



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party
Date Referred: 17/02/2015

Proposal No: A249
Date Published: 23/03/2015

Proposal Title: **RESTART NSW**

Cluster: Whole of Government

Notes and costing assumptions

The policy proposes to change the allocations for reservations from the Restart NSW Fund, and to add to the Fund. Table 1 below shows the funding source and the proposed Restart Reservations under this policy.

Attachment 1 – Restart NSW under Labor

RESTART NSW UNDER LABOR	
<i>Funding source</i>	<i>Amount</i>
Uncommitted existing funds	\$4,921 million
Hypothecation of retaining Intergovernmental Taxes to 2024-25	\$5,134 million
Total	\$10,055 million
<i>Allocations</i>	<i>Reservation</i>
Health & Education	\$3,000 million
Rail	\$1,000 million
Roads	\$2,057 million
Western Sydney	\$1,472 million
Regional NSW	\$1,576 million
Arts, sports and culture	\$950 million
Total	\$10,055 million

The proposed allocations will not affect the Budget estimates. This assumes projects a) meet the purposes set out in s.6 of the *Restart NSW Fund Act 2011* (that is, primarily, infrastructure projects) and b) are subject to further preparatory work before funds can be committed. This is consistent with the approach set out by the government and documented in the 2014-15 Budget papers and 2014-15 Half-Yearly Review. Appendix 1 of the Statement of Uncommitted Funds of 18 December 2014 listed nineteen reservations for projects for infrastructure including in rail, roads, hospitals, and urban renewal.

Key notes and assumptions

Restart NSW was set up by the Government for the purpose of setting aside funding for and securing the delivery of major infrastructure projects and other necessary infrastructure: see the *Restart NSW Fund Act 2011*. The main sources of funding to date have been from asset sales and from monies certified by the Treasurer as windfall tax revenue in excess of Budget forecasts.

The Half Yearly Review 2014-15 (18 December 2014 at p.22) and the Statement of Uncommitted Funds of 18 December 2014 (Appendix 1) indicated that Restart NSW is expected to have a balance of \$8.8 billion of funds at 30 June 2015, of which \$3.9 billion has been committed and included in the Budget, with a further \$4.9 billion of reservations not included in the Budget. The reservations do not affect the forward estimates. The reason for this is outlined in the Half-Yearly Review as follows: "...government also reserves funds for projects as a place-marker for future commitments, pending further work including business cases. These reservations do not have an impact on the Budget aggregates because a final decision is required by the Government prior to commitment."

The estimates of reserve funding are only included in the Budget estimates following project development, completion of project assurances, and final business case approval.

Costing assumptions continued:

Therefore the proposed allocations in Table 1 can be put in the reserved funding category, and not have an impact on the Budget estimates, provided no final decision to commit funds has been made.

Restart NSW can only be used a source of funding for these allocations provided the money is spent on infrastructure that meets the requirements of the *Restart NSW Fund Act 2011*.

The PBO has previously costed Labor's proposed policy to maintain Intergovernmental Agreement (IGA) taxes. These taxes are currently being abolished on 1 July 2016. The PBO projected, based on current patterns of revenue collection, that maintaining these taxes would collect some \$5.13 billion to the end of 2024-25. This is based on a projection into the future of current trends, and relies on the assumptions outlined in that costing. The PBO has taken the approach, consistent with that of the NSW Treasury and Treasuries in other Australian jurisdictions, that long term numbers can be projected on an indicative basis to help inform decision making, but notes that these do not affect the forward estimates.

There appears to be no barrier to a future government appropriating funds equivalent to the amount collected in revenue from the IGA taxes to the Restart NSW Fund. Section 7(d) of the *Restart NSW Fund Act 2011* provides that "all money directed or authorised to be paid into the Fund by or under this or any other Act or law" is payable into the Fund.

The PBO notes that the alternative allocations represent a reordering of priorities and therefore would mean that unless funding could be found within the new reservations or from other sources the projects listed as reservations in the Statement of Uncommitted Funds would be unlikely to proceed.