



PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Budget Impact Statement 2015

Australian Labor Party

Part One of Two

23 March 2015

Preface

Section 23 of the *Parliamentary Budget Officer Act 2010* requires that the Parliamentary Budget Officer prepare a budget impact statement for the Premier and the Leader of the Opposition.

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 2014-15 State budget and forward estimates from 2015-16 to 2017-18.

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)
- General Government Sector Net Financial Liabilities
- Total State Sector Net Financial Liabilities.

The Parliamentary Budget Officer must publicly release the budget impact statements on the fifth last day before the State general election. 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

23 March 2015

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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 Government and Opposition in advance of the New South Wales general election.

The Budget Impact Statement is intended to capture the impact on the budget of all policies that a parliamentary leader proposes to implement, if elected. Parliamentary leaders have an obligation under section 18 (1A) (b) of the *Parliamentary Budget Officer Act 2010* to advise they have submitted all relevant policies for inclusion in this Budget Impact Statement.

Part One of this Budget Impact Statement includes a summary of the impact on the budget of all of the costed policies for a parliamentary leader. It provides an overview of the total effect on the budget for the current financial year and the next three years (the forward estimates) that the proposed election policies of that leader will have.

Part Two of this Budget Impact Statement includes a list of the final election policies the parliamentary leader intended for inclusion in this Budget Impact Statement. Part Two also includes detailed costings for individual election policies included in this Budget Impact Statement.

Election policy costings set out the impact of a proposed election policy on the current year's budget and on the next three years (the forward estimates).

Summary impact on key fiscal aggregates

The following tables provide the impact of all costed policies of the Australian Labor Party on the key fiscal aggregates outlined in the *Parliamentary Budget Officer Act 2010*. Detailed listings of the costed policies making up this aggregate impact are contained within Appendix A.

In order to provide an accurate picture of the start point for an incoming government in formulating the 2015-16 Budget, the Statement includes the impact of decisions taken by government since the 2014-15 Half-Yearly Budget Review and prior to the 2015 caretaker period.

Table 1: Net Operating Result - General Government Sector

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
2014-15 Half-Yearly Budget Review	272	402	1,096	1,038
Changes since Half-Yearly Review	(71)	(97)	(85)	(75)
<i>Pre-election estimate</i>	202	305	1,011	964
Impact of policies	49	192	621	515
Estimate after impact	251	497	1,632	1,479

The Net Operating Result above is calculated as the difference between expenses and revenues from transactions for the General Government Sector. It is equivalent to the 'Budget Result' published in the 2014-15 Half-Yearly Budget Review and to the Net Operating Balance published in the 2013-14 Report on State Finances.

The Net Operating Result reflects the difference between the year's cost of service delivery and revenue earned to fund those activities. A positive number reflects a surplus and a negative number a deficit.

Table 2: Capital Expenditure - General Government Sector

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
2014-15 Half-Yearly Budget Review	10,203	9,556	9,782	9,501
Changes since Half-Yearly Review	75	199	283	54
<i>Pre-election estimate</i>	10,278	9,755	10,065	9,555
Impact of policies	53	162	542	557
Estimate after impact	10,331	9,917	10,607	10,112

Capital expenditure is for the acquisition or enhancement of property, plant and equipment or intangible assets of the General Government Sector. The Net Operating Result in Table 1 does not include capital expenditure but does include depreciation charges. Positive numbers reflect increased expenditure and negative numbers reflect a reduction in expenditure.

Table 3: Net Lending/(Borrowing) - General Government Sector

	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m
2014-15 Half-Yearly Budget Review	(3,243)	(2,011)	(1,666)	(950)
Changes since Half-Yearly Review	(145)	(296)	(368)	(128)
<i>Pre-election estimate</i>	(3,388)	(2,307)	(2,034)	(1,078)
Impact of policies	(2)	30	81	(39)
Estimate after impact	(3,390)	(2,277)	(1,953)	(1,117)

Net Lending/(Borrowing) reflects the financing requirement of the General Government Sector, the extent to which government's spending is financed from revenues and borrowings. Net Lending/(Borrowing) is calculated as the Net Operating Result less the net acquisition of non-financial assets. A positive result indicates net lending and a negative result indicates net borrowing.

Table 4: Net Financial Liabilities - General Government Sector

	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m
Impact of policies	246	216	135	174

Net Financial Liabilities - General Government Sector is a measure of the General Government Sector's total liabilities, less its financial assets. Total liabilities include borrowings, accrued employee liabilities such as superannuation and long service leave entitlements, as well as provisions. The General Government Sector's investment in other sectors is excluded from the calculation. A positive number reflects an increase in the Sector's net liabilities and a negative number reflects a decrease.

The most recently published General Government Sector financial information is the January 2015 Monthly Statement available on NSW Treasury's website. The Sector's Net Financial Liabilities as at the end of January 2015 were \$64,834 million. The aggregate impact of the Australian Labor Party's policies over the forward estimates increases Net Financial Liabilities by 0.3 per cent of the January 2015 figure.

Table 5: Net Financial Liabilities - Total State Sector

	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m
Impact of policies	246	216	135	174

Net Financial Liabilities-Total State Sector is a measure of the Total State Sector's total liabilities, less its financial assets available to meet these. Total liabilities include borrowings, accrued employee liabilities such as superannuation and long service leave entitlements, as well as provisions. A positive number reflects an increase in the State's net liabilities and a negative number reflects a decrease.

The most recently published Total State Sector financial information is the 2013-14 Report on State Finances available on NSW Treasury's website. The Sector's Net Financial Liabilities as at the end of June 2014 were \$117,644 million. The impact of the policies above increases Net Financial Liabilities by 0.1 per cent of the June 2014 figure.

Note 1: The summary impacts on key fiscal aggregates should be read in conjunction with the explanatory notes in Appendix B.

Note 2: In the event a parliamentary leader advises the Parliamentary Budget Officer that further costed policies have been publicly announced, a revision to the Budget Impact Statement may be issued prior to the election, as provided for in section 23 of the Parliamentary Budget Officer Act 2010.

Note 3: This Statement is based on policies advised to the Parliamentary Budget Officer. Under section 18 of the Parliamentary Budget Officer Act 2010, it is the responsibility of the parliamentary leader to have costed all policies “that are proposed to be implemented if the party is elected to Government at the next State general election and that are likely to impact on the current and relevant forward estimates”.

Appendix A – Detailed Tables and Graphs

The following tables and graphs provide further detail about the budget impact of costed policies. The *Parliamentary Budget Officer Act 2010* requires reporting the impact on the Net Operating Result, being the difference between expenses and revenues from transactions for the General Government Sector.

