20 Budget, it was announced that each Cluster would be developing an Outcome and Business Plan following the lead of the Department of Education which has made a significant shift towards Outcome Budgeting.
- The Government maintains its commitment to fiscal discipline and responsible expense management. As part of this commitment, reviews of cluster and agency budgets are continually and routinely undertaken through the annual budget process, using the outcomes business plans and performance information, to ensure:
  - financial resources are allocated to the highest priorities and programs,
  - programs and outcomes are delivered in the most efficient and effective manner
  - high-quality services are delivered to highest priority areas of need.
 Outcome and Business Plans are annually updated and will be considered in this year's 2020/21 Budget process.
- In addition to the above, the Government has established a steering committee to undertake an internal review of government spending over the medium-term, to advise if programs are operating effectively and efficiently, and achieving value for money. The Steering Committee, which is comprised of Professor Percy Allan, former Secretary of NSW Treasury, and the Secretaries of Premier and Cabinet, Regional NSW and Treasury, will have an initial focus on discretionary grants and procurement.
- The above approaches assist in maintaining expense growth over the medium-term to support a sustainable operating position and levels of debt in line with its requirements under the Fiscal Responsibility Act 2012 (FRA), and ensures NSW citizens are receiving value for money in the use of taxpayer resources.

2.1.2 What level of transparency will be put in place around the re-prioritisation decisions?

- The NSW Government publishes details of expenditure decisions, including re-prioritisation, through the Budget Papers each year. When the 2020-21 Budget is

handed down later this year, Budget Papers can be found at [www.budget.nsw.gov.au](http://www.budget.nsw.gov.au).

## **2.2 Approach to revenue pressures**

2.2.1 Has Treasury commenced modelling the impact on the State's revenue streams?  
*- Is the modelling separately identifying the impacts from the direct/indirect causes versus the impacts from the economic stimulus measures?*

- Treasury conducted internal economic and revenue forecasts in May 2020. These estimates suggested a potential loss of NSW state revenue of \$20.3 billion over the five years to 2023-24. The estimated impacts of Commonwealth and State Government stimulus measures were included as inputs to the modelling. The approach to modelling for the May forecasts did not separately disaggregate the estimated impacts of stimulus measures, lockdown measures, border closures or other relevant factors, but rather estimated their collective impacts in the aggregate.
- Following the release of the June quarter national accounts in September, and the Commonwealth Budget in October, Treasury will produce revised economic and revenue forecasts. These will be published in the 2020-21 NSW Budget Papers in November.

## **2.3 Immediate impact assessment on key fiscal aggregates**

2.3.1 What are the effects on asset and liability valuations as a result of market impacts (such as movement in government bond yields and investments)?

- There is still significant uncertainty in the economic and fiscal outlook, particularly following the recent events in Victoria.
- The economic and monetary policy impacts of COVID-19 have impacted the State's assets and liabilities, including lower than expected growth in financial assets in 2019-20, an increase in the State's borrowings due to lower revenues and increased expenses due to fiscal stimulus, and an increase in the valuation of the State's unfunded superannuation liabilities on the State's balance sheet.
- The State's investment funds are well-constructed diversified portfolios with longer-term investment objectives. As such, the overall impact on the State's investment funds due to COVID-19 is expected to be limited over the longer-term.
- The valuation of the General Government Sector debt portfolio is not affected by movements in interest rates as the liability is accounted for on an amortised cost basis, in line with accounting standards.
- The State's unfunded superannuation, insurance and long-service liabilities are all valued using a number of inputs such as the 10-year Commonwealth Government Bond rate and CPI or salary growth expectations, among others. A standalone fall in interest rates will increase the value of these liabilities on the General Government Sector balance sheet. Superannuation and long-service leave liabilities are sensitive to interest rate movements (particularly when interest rates are already low). Where lower interest rates are accompanied by lower CPI and salary growth expectations, there will be some mitigation of the impact of falling interest rates.

- These changes only impact the valuation of these liabilities on the State's balance sheet and do not directly impact the State's cash contribution requirements to fund these liabilities.

