

Expenses

Total expenses were lower than forecast in the original budget by \$3.1 billion as outlined below.

Employee Expenses (excluding Superannuation)

Employee expenses were largely in line with the 2020-21 Budget estimate at \$37.1 billion, with a small variance of \$55 million.

Superannuation Interest Cost and Other Superannuation Expenses

- Superannuation interest costs were largely in line with the 2020-21 Budget estimate at \$589 million, with a small variance of \$4 million.
- Other superannuation expense was \$123 million higher than the original budget estimate due to minor variances across several General Government agencies.

Depreciation and Amortisation Expenses

- Depreciation and amortisation expenses were \$112 million lower than forecast in the 2020-21 Budget, mainly due to minor variances across several General Government agencies.

Interest Expenses

Interest expenses were \$350 million lower than forecast in the 2020-21 Budget:

- Financing costs were \$155 million lower than the Budget forecasts in Transport for NSW, because financing costs on service concession financial liabilities and lease liabilities was lower than expected.
- Interest expenses were \$89 million lower in NSW Treasury Administered Items due to lower than budgeted borrowings.
- The residual variances were due to minor variances across several General Government agencies.

Other Operating Expenses

Other operating expenses were \$264 million lower than forecast in the 2020-21 Budget. This was mainly driven by the following:

- Transport for NSW, which was \$181 million lower than the 2020-21 Budget estimate, mainly due to project scheduled delays, impacted by COVID-19.
- Infrastructure NSW, which was \$168 million lower than the 2020-21 Budget estimate, mainly due to delays in delivering major projects on behalf of other agencies. Delays have been incurred as a result of time delays for asbestos removal, increased need for remediation works, increased public and stakeholder consultation, delays in planning approvals and COVID-19.
- Department of Planning, Industry and Environment, which was \$151 million lower than the 2020-21 Budget estimate, mainly due to delays in program delivery across a range of programs as a result of the COVID-19 lockdowns and natural disasters (bushfires and floods).
- TAFE Commission, which was \$125 million lower than the 2020-21 Budget estimate, due to lower than budgeted spend on contractor expenses, teaching resources, agent commissions, fees and other provisions.
- Department of Education, which was \$116 million lower than the 2020-21 Budget estimate, due to reduced contractor expenses and deferral of expenditure for existing programs.
- These decreases were partially offset by an increase of \$539 million in the NSW Self Insurance Corporation's operating expenses, mostly driven by the impacts of the 31 December 2020 and 30 June 2021 valuations for outstanding claims liabilities of the Treasury Managed Fund self-insurance scheme. Key underlying factors in the valuations include: amendments to the Civil Liability Act 2002 (\$244m), COVID-19 pandemic disruptions (\$141m), the March 2021 floods (\$142m), and higher than expected sensitive claims and medical indemnity claims.

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Grants and Subsidies Expenses

Recurrent and capital grants, subsidies and other transfers expenses were \$2.6 billion lower than the 2020-21 Budget forecasts. This lower-than-expected spending in 2020-21 was largely because COVID-19 and March 2021 floods caused delayed spending on grant programs and deferral of expenditure to future years.

Major reprofiling of grant expenses in 2020-21 includes the following lower than forecasted expenditures in:

- \$652 million in NSW Treasury Administered Items;
- \$513 million in Resilience NSW;
- \$395 million in Department of Education;
- \$379 million in Department of Planning, Industry and Environment;
- \$296 million in Regional NSW;
- \$195 million in Office of Sport; and
- \$105 million in NSW Rural Fire Service.

In addition, NSW Self Insurance Corporation grant expenses were \$310 million lower than expected in the 2020-21 Budget, due to the actuarially assessed liabilities of the Home Building Compensation Fund and the Transport Accident Compensation scheme in NSW Self Insurance Corporation being lower than budgeted.

Operating Result

The operating result is the budget result (net operating balance) plus the sum of other economic flows included in the operating result.

The operating result for 2020-21 was a deficit of \$4.4 billion, a \$11.4 billion improvement against the original budget estimate. This result captures the sum of the budget result variance of \$8.9 billion explained above, and a net positive variance in other economic flows included in the operating result of \$2.4 billion, mainly driven by realised gains on managed fund investments that were higher than expected due to the favourable market movements.

Comprehensive Result

The comprehensive result is the operating result plus the sum of other economic flows - other comprehensive income.

The comprehensive result for 2020-21 was a deficit of \$4.1 billion, a \$5.6 billion improvement on the budget estimate. This result was attributable to the operating result variance of \$11.4 billion explained above, offset by variances in other economic flows – other comprehensive income of \$5.7 billion primarily due to reductions in the value of equity investments in other public sector entities offset by actuarial adjustment gains to superannuation provisions.

Net Lending

The net lending result is the budget result (net operating balance) adjusted for the net acquisition and sale of non-financial assets.

The net lending position improved against the original budget by \$9.4 billion, mainly due to an improved operating position resulting from stronger-than-expected economic activity.