Table 6: All policies that impact on the Net Operating Result

Proposal Title	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 yr total \$'000
Education and Communities					
NSW Tools For Your Trade	-	(7,438)	(7,750)	(7,500)	(22,688)
Supporting Community Language Schools	-	(1,250)	(2,500)	(2,500)	(6,250)
Labor's Plan To Return Goat Island To Its Traditional Owners	(2,200)	(82)	(85)	(89)	(2,456)
Provide \$6M Per Year To Encourage Schools To Hire Out Their Facilities	-	(3,000)	(6,000)	(6,000)	(15,000)
Specialist Maths & Science Teachers In Primary Schools	-	(2,316)	(4,154)	(3,066)	(9,536)
Science And Maths Scholarships	-	(1,000)	(2,000)	(3,000)	(6,000)
Safe Places Trial	-	(500)	(500)	(500)	(1,500)
Labor's Plan To Rescue TAFE NSW	-	(21,470)	(29,499)	(30,237)	(81,206)
Funding Our Public Libraries	-	(4,039)	(7,749)	(11,475)	(23,264)
Reinstate Drug And Alcohol Education Unit	-	(1,000)	(1,025)	(1,051)	(3,076)
Family and Community Services					
Disability Employment Package	-	(500)	(1,000)	(3,000)	(4,500)
Housing Solutions Fund - Provide \$100M Of No Interest Loans	-	(13,923)	2,663	2,406	(8,855)
Housing Acceleration - Infrastructure Investment	-	-	(425)	(425)	(850)
Homelessness - Priority Projects	-	(10,000)	(10,000)	(10,000)	(30,000)
Health					
Free Whooping Cough Vaccine	-	(3,856)	(1,796)	(1,796)	(7,448)
Remove The Chemotherapy Co-Payment	-	(2,020)	(2,064)	(2,108)	(6,192)
A Fairer Isolated Patients Travel And Accommodation Assistance Scheme	-	(3,351)	(6,798)	(6,894)	(17,043)
Four Nurse Walk-In Centres	-	(12,950)	(13,611)	(13,943)	(40,503)
Deploy Energy Efficient Lighting To All Hospitals	-	1,725	4,051	4,255	10,031
500 More Paramedics	-	(4,627)	(14,586)	(25,331)	(44,544)
Nurse Ratios	-	(10,400)	(31,800)	(54,200)	(96,400)
Fund Fetal Alcohol Spectrum Disorder Clinic At Westmead	-	(300)	(308)	(315)	(923)
Cystic Fibrosis Policy	-	(2,000)	(2,000)	(2,000)	(6,000)
24-Hour Pharmacies	-	(1,000)	(1,000)	(1,000)	(3,000)
Women's Health Centres	-	(1,000)	(1,025)	(1,051)	(3,076)
Justice					
Fair Victims' Compensation - Reverse Impact Of Retrospectivity In Scheme	-	(7,567)	(7,552)	(8,815)	(23,934)
Counter Terrorism Policy: Police-Community Mentoring	-	(500)	(500)	(1,000)	(2,000)
Counter Terrorism Policy: Dedicated Training For Frontline Officers	-	(4,792)	(1,527)	(1,477)	(7,796)
Increase Police Numbers By 300	-	(9,724)	(24,693)	(40,399)	(74,816)
Utilise Minimum Security Section At Cooma Correctional Facility	-	(2,101)	(2,154)	(2,208)	(6,463)
Mortdale Fire Station Reopening	-	(24)	(25)	(25)	(74)
Expansion Of Drug Court To The Illawarra	-	(5,156)	(4,638)	(4,754)	(14,548)
Youth Drug And Alcohol Diversionary Scheme	-	-	(996)	(1,021)	(2,017)
Specialist Sexual Assault And Domestic Violence Courts	-	(869)	(1,506)	(2,943)	(5,318)
Justice Reinvestment Strategy	-	(1,000)	(1,500)	(1,500)	(4,000)
Police Force Wellbeing Program	-	(5,700)	(5,700)	(5,700)	(17,100)
Planning and Environment					
Reform The NSW Environmental Protection Authority -	-	(78)	(80)	(82)	(241)

Proposal Title	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 yr total \$'000
Governance					
Land For Ballina Indoor Sport Facility	-	(19)	(19)	(19)	(57)
Protecting National Parks	-	415	415	415	1,245
Labor's Plan To Establish Australia's First Great Koala National Park	-	-	-	(74,711)	(74,711)
Lake Illawarra Authority	-	(1,200)	(1,200)	(1,200)	(3,600)
Labor's Plan To Protect The Royal Botanic Gardens	-	(3,530)	(3,275)	(3,275)	(10,080)
Crackdown On Wildlife Crime (\$1 Million)	-	-	(200)	(200)	(400)
Healthy Rivers Commission - Establishment	-	(2,500)	(2,500)	-	(5,000)
Trade and Investment, Regional Infrastructure and Services					
Racing Industry Tax Reform - Cut Wagering Taxes By 60 Per Cent From 1 Jan 2016	-	(46,994)	(95,398)	(96,509)	(238,902)
Reintroduce Stock & Fodder Subsidies: Assist Farmers In Drought	-	(40,000)	-	-	(40,000)
Renew NSW	-	(500)	(500)	(500)	(1,500)
A Comprehensive Role For The Small Business Commissioner	-	(2,790)	(3,400)	(4,072)	(10,263)
Rail Trails Strategy	-	(3,000)	(3,000)	(3,000)	(9,000)
Sydney Marine Park	-	(1,750)	(1,076)	(1,386)	(4,212)
Export Strategy	-	(1,120)	(500)	(1,500)	(3,120)
In Drought Support Package - Additional Rural Support Workers	-	(468)	(490)	(502)	(1,460)
Make The Hunter A National Hub For Renewable Energy	-	(3,000)	(3,250)	(3,250)	(9,500)
Transport for NSW					
Half Price Registration For Apprentices	-	(276)	(570)	(590)	(1,436)
Safer Public Transport - Getting Home Safe On Friday And Saturday Night	(110)	(1,356)	(1,390)	(1,425)	(4,281)
Regulation Of Cruise Ships Berthing At White Bay Cruise Terminal	-	(831)	(1,635)	(1,995)	(4,461)
School Buses - Helensburgh To Heathcote, St John Bosco & Engadine High Schools	-	(798)	(808)	(818)	(2,424)
NSW Trains - Plan To Restore Services And Improve The Timetable	-	(1,500)	-	-	(1,500)
Other					
Retain Intergovernmental Agreement Taxes	-	-	467,000	490,000	957,000
Help For Homes First Home Buyers Concessional Loans Scheme	-	(13,549)	(25,245)	(20,374)	(59,168)
More Efficient Government - Reduced Travel	-	21,866	22,413	22,973	67,252
Building Skills Growing Jobs	-	(900)	(1,650)	(2,400)	(4,950)
NSW Local Jobs First Plan	-	-	(150)	(150)	(300)
Advertising - Savings	-	11,887	12,245	12,896	37,028
More Efficient Government - Senior Management	-	50,378	83,912	86,009	220,299
Cutting Waste - Prudent Management Of Legal Expenses	-	15,515	16,144	16,464	48,123
Reduce Number Of Ministers With Associated Expenses	2,047	8,703	9,377	9,431	29,558
More Efficient Government: Reduce Senior Minister Numbers From Eight To Seven	11	46	47	48	153
Reduce Ministerial Staffing Allocations	1,126	4,680	4,761	4,913	15,480
Better Communities & Sports Fund	(5,000)	(20,000)	(15,000)	(10,000)	(50,000)
New Approach To Ending Violence Against Women	-	(3,975)	(4,999)	(5,526)	(14,500)
Inspector General For Parliamentary Standards	-	(500)	(513)	(525)	(1,538)
Efficiencies - Return Spending On Consultants & Contractors To Sustainable Levels	-	300,000	300,000	300,000	900,000
Reallocate Coalition budget commitments	52,892	72,787	63,695	56,073	245,347
Total impact on Net Operating Result*	48,765	191,911	621,308	514,554	1,376,538