### 2.3.2 What are the effects on the State's key fiscal aggregates...? - ... in the short term (2019-20)?

- Due to the impacts of COVID-19, the NSW Government's operating position is impacted by reduced or deferred revenue and additional expenditure on fiscal stimulus to support the NSW economy. Final audited accounts for 2019-20 will be finalised in late 2020.

- ... over the forward estimates?

- The economic and fiscal environment remains very uncertain and dynamic, making it difficult to forecast the full impact of COVID-19 on the state's expenses, revenue and balance sheet. NSW has announced more than \$15 billion in health and economic measures in response to the COVID-19 pandemic.
- NSW Treasury estimates that the State will lose at least \$20 billion in revenue from State taxes over the five years to 2023-24. The Government will release its full forecasts at the deferred State Budget on 17 November 2020.

## 2.4 Longer term structural budget adjustments

### 2.4.1 What does Treasury see as the longer term structural adjustments that will impact the State Budget?

- There is significant ongoing economic and fiscal uncertainty associated with COVID-19. Broadly, the State's financial position will face pressure from reduced revenue and higher expenses (to support the economy) over the forward estimates, and increasing levels of debt. Further details will be set out in the deferred 2020-21 Budget.

### 2.4.2 What does Treasury see as the longer term structural adjustments that will need to be made to the State Budget?

- The Government will manage its fiscal position in a way that best supports the economy and citizens. The Government is continuing to support the economy through the delivery of the State's record \$100 billion infrastructure program, and announcement of more than \$15 billion in COVID response and recovery measures.
- To ensure that NSW has sufficient fiscal capacity to absorb future shocks, the Government is seeking to maintain a sustainable operating position and levels of debt over the medium-term in line with the Government's requirements under the Fiscal Responsibility Act.
- In the short-term, the State has announced a one-year pause on increasing public sector pay rates to help alleviate job losses in NSW by funding job-creating projects. The Government will also continue its successful asset recycling program, with the Government currently undertaking a scoping study into the sale of its remaining share of WestConnex. Over the medium term, the NSW



Government will continue to maintain expenditure restraint to help ensure the operating position remains sustainable.

### **3 Fiscal Responsibility Act 2012**

#### **3.1 Impact on Fiscal Responsibility Act (FRA) targets and principles**

##### **3.1.1 Are there any plans to revisit the FRA targets or principles?**

- In line with the requirements of the FRA, the Government will report back to Parliament on the impacts of COVID-19 on its fiscal targets and principles in the FRA as part of the 2020-21 Budget.

##### **3.1.2 How are risks to the FRA targets and principles being managed?**

- The Government will report back to Parliament on the impacts of COVID-19 on its fiscal targets and principles in the FRA as part of the 2020-21 Budget, as is consistent with previous budgets.

#### **3.2 Longer term strategy to return to FRA targets and principles**

##### **3.2.1 Is Treasury working on a longer-term strategy?**

- Yes. The Government is seeking to maintain a sustainable operating position and levels of debt over the medium term. This will be done in line with the Government's requirements under the FRA. The 2020-21 Budget will set out further detail.

#### **3.3 Approach to short term deviations from FRA targets and principles**

##### **3.3.1 What transparency mechanisms are in place, or proposed to publicly report on deviations from the FRA targets or principles?**

- In line with Section 8 of the FRA, the Government will report to Parliament on the FRA targets and principles as part of the 2020-21 Budget later this year.

## 4 Liquidity Management

### 4.1 Short term liquidity approach

4.1.1 What requirements are being placed on agencies to manage any State-wide liquidity impacts?

- NSW Treasury, in conjunction with TCorp, manages the State's liquidity requirements on a whole of government basis. During the initial COVID-19 crisis, NSW Treasury and TCorp ensured that the State had enough cash and liquid assets to ensure it could meet its financial obligations in the event of a sustained market disruption. However, the State did not experience any significant issues in accessing the debt markets during the crisis.

4.1.2 How are short-term liquidity risks being managed?

- As indicated in Question 4.1.1, NSW Treasury and TCorp manage the State's liquidity requirements on a whole of government basis. If the State is not able to access funds from the market, it can draw down on available cash and financial assets.
- Actions taken by the Reserve Bank of Australia as well as central banks globally assisted in supporting liquidity in markets, and as such TCorp continues to have good access to fund raising in the debt capital markets.