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

Figure 1: Impact on Net Operating Result

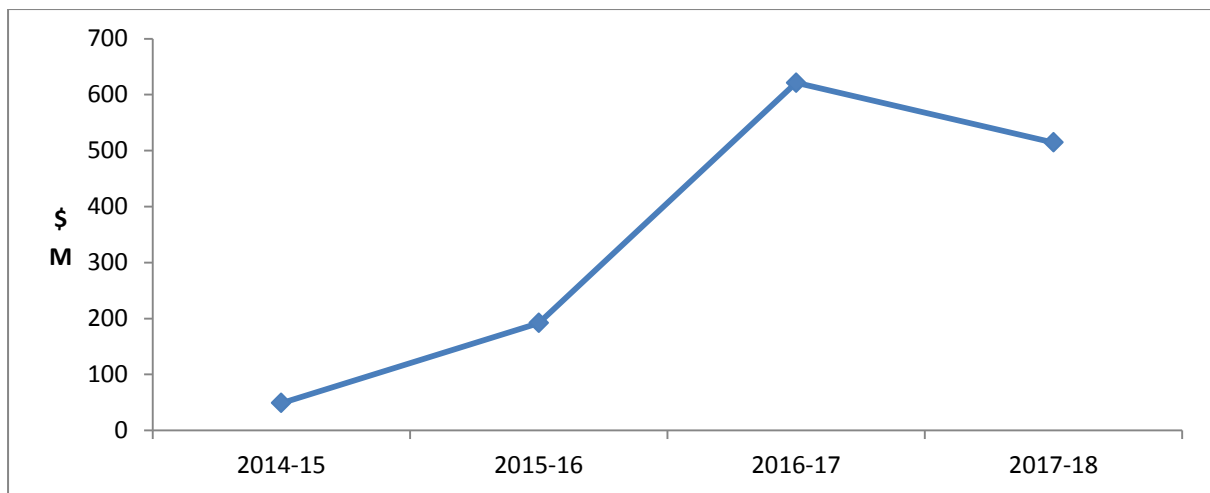


Table 7: All policies that impact on expenses

Proposal Title	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 yr total \$'000
Education and Communities					
NSW Tools For Your Trade	-	7,438	7,750	7,500	22,688
Supporting Community Language Schools	-	1,250	2,500	2,500	6,250
Labor's Plan To Return Goat Island To Its Traditional Owners	2,200	(212)	(216)	(220)	1,552
Provide \$6M Per Year To Encourage Schools To Hire Out Their Facilities	-	3,000	6,000	6,000	15,000
Specialist Maths & Science Teachers In Primary Schools	-	2,316	4,154	3,066	9,536
Science And Maths Scholarships	-	1,000	2,000	3,000	6,000
Safe Places Trial	-	500	500	500	1,500
Labor's Plan To Rescue TAFE NSW	-	21,470	29,499	30,237	81,206
Funding Our Public Libraries	-	4,039	7,749	11,475	23,264
Reinstate Drug And Alcohol Education Unit	-	1,000	1,025	1,051	3,076
Family and Community Services					
Disability Employment Package	-	500	1,000	3,000	4,500
Housing Solutions Fund - Provide \$100M Of No Interest Loans	-	16,834	-	-	16,834
Housing Acceleration - Infrastructure Investment	-	-	425	425	850
Homelessness - Priority Projects	-	10,000	10,000	10,000	30,000
Health					
Free Whooping Cough Vaccine	-	3,856	1,796	1,796	7,448
Remove The Chemotherapy Co-Payment	-	660	677	693	2,030
A Fairer Isolated Patients Travel And Accommodation Assistance Scheme	-	3,351	6,798	6,894	17,043
Four Nurse Walk-In Centres	-	12,950	13,611	13,943	40,503
Deploy Energy Efficient Lighting To All Hospitals	-	(1,725)	(4,051)	(4,255)	(10,031)
500 More Paramedics	-	4,627	14,586	25,331	44,544
Nurse Ratios	-	10,400	31,800	54,200	96,400
Fund Fetal Alcohol Spectrum Disorder Clinic At Westmead	-	300	308	315	923
Cystic Fibrosis Policy	-	2,000	2,000	2,000	6,000
24-Hour Pharmacies	-	1,000	1,000	1,000	3,000
Women's Health Centres	-	1,000	1,025	1,051	3,076
Justice					
Fair Victims' Compensation - Reverse Impact Of Retrospectivity In Scheme	-	7,567	7,552	8,815	23,934
Counter Terrorism Policy: Police-Community Mentoring	-	500	500	1,000	2,000
Counter Terrorism Policy: Dedicated Training For Frontline Officers	-	4,792	1,527	1,477	7,796
Increase Police Numbers By 300	-	9,649	24,469	40,025	74,143
Utilise Minimum Security Section At Cooma Correctional Facility	-	2,101	2,154	2,208	6,463
Mortdale Fire Station Reopening	-	165	168	174	507
Expansion Of Drug Court To The Illawarra	-	5,156	4,638	4,754	14,548
Youth Drug And Alcohol Diversionary Scheme	-	-	996	1,021	2,017
Specialist Sexual Assault And Domestic Violence Courts	-	869	1,506	2,943	5,318
Justice Reinvestment Strategy	-	1,000	1,500	1,500	4,000
Police Force Wellbeing Program	-	5,700	5,700	5,700	17,100
Planning and Environment					
Reform The NSW Environmental Protection Authority (EPA) - Governance	-	78	80	82	241
Protecting National Parks	-	(415)	(415)	(415)	(1,245)
Labor's Plan To Establish Australia's First Great Koala National Park	-	-	-	74,711	74,711
Lake Illawarra Authority	-	1,200	1,200	1,200	3,600
Labor's Plan To Protect The Royal Botanic Gardens	-	2,630	2,353	2,329	7,312
Crackdown On Wildlife Crime (\$1 Million)	-	-	200	200	400
Healthy Rivers Commission - Establishment	-	2,500	2,500	-	5,000

Proposal Title	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 yr total \$'000
Trade and Investment, Regional Infrastructure and Services					
Reintroduce Stock & Fodder Subsidies: Assist Farmers In Drought	-	40,000	-	-	40,000
Renew NSW	-	500	500	500	1,500
A Comprehensive Role For The Small Business Commissioner	-	2,790	3,400	4,072	10,263
Rail Trails Strategy	-	3,000	3,000	3,000	9,000
Sydney Marine Park	-	1,750	1,076	1,386	4,212
Export Strategy	-	1,120	500	1,500	3,120
In Drought Support Package - Additional Rural Support Workers	-	468	490	502	1,460
Make The Hunter A National Hub For Renewable Energy	-	3,000	3,250	3,250	9,500
Transport for NSW					
Half Price Registration For Apprentices	-	276	570	590	1,436
Safer Public Transport - Getting Home Safe On Friday And Saturday Night	110	1,356	1,390	1,425	4,281
Regulation Of Cruise Ships Berthing At White Bay Cruise Terminal	-	74	75	77	226
School Buses - Helensburgh To Heathcote, St John Bosco & Engadine High Schools	-	798	808	818	2,424
NSW Trains - Plan To Restore Services And Improve The Timetable	-	1,500	-	-	1,500
Other					
Help For Homes First Home Buyers Concessional Loans Scheme	-	18,982	57,729	70,613	147,324
More Efficient Government - Reduced Travel	-	(21,866)	(22,413)	(22,973)	(67,252)
Building Skills Growing Jobs	-	900	1,650	2,400	4,950
NSW Local Jobs First Plan	-	-	150	150	300
Advertising - Savings	-	(11,887)	(12,245)	(12,896)	(37,028)
More Efficient Government - Senior Management	-	(50,378)	(83,912)	(86,009)	(220,299)
Cutting Waste - Prudent Management Of Legal Expenses	-	(15,515)	(16,144)	(16,464)	(48,123)
Efficiencies - Return Spending On Consultants & Contractors To Sustainable Levels	-	(300,000)	(300,000)	(300,000)	(900,000)
Reduce Number Of Ministers With Associated Expenses	(2,047)	(8,703)	(9,377)	(9,431)	(29,558)
More Efficient Government: Reduce Senior Minister Numbers From Eight To Seven	(11)	(46)	(47)	(48)	(153)
Reduce Ministerial Staffing Allocations	(1,126)	(4,680)	(4,761)	(4,913)	(15,480)
Better Communities & Sports Fund	5,000	20,000	15,000	10,000	50,000
New Approach To Ending Violence Against Women	-	3,975	4,999	5,526	14,500
Inspector General For Parliamentary Standards	-	500	513	525	1,538
Reallocate Coalition budget commitments	(52,892)	(72,787)	(63,595)	(56,074)	(245,347)
Total impact on expenses*	(48,765)	(233,751)	(218,606)	(72,875)	(573,997)

*Expenses comprise recurrent expenditure including depreciation. A positive number means the policies' impact would increase expenses.

Figure 2: Impact on expenses

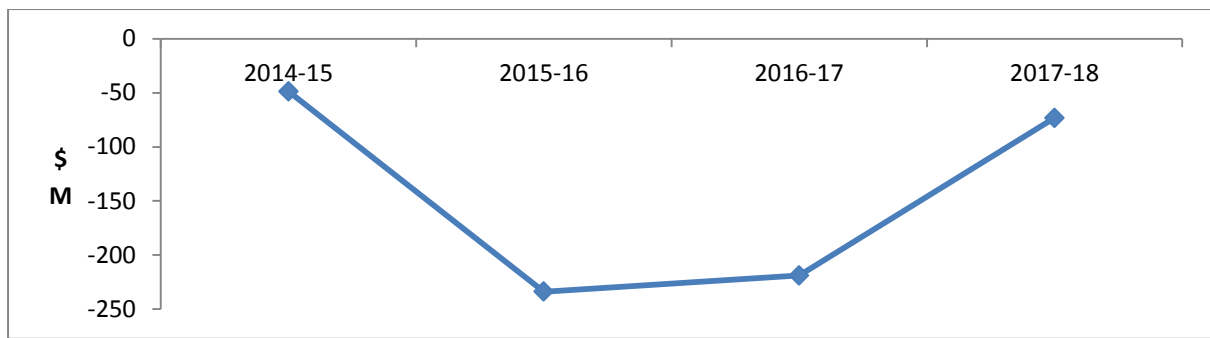


Table 8: All policies that impact on revenues

Proposal Title	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 yr total \$'000
Education and Communities					
Labor's Plan To Return Goat Island To Its Traditional Owners	-	(294)	(301)	(309)	(904)
Family and Community Services					
Housing Solutions Fund - Provide \$100M Of No Interest Loans	-	2,911	2,663	2,406	7,979
Health					
Remove The Chemotherapy Co-Payment	-	(1,360)	(1,387)	(1,415)	(4,162)
Justice					
Mortdale Fire Station Reopening	-	141	143	149	433
Planning and Environment					
Land For Ballina Indoor Sport Facility	-	(19)	(19)	(19)	(57)
Labor's Plan To Protect The Royal Botanic Gardens	-	(900)	(923)	(946)	(2,768)
Trade and Investment, Regional Infrastructure and Services					
Racing Industry Tax Reform - Cut Wagering Taxes By 60 Per Cent From 1 Jan 2016	-	(46,994)	(95,398)	(96,509)	(238,902)
Transport for NSW					
Regulation Of Cruise Ships Berthing At White Bay Cruise Terminal	-	(758)	(1,559)	(1,918)	(4,235)
Other					
Retain Intergovernmental Agreement Taxes	-	-	467,000	490,000	957,000
Help For Homes First Home Buyers Concessional Loans Scheme	-	5,433	32,484	50,239	88,156
Total impact on revenues*	-	(41,840)	402,702	441,678	802,541

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

Figure 3: Impact on revenues

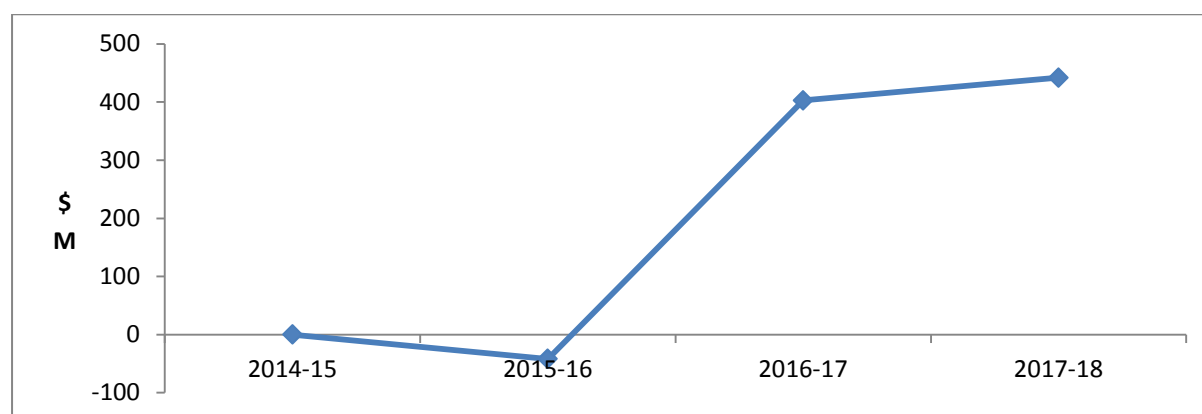


Table 9: All policies that impact on Capital Expenditure

Proposal Title	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 yr total \$'000
Education and Communities					
Labor's Plan To Rescue Tafe NSW - Capital	-	18,794	-	-	18,794
Family and Community Services					
Housing Acceleration - Infrastructure Investment	-	17,000	-	-	17,000
Health					
Four Nurse Walk-In Centres	-	3,370	-	-	3,370
Deploy Energy Efficient Lighting To All Hospitals	-	37,023	-	-	37,023
500 More Paramedics	-	416	820	841	2,077
Justice					
Counter Terrorism Policy: Dedicated Training For Frontline Officers	-	666	-	-	666
Increase Police Numbers By 300	-	615	630	646	1,891
Planning and Environment					
Labor's Plan To Establish Australia's First Great Koala National Park	-	-	-	1,809	1,809
Labor's Plan To Protect The Royal Botanic Gardens	-	300	2,700	-	3,000
Crackdown On Wildlife Crime (\$1 Million)	-	1,000	-	-	1,000
Trade and Investment, Regional Infrastructure and Services					
A Comprehensive Role For The Small Business Commissioner	-	1,074	-	-	1,074
Other					
Building Skills Growing Jobs	-	7,500	7,500	7,500	22,500
NSW Local Jobs First Plan	-	750	-	-	750
A Better Way - Labor's Infrastructure Plan	116,302	241,971	770,910	591,633	1,720,815
Reduce Number Of Ministers With Associated Expenses	-	868	(17)	(105)	746
Reduce Ministerial Staffing Allocations	-	(54)	-	-	(54)
Reallocate Coalition budget commitments	-63,410	-169,184	-240,315	-45,559	-518,468
Total impact on Capital Expenditure*	52,892	162,109	542,229	556,764	1,313,994