### 4.2 Use of government bond issuances

4.2.1 Have there been any 'out-of-cycle' bond issuances?

*('Out-of-cycle' is not intended to be a technical term. In this context, it is intended to refer to any ad hoc bond issuances that Treasury request TCorp to make – to increase access to liquidity.)*

*- If yes, how much?*

*- If yes, what was the ratio of subscribers to bonds issued?*

*- If yes, how is Treasury using these bond proceeds?*

- Due to the impacts of COVID-19 on the State's revenues and expenses, the Government increased its borrowing program in 2019-20 to maintain service delivery and support the health and economic response to COVID-19 (see Question 2.3.1).
- Please note that the timing of TCorp issuance reflects market conditions and the timing and volume requirements of Government clients rather than being based on a "cycle".
- TCorp's bond issuance is executed using different methods, including tenders, syndications and reverse inquiry (which is where bonds are issued in response to request from market participants). Tenders and syndicated bond issuance comprise around half the overall issuance by TCorp, and for these deals TCorp generally sees over-subscription in the range of two to three times the volume issued.

4.2.2 What are the longer term plans for upcoming regular and 'out-of-cycle' bond issuances?

- As noted in Question 4.2.1, issuance reflects market conditions and the timing and volume requirements of Government clients.

### **4.3 Longer term liquidity strategy**

4.3.1 What control measures or requirements is Treasury intending to impose on agencies to manage any State-wide liquidity strategy?

- As indicated in Question 4.1.1, NSW Treasury and TCorp manage the State's liquidity requirements on a whole of government basis. The State's balance sheet remains strong.
- If the State is not able to access funds from the market, it has sufficient cash and financial assets to weather the significant short-term disruptions to the market that has occurred during events such as COVID-19.

4.3.2 How are longer term liquidity risks being managed?

- As indicated in Question 4.1.1, NSW Treasury and TCorp manage the State's liquidity requirements on a whole of government basis. Mitigants to longer-term liquidity risks (i.e. funding) include investor diversification and debt lengthening strategies, as well as the role that the NSW Generations Fund plays in providing funding for future debt retirement.

## **5 Debt Management**

### **5.1 Short term debt management approach**

5.1.1 What requirements are being placed on agencies to manage any state-wide debt management impacts?

- From a legislative perspective, all agencies must adhere to the requirements of the Government Sector Finance Act (GSF) 2018. From an administrative perspective, NSW Treasury works with TCorp to manage the State's borrowing requirements on a whole of government basis.
- As indicated in Question 2.4.2, the Government will manage its fiscal position in a way that best supports the NSW economy and the people of NSW. For example the Government has chosen to continue to support the economy by maintaining the delivery of the State's \$100 billion infrastructure program despite a significant fall in State revenues.
- To ensure that NSW has sufficient fiscal capacity to absorb future shocks, the Government is seeking to maintain a sustainable operating position and debt over the medium term in alignment with the requirements of a triple-A credit rating under the FRA.

5.1.2 How are short term debt profile risks being managed?

- NSW Treasury works with TCorp to ensure the State's borrowing program is appropriately managed to meet the funding requirements of the State, including managing the State's debt portfolio to mitigate refinancing risk.

## **5.2 Longer term debt management strategy**

5.2.1 What control measures or requirements is Treasury intending to impose on agencies to manage any State-wide debt management strategy?

- From a legislative perspective, all agencies must adhere to the requirements of the GSF Act 2018. From an administrative perspective, NSW Treasury works with TCorp to manage the State's borrowing requirements on a whole of government basis.
- As indicated in Question 2.4.2, the Government is seeking to maintain sustainable levels of debt over the medium term in alignment with the requirements of the FRA.

5.2.2 How are longer term debt profile risks being managed?

- As indicated in 5.1.2, NSW Treasury works with TCorp to ensure the State's borrowing program is appropriately managed to meet the funding requirements of the State.