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

Figure 4: Impact on Capital Expenditure

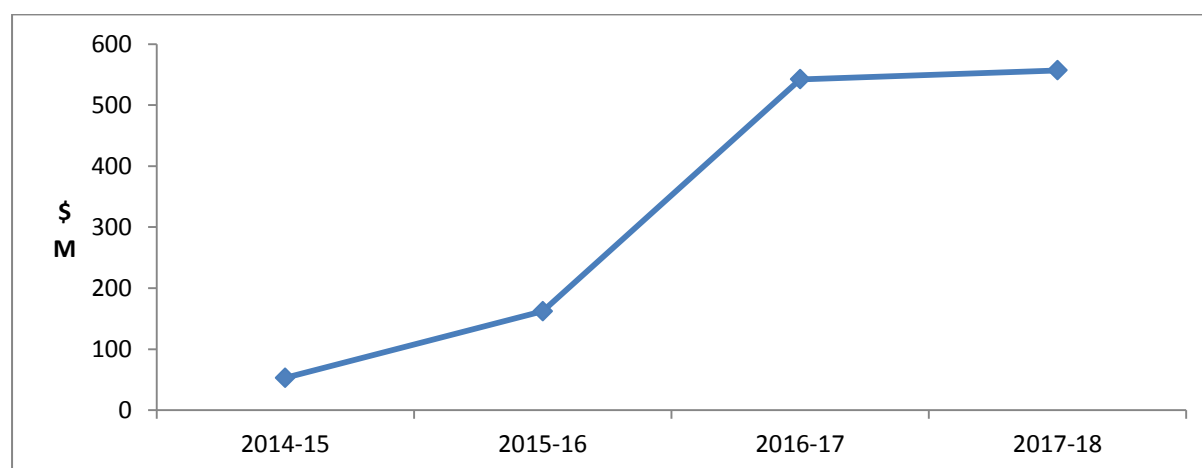


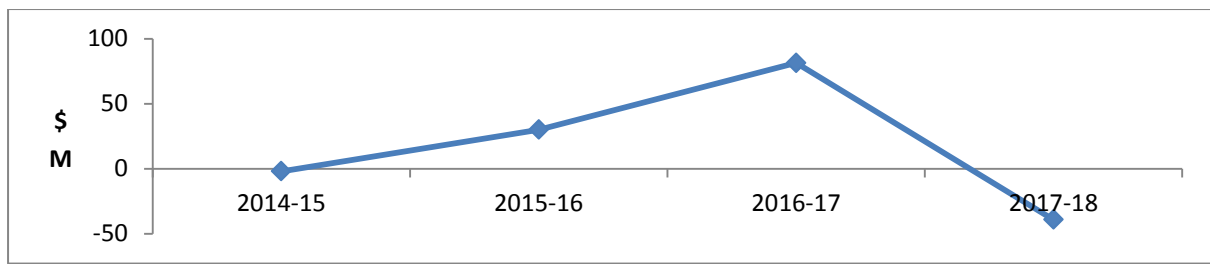
Table 10: All policies that impact on Net Lending/(Borrowing)

Proposal Title	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 yr total \$'000
Education and Communities					
NSW Tools For Your Trade	-	(7,438)	(7,750)	(7,500)	(22,688)
Supporting Community Language Schools	-	(1,250)	(2,500)	(2,500)	(6,250)
Labor's Plan To Return Goat Island To Its Traditional Owners	-	(132)	(135)	(139)	(406)
Provide \$6M Per Year To Encourage Schools To Hire Out Their Facilities	-	(3,000)	(6,000)	(6,000)	(15,000)
Specialist Maths & Science Teachers In Primary Schools	-	(2,316)	(4,154)	(3,066)	(9,536)
Science And Maths Scholarships	-	(1,000)	(2,000)	(3,000)	(6,000)
Safe Places Trial	-	(500)	(500)	(500)	(1,500)
Labor's Plan To Rescue TAFE NSW	-	(21,470)	(29,499)	(30,237)	(81,206)
Funding Our Public Libraries	-	(4,039)	(7,749)	(11,475)	(23,264)
Reinstate Drug And Alcohol Education Unit	-	(1,000)	(1,025)	(1,051)	(3,076)
Labor's Plan To Rescue Tafe NSW - Capital	-	(18,794)	-	-	(18,794)
Family and Community Services					
Disability Employment Package	-	(500)	(1,000)	(3,000)	(4,500)
Housing Solutions Fund - Provide \$100M Of No Interest Loans	-	(13,923)	2,663	2,406	(8,855)
Housing Acceleration - Infrastructure Investment	-	(17,000)	-	-	(17,000)
Homelessness - Priority Projects	-	(10,000)	(10,000)	(10,000)	(30,000)
New Approach To Ending Violence Against Women	-	(3,975)	(4,999)	(5,526)	(14,500)
Health					
Free Whooping Cough Vaccine	-	(3,856)	(1,796)	(1,796)	(7,448)
Remove The Chemotherapy Co-Payment	-	(2,020)	(2,064)	(2,108)	(6,192)
A Fairer Isolated Patients Travel And Accommodation Assistance Scheme	-	(3,351)	(6,798)	(6,894)	(17,043)
Four Nurse Walk-In Centres	-	(16,320)	(13,274)	(13,606)	(43,199)
Deploy Energy Efficient Lighting To All Hospitals	-	(35,298)	4,051	4,255	(26,992)
500 More Paramedics	-	(5,043)	(15,406)	(26,171)	(46,621)
Nurse Ratios	-	(10,400)	(31,800)	(54,200)	(96,400)
Fund Fetal Alcohol Spectrum Disorder (FASD) Clinic At Westmead	-	(300)	(308)	(315)	(923)
Cystic Fibrosis Policy	-	(2,000)	(2,000)	(2,000)	(6,000)
24-Hour Pharmacies	-	(1,000)	(1,000)	(1,000)	(3,000)
Women's Health Centres	-	(1,000)	(1,025)	(1,051)	(3,076)
Justice					
Fair Victims' Compensation - Reverse Impact Of Retrospectivity In Scheme	-	(7,567)	(7,552)	(8,815)	(23,934)
Counter Terrorism Policy: Police-Community Mentoring	-	(500)	(500)	(1,000)	(2,000)
Counter Terrorism Policy: Dedicated Training For Frontline Officers	-	(5,422)	(1,455)	(1,405)	(8,282)
Increase Police Numbers By 300	-	(10,264)	(25,099)	(40,671)	(76,034)
Utilise Minimum Security Section At Cooma Correctional Facility	-	(2,101)	(2,154)	(2,208)	(6,463)
Mortdale Fire Station Reopening	-	(24)	(25)	(25)	(74)
Expansion Of Drug Court To The Illawarra	-	(5,156)	(4,638)	(4,754)	(14,548)
Youth Drug And Alcohol Diversionary Scheme	-	-	(996)	(1,021)	(2,017)
Specialist Sexual Assault And Domestic Violence Courts	-	(869)	(1,506)	(2,943)	(5,318)
Justice Reinvestment Strategy	-	(1,000)	(1,500)	(1,500)	(4,000)
Judicial Review Of Administrative Actions	-	-	-	-	-
Police Force Wellbeing Program	-	(5,700)	(5,700)	(5,700)	(17,100)
Planning and Environment					
Reform The NSW Environmental Protection Authority (EPA) - Governance	-	(78)	(80)	(82)	(241)
Land For Ballina Indoor Sport Facility	-	(19)	(19)	(19)	(57)
Protecting National Parks	-	415	415	415	1,245
Labor's Plan To Establish Australia's First Great Koala	-	-	-	(76,520)	(76,520)

Proposal Title	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 yr total \$'000
National Park					
Lake Illawarra Authority	-	(1,200)	(1,200)	(1,200)	(3,600)
Labor's Plan To Protect The Royal Botanic Gardens	-	(3,830)	(5,975)	(3,275)	(13,080)
Crackdown On Wildlife Crime (\$1 Million)	-	(1,000)	-	-	(1,000)
Healthy Rivers Commission - Establishment	-	(2,500)	(2,500)	-	(5,000)
Trade and Investment, Regional Infrastructure and Services					
Racing Industry Tax Reform - Cut Wagering Taxes By 60 Per Cent From 1 Jan 2016	-	(46,994)	(95,398)	(96,509)	(238,902)
Reintroduce Stock & Fodder Subsidies: Assist Farmers In Drought	-	(40,000)	-	-	(40,000)
Renew NSW	-	(500)	(500)	(500)	(1,500)
A Comprehensive Role For The Small Business Commissioner	-	(3,596)	(3,132)	(3,804)	(10,532)
Rail Trails Strategy	-	(3,000)	(3,000)	(3,000)	(9,000)
Sydney Marine Park	-	(1,750)	(1,076)	(1,386)	(4,212)
Export Strategy	-	(1,120)	(500)	(1,500)	(3,120)
In Drought Support Package - Additional Rural Support Workers	-	(468)	(490)	(502)	(1,460)
Make The Hunter A National Hub For Renewable Energy	-	(3,000)	(3,250)	(3,250)	(9,500)
Transport for NSW					
Half Price Registration For Apprentices	-	(276)	(570)	(590)	(1,436)
Safer Public Transport - Getting Home Safe On Friday And Saturday Night	(110)	(1,356)	(1,390)	(1,425)	(4,281)
Regulation Of Cruise Ships Berthing At White Bay Cruise Terminal	-	(831)	(1,635)	(1,995)	(4,461)
School Buses - Helensburgh To Heathcote, St John Bosco & Engadine High Schools	-	(798)	(808)	(818)	(2,424)
NSW Trains - Plan To Restore Services And Improve The Timetable	-	(1,500)	-	-	(1,500)
Other					
Retain Intergovernmental Agreement Taxes	-	-	467,000	490,000	957,000
Help For Homes First Home Buyers Concessional Loans Scheme	-	(13,549)	(25,245)	(20,374)	(59,168)
More Efficient Government - Reduced Travel	-	21,866	22,413	22,973	67,252
Building Skills Growing Jobs	-	(8,400)	(8,400)	(8,400)	(25,200)
NSW Local Jobs First Plan	-	(750)	-	-	(750)
Advertising - Savings	-	11,887	12,245	12,896	37,028
More Efficient Government - Senior Management	-	50,378	83,912	86,009	220,299
Cutting Waste - Prudent Management Of Legal Expenses	-	15,515	16,144	16,464	48,123
A Better Way - Labor's Infrastructure Plan	(116,302)	(241,971)	(770,910)	(591,633)	(1,720,816)
Efficiencies - Return Spending On Consultants & Contractors To Sustainable Levels	-	300,000	300,000	300,000	900,000
Inspector General For Parliamentary Standards	-	(500)	(513)	(525)	(1,538)
Reduce Number Of Ministers With Associated Expenses	2,047	7,825	9,375	9,517	28,764
More Efficient Government: Reduce Senior Minister Numbers From Eight To Seven	11	46	47	48	153
Reduce Ministerial Staffing Allocations	1,126	4,721	4,748	4,900	15,495
Better Communities & Sports Fund	(5,000)	(20,000)	(15,000)	(10,000)	(50,000)
Reallocate Coalition budget commitments	116,302	241,971	303,910	101,633	763,815
Total impact on Net Lending/(Borrowing)*	(1,927)	30,109	81,424	(38,966)	70,640

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

Figure 5: Impact on Net Lending/Borrowing



Appendix B – Explanatory notes to the Budget Impact Statement

Basis of preparation

The Budget Impact Statement covers the budget year ending 30 June 2015 and the three forward years ending 30 June 2016, 2017 and 2018. All monetary amounts are presented in Australian dollars. Nil impact is presented as ‘-’. Negative numbers in tables are indicated by brackets.

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

All monetary amounts in individual election policy costings in Part Two are rounded to the nearest thousand dollars (\$000). Tables in these costings may not add in all instances due to rounding to the nearest thousand dollars.

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

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

The Parliamentary Budget Officer also applies the same parameters for economic growth, inflation and other key economic indicators as those used in the 2014-15 Half-Yearly Budget Review.

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 2014-15 Half-Yearly Budget Review.

More information about the basis of preparation for the NSW budget and forward estimates can be found in the New South Wales Government 2014-15 Budget Papers: Budget Paper No. 2, 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 2014-15 Half-Yearly Budget Review for the estimated effect of policy changes made by the Government up to the caretaker period. The estimated effect has been provided by NSW Treasury. It is part of the normal business of government, and has been under previous governments, that decisions affecting the forward estimates can be made prior to the caretaker period.

Figures within the Budget Impact Statement are not a forecast of 2014-15 (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.

Consequential financing impact from election policies

Individual election policy costings within Part Two do not include any consequential impacts related to financing costs or benefits. Instead, an aggregate impact is noted below.

Table 11: Interest saving/(expense) from all policies

	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 yr total \$'000
Total interest saving/(expense)* from all policies over the forward estimates	(36)	556	3,297	4,697	8,514

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

The aggregate interest expense or saving has been calculated by applying government bond rates to the annual net impact of policies on Net Lending/(Borrowing). The rates applied are consistent with those used in preparation of the 2014-15 Half-Yearly Budget Review.

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 as a result of the flow through to the community of the policy. These 'second round' effects cannot be estimated precisely; they are likely to arise from any policy, and are often unpredictable.