## **5.3 Impact from State's credit rating**

5.3.1 What is the impact from the recent revision of "negative outlook" to the State's AAA credit rating?

- On 8 April 2020, S&P revised the outlook on NSW to negative from stable as a result of similar action being taken on the Commonwealth Government's credit rating.
- The action on the Commonwealth Government automatically flowed through to NSW, as S&P has indicated that no State or Territory in Australia can maintain a higher credit rating than the Commonwealth Government due to the States and Territories' reliance on the Commonwealth for some of their revenues.
- The downward revision does not reflect NSW's standalone credit rating, which is still assessed by S&P as triple-A.
- NSW continues to manage its fiscal position in line with a triple-A credit rating, as per requirements of the FRA. This includes maintaining a strong commitment to fiscal discipline through a sustainable operating position and levels of debt over the medium-term.

## **6 Financial Reporting and Annual Reporting**

### **6.1 Timing impacts on reporting**

6.1.1 Is Treasury planning on delays to the preparation and tabling of financial reports and annual reports?

- Treasury intends to deliver the monthly financial reporting in accordance with normal practice. Treasury will, however, likely be tabling the Report on State Finances and the Total State Sector Accounts later than in 2019.

**6.2 Quality impacts on reporting** 6.2.1 Is Treasury aware of any emerging issues that could adversely impact the quality of financial reports and annual reports?

- As with any year, there are issues across the sector that present and are typically resolved in collaboration between Treasury and the Audit Office. This year there will be emerging issues, including those driven by the implementation of major accounting standards changes, adverse weather events and COVID-19.

6.2.2 How are quality risks being managed?

- Risks are being managed through central coordination by Treasury, with regular communication with senior representatives of the finance community.
- Regular meetings are also held with the Audit Office to ensure potential issues are identified and dealt with early.
- Additional days have been granted to agencies in which to complete their financial submissions to reduce any risk of adverse quality.
- Regular discussions are also taking place between the Audit Office and Treasury to monitor any emerging issues identified through agency audits.

6.2.3 Is Treasury aware of any emerging issues with agencies' preparedness for year-end financial reporting (as identified from their Early Close Procedures)?

- As Financial statements were only due from agencies on 5 August 2020, Treasury has just commenced its review.
- Issues identified to date include those associated with the increased workload for the implementation of the accounting standards. Treasury is also aware that the DPIE cluster and the new Regional cluster timelines for completion of financial statements have been impacted by the April MOG which created the new cluster.

**6.3 Audit impacts**

6.3.1 How is Treasury keeping the Auditor-General informed of developments to the extent it is relevant to the Auditor-General's mandate?

- Treasury commenced its increased cadence of meetings with senior representatives of the Auditor General's Office over the year end period. There is also regular interaction at the Auditor General at Secretary and Senior Executive levels to discuss strategic and any particularly material issues.

6.3.2 Is Treasury aware of any emerging audit issues due to the current circumstances?

- The bushfire disaster and COVID-19 are likely to have impacts to the financial statements, including in asset valuations and application of the new Leasing accounting standard. The impacts have been assessed by the Treasury

Accounting policy team in conjunction with the Audit Office and guidance issued to the sector.

## 7 Approach to post-COVID-19 recovery

7.1 What measures is Treasury implementing (or supporting the implementation of) to maximise the State's post-COVID-19 recovery?

- The NSW Government has recently released its COVID-19 Recovery Plan on how the government will ensure NSW remains resilient and build a future-proof economy.
- The COVID-19 Recovery Plan includes:
  - **Infrastructure pipeline:** \$100 billion infrastructure pipeline
  - **Planning and precincts:** growing industries in key hubs across the state
  - **Education and skills:** equipping our citizens for the jobs of the future
  - **Digitisation:** accelerating development of digital solutions for Government
  - **Advanced manufacturing and local supply chains:** building a self-sufficient economy and more self-reliance
  - **Federal-State Relations:** reduce red tape and duplication.
- In conjunction with this government-wide plan, the NSW Treasurer is targeting five key areas for recovery from an economic perspective: deregulation, productivity, tax reform, digitisation and trade and investment.

7.2 What work is underway to change or reform the delivery of public services post-COVID-19, following the public sector's experience during the pandemic?

- As part of its productivity and federal financial relations reform agenda, the NSW Government has prioritised work to identify opportunities to further improve public services post-COVID-19, and make it easier to work, do business, and lower the cost of living in NSW.
- Released on 19 August 2020, the NSW Productivity Commission's *Continuing the Productivity Conversation* Green Paper includes a suite of draft recommendations aimed to drive discussion on how the Government can lift human capital, cut red tape, streamline regulation, get the best from our infrastructure investment, modernise our tax system, and boost lagging productivity.
- The Paper identifies fifty-six draft recommendations across seven areas with potential to boost NSW productivity:
  - Improving our schools' ability to provide the education that the people of New South Wales need to reach their potential
  - Ensuring we invest in the right workplace skills for a globally competitive and adaptive workforce
  - Regulating in ways that support innovation and competition
  - Ensuring reliable, sustainable and productive supply and use of our water and energy resources.
  - Gaining more from our infrastructure.
  - Planning for the housing we want and the jobs we need and modernising our tax system to help our economy grow.

- While this program of reforms was initiated well before COVID-19, many of these reforms will be even more important in a post-pandemic recovery – for example, new VET pathways to help to get displaced workers back into the workforce. On the other hand, reforms to improve school student outcomes will improve the productivity of our workforce and make us more resilient to shocks decades into the future.
- The NSW Government responded to the onset of COVID-19 with temporary regulatory changes to protect citizens while allowing businesses to provide consumers with critical products and services by overriding existing regulatory hurdles. Often a key to this was greater flexibility.
- As the economy returns to more normal operation, the NSW Government will look at these changes as experiments, assess their results, and keep the ones that work. That will allow businesses to build their changed business patterns, adapt to changes in consumer preferences, and recover faster.
- In particular, the Productivity Commission Green Paper recommended keeping the changes around licensed venues, retail trading hours, food businesses, home businesses and the digital mechanisms for regulatory compliance. These temporary regulatory relaxations implemented by the NSW Government during the COVID-19 pandemic include:
  - Allowed legal and regulatory formalities to be undertaken digitally, such as the signing and witnessing of documents and making an oath, affidavit or statutory declaration.
  - Suspended for 12 months new or renewed licence and registration fees required to be paid to NSW Government agencies for eligible businesses in the entertainment, hospitality, trades and construction sectors.
  - Allowed pharmacists to dispense Schedule 4 medicines without a doctor's prescription, where the patient had previously been prescribed the medication and require ongoing treatments.
  - Allowed licenced venues with a current liquor licence to sell takeaway liquor and home deliver liquor.
  - Allowed 24/7 operation of supermarkets and pharmacies and allowed supermarkets to receive deliveries 24/7.
  - Implemented relief measures for both residential and commercial tenants, including a moratorium on applications for forced evictions due to rental arrears for those financially disadvantaged by COVID-19, and new requirements for landlords and tenants to enter into negotiations over rental payments in good faith.
  - Permitted supermarkets to open on Good Friday, Easter Sunday and ANZAC Day for 2020 to help people buy essential items.
  - Permitted weekday construction sites to operate on weekends and public holidays to keep more people in jobs and keep productivity up.
  - Overrode local government approvals for food trucks to enable their operation on any land at any time and let restaurants and other commercial kitchens operate as 'dark kitchens' that prepare food for delivery.
  - Implemented changes to long service leave will create greater flexibility for employers and employees to access leave, including: Waiving the one-month notice period for taking leave by mutual agreement. Permitting employees to take leave in shorter blocks if they wish.
  - Allowed home businesses to operate 24 hours per day and to employ between up to five people.

- As announced in the 2019-20 Budget, the NSW Government commissioned an independent Review of Federal Financial Relations, chaired by David Thodey AO.
- The Draft Report was released on 1 July and outlined a blueprint for refreshing the federation, changing the tax mix for state governments to sustainably fund essential services and infrastructure, and to assist in the nation's long-term economic recovery. The Final Report and recommendations will be released in late 2020.

### 7.3 Could you outline the nature and objectives of 'Project Spring'?

- Project Spring was a program of work to develop rapid economic and social responses and recovery efforts during the Covid-19 pandemic. It included representatives from central government agencies and relevant line agencies, and met from March to July 2020.
- The project covered the development of initiatives and responses to fast-changing industry and business circumstances, and large scale service delivery impacts to Government services which the entire NSW community rely on daily, including through the COVID-19 pandemic.