Scope of the budget sector

The State's budget and forward estimates reflect the forecast finances of the General Government Sector. This Sector represents that part of the total New South Wales public sector undertaking the following sorts of activities:

- provision and/or distribution of goods and services on a non-market basis to individuals and the community

- regulatory functions
- redistribution of income and wealth.

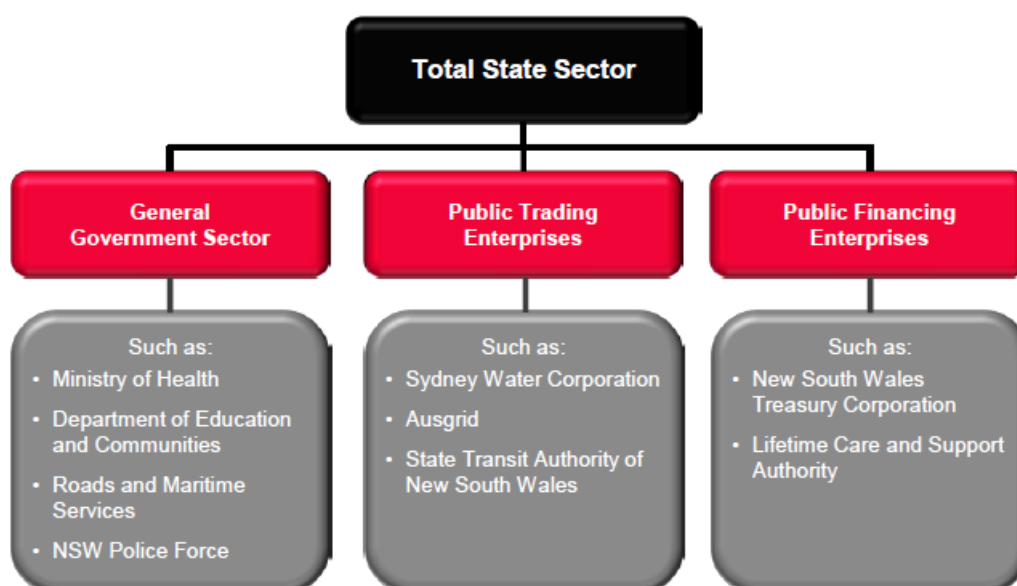
Total State Sector versus General Government Sector

The New South Wales public sector comprises a large number of individual entities, usually referred to as agencies, which undertake various functions. All of the entities and activities under the control of the New South Wales Government are collectively referred to as the New South Wales Total State Sector.

The Total State Sector's activities and agencies can be divided into the General Government Sector and the non-General Government Sector. General Government Sector agencies provide public services, (such as health, education and police), carry out policy or perform regulatory functions. General Government Sector agencies and activities are funded in the main by taxation (directly or indirectly).

Non-General Government Sector agencies include those that have a market or financing orientation, such as trading enterprises supplying public infrastructure services including electricity, water and public transport. Most agencies in this category are largely self-funded through commercial operations. However, some in the housing and transport sectors require ongoing financial support to meet their costs of operation.

The Total State Sector structure is presented below:



Source: Volume Four of the New South Wales Auditor-General's 2014 Report to Parliament

Impact of agencies outside the General Government Sector on the State's budget

Whilst the budget and forward estimates reflect the forecast finances of the General Government Sector, agencies outside this Sector affect these forecasts. Impacts include:

- commercially run agencies contribute to General Government Sector revenues by way of dividends, income tax equivalent payments and fees for access to the State's credit rating

- contributions to General Government Sector revenues by way of payroll and other taxes
- transport and housing agencies require significant funding for operations and investment in infrastructure, which is included in grants and subsidies expense, adding to overall expenditure.

Higher revenues from agencies outside the General Government Sector contribute to improvements in the Net Operating Result, Net Lending/(Borrowing) and Net Financial Liabilities of the General Government Sector. Conversely, higher expenditures to fund agencies outside the General Government Sector contribute to deteriorations in these fiscal aggregates.

In addition, the General Government Sector's budgeted balance sheet includes, as an asset, an interest in the net assets of agencies in the non-General Government Sector.

A list of which agencies comprise the General Government Sector can be found in Appendix B to Budget Paper No. 2 of the 2014-15 Budget Papers.

Limitations inherent within the Budget Impact Statement

Prospective financial information relates to events and actions that have not yet occurred and may not occur. The prospective nature of the financial information within the Budget Impact Statement means it is necessary to apply professional judgement in its preparation. That judgement includes an informed assessment of the most likely economic and financial outcomes including spending and revenue profiles.

Election costings and their budget impacts rely on assumptions and information provided by parliamentary leaders. The cost of a policy will often be dependent on assumed responses to the policy (for example, levels of take up of a spending program, compliance with revenue measures). The Parliamentary Budget Officer examines assumptions for reasonableness. Evidence available to support the assumptions and underlying data upon which prospective financial information is based is generally future oriented and therefore less certain in nature than evidence available to support historical financial information.

Uncertainty in estimating future budget impacts

The prospective nature of estimating the budget impact creates a level of uncertainty in the estimates. Differences between underlying assumptions and eventual outcomes can reflect the reality of an uncertain operating environment and the impact of many variables over which any government has little or no control. Actual impacts may differ from estimates.

Assumptions can range from being reasonably certain to very uncertain. The degree of certainty relating to a particular assumption depends on many things, including the following:

- the time period the assumption relates to, because the degree of uncertainty normally increases over time
- the complexity of the election policy and the degree to which it is affected by external conditions. For example, assumptions relating to tax and fees revenues are complex and actual outcomes are impacted by exogenous economic factors

- the stability of the policy and the ability to predict future events. For example, a policy to introduce a new activity or function is likely to be more uncertain than a policy to extend existing operations
- the degree of control the State has over its future operating environment
- the number of variables associated with the assumption and the interdependencies between these variables
- the availability of data or other information to support assumptions. Whilst the best available information has been used, in some instances, little data may be available. For example, the predicted cost of a capital project, once scoping studies and final business cases have occurred, can vary from earlier estimates.

The level of uncertainty inherent within individual costed policies varies. Where there are specific matters leading to relatively high levels of uncertainty in the estimated financial impact of the policy, this is discussed in the narrative accompanying the detailed election policy costing within Part Two.

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 New South Wales 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 Parliamentary Budget Officer aims to apply the same accounting standards and reporting conventions when costing election policies and preparing this Budget Impact Statement. This means that where an election policy costing cannot be reliably measured, a costing is not quantified and is not included in the summary impacts in Part One. However, for relevant individual election policy costings, the accompanying narrative in Part Two will discuss why it is not possible to measure the impact reliably and may include a range of potential outcomes.

This principle of only including reliably measurable impacts has some application to potential asset or business transactions. The extent of uncertainty around the timing and amounts of transactions means reliable measurement is not possible. Accordingly, the budget and forward estimates do not reflect the financial impact of asset sales or leases or other business transactions until they are finalised. Consistent with this principle, election policies containing proposals for the sale or lease of State assets, or other business asset transactions have not been costed. In addition to this unreliability, commercial sensitivities associated with these large transactions also create limitations, which are discussed later.

Commitments beyond the forward estimate period

The Budget Impact Statement covers the budget year ending 30 June 2015 and the three forward years ending 30 June 2016, 2017 and 2018. However, election policies can include commitments that affect periods later than the published forward estimate period. The financial impact of any policy that falls outside the forward estimate period ended 30 June 2018 is not included in the Budget Impact Statement.

Examples of policies that can have an impact outside the forward estimates include commitments to:

- a long-term infrastructure project that will take many years to complete. Planning costs and other early expenditures can impact the current year budget and/or the forward estimates, with the balance of project expenditure occurring after 30 June 2018. This balance is not quantified within the Budget Impact Statement. Where the amount expected to be incurred beyond the forward estimates is reliably measurable, an amount may be noted in the narrative accompanying the detailed election policy costing included in Part Two.
- spend an amount over a set period that ends after 30 June 2018. For example, a commitment to spend \$30 million in equal instalments over three years commencing from 1 July 2016 will only have a total impact of \$20 million on the budget and forward estimates. The Budget Impact Statement quantifies the impact as \$20 million. The balance of the commitment may be noted in the narrative accompanying the detailed election policy costing included in Part Two.
- gradually implement a policy over a number of years such that the total annual cost of the policy does not emerge until after 30 June 2018. For example, a policy to increase front line staff incrementally over five years will have a lesser budget impact during the forward estimates, than in its fifth year. Where the full year cost can be reliably estimated it may be noted in the narrative accompanying the detailed election policy costing included in Part Two.
- establish a new facility that takes some years to become operational. For example, if a new facility will take three years to build and is expected to commence operations from 1 July 2018, the impact on the budget and forward estimates will frequently be limited to the capital expenditure required for establishment. Subsequent depreciation and operational costs will fall outside the forward estimates and are excluded from the Budget Impact Statement. Where the amount expected to be incurred beyond the forward estimates is reliably measurable, an amount can be noted in the narrative accompanying the detailed election policy costing included in Part Two.

Commitments involving future commercial negotiations

Election policies can relate to planned arrangements with private sector providers, which can raise commercial sensitivities. These arrangements can be for the provision of services and 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 so as to preserve the State's ability to obtain the best financial outcome. For example,

Budget Paper No. 4, the Infrastructure Statement, notes that project-level information is treated as commercial-in-confidence for some parts of the sector and is not reported in detail.

To assist with costing election policies, the Parliamentary Budget Officer can request information from the head of any government agency. However, in keeping with the convention discussed above, an agency head may refuse to provide information in response to such a request if there is an overriding public interest against the disclosure. In some instances, agency heads have exercised this provision of the law and have not provided the information required to cost election policies. In such instances, insufficient information exists to prepare a costing.

This limitation applies only to future arrangements. Existing arrangements, for which terms have already been agreed, are not affected. For example, there are generally no limitations in publishing information relating to existing arrangements with non-government organisations for the delivery of services to the community.

This limitation also applies to potential asset or business transactions. 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.

Reservations

The 2014-15 New South Wales Budget Papers identify a number of possible future expenditure as “reservations”. Commitments are firm intentions and are reflected in the NSW State budget and/or forward estimates. Commitments can be distinguished from reservations, which are items still subject to decision pending further work, such as business cases. Until such decisions occur, the financial impacts pertaining to these items are not reflected in the budget and/or forward estimates. The impact cannot be predicted at this point. Once decisions are taken and capital expenditure is committed the capital projects would significantly impact the relevant year’s budget and forward estimates.

The Parliamentary Budget Officer notes that reservations by definition are subject to change depending on the outcome of government consideration of the business cases and other supporting information for the projects concerned. They are not costed election policies.

Details about the Australian Labor Party’s proposals in respect of Restart reservations appear within election policy costing A249 in Part Two.

Restart NSW Fund

The Restart NSW Fund (Restart NSW) is a statutory fund created in 2011 to fund infrastructure projects. At 30 June 2014, the Restart Fund balance was \$6.227 billion. Restart NSW has obtained its funding from the following sources:

- proceeds from major asset transactions in the port, water and electricity industries
- windfall taxation revenues
- investment earnings
- issuance of Waratah Bonds.

The funds in Restart NSW form part of the General Government Sector's assets and are included in the budget and forward estimates. The amount included is the projected balance taking into account commitments for capital expenditure and expected investment earnings. The amount included does not take into account any amounts that have been reserved or any cash in-flows from potential asset sales.

Types of election commitments

Continuing existing programs

Where there is an ongoing program with funding already included in the current year budget and forward estimates, a commitment to continue the program has no financial impact. Election policies that include this sort of commitment do not need costing by the Parliamentary Budget Officer.

An exception would be where there had been an announcement that the program was being discontinued, which would lead to a presumption that the monies for that program had been removed from the budget and/or forward estimates, or where there was an end date to the program funding on the public record.

Establishing or expanding programs or services

The cost of election commitments to establish or expand programs or services is influenced by whether the commitment is capped at an amount or demand driven. A commitment to provide a specific dollar amount will generally cost that amount and the extent of service delivery is limited by the quantity of funds committed. Capped funding commitments can either be escalated for inflation or capped into the future such that the amount of funding reduces in real terms over time. The cost of demand driven programs or services is influenced by take up rates.

Commitments to establish or expand programs or services can also be expressed as a promise to deliver an outcome. The cost of these commitments will be influenced by the cost of achieving the outcome. For example, the cost of additional personnel will be a function of their number, remuneration and consequential costs of employment, including capital expenditure for equipment. The cost of establishing a facility will frequently include capital expenditure to set up the facility plus recurrent operational costs.

The cost of election policies to expand programs or services takes into account any provision within the budget and/or forward estimates for the current scope of activities.

Reprioritising agency expenditure

Election policies containing expenditure commitments can stipulate that some or all of the expenditure be met from existing resources. This means that the cost of the policy is funded by moving around resources, without adding to the total budgeted expenditure.

Election policies that include this sort of commitment do not need costing by the Parliamentary Budget Officer. However, a parliamentary leader who wishes to confirm that sufficient resources are available to absorb the policy's proposals can submit the policy to the Parliamentary Budget Officer for costing. Where it is confirmed the proposals can be funded via reallocation of resources, the

policy costing will have a nil net impact on the current year budget and forward estimates. That the policy will require reprioritisation of an agency's activities is noted.

Uncommitted funds

The budget and forward estimates include relatively small amounts of funds that are available for new initiatives without having an impact on the budget and/or forward estimates, which are referred to as uncommitted funds. Election policies can stipulate that the funds to meet the policy are sourced from uncommitted funds.

Whilst strictly uncommitted, in some cases, these funds are notionally allocated to necessary programs or projects or may be needed to address known risks in relation to existing levels of service provision. In such cases, using the uncommitted funds for new policy initiatives could result in unforeseen reductions in service delivery for existing programs or a larger than expected impact on the budget and/or forward estimates from the new policy.

The *Parliamentary Budget Officer Act 2010* requires the public release of a statement of uncommitted funds. This statement of uncommitted funds is available on NSW Treasury's website. It includes the following total amounts:

Table 12: Uncommitted Funds

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Recurrent	53.4	161.2	177.3	264.4
Capital	-	415.7	905.1	1,088.6

Source: 2014 Statement of Uncommitted Funds

When proposals within election policies are funded from uncommitted funds, this is noted in the narrative accompanying the detailed policy costing in Part Two.

Regulatory or legislative reform

Commitments to reform an area of regulation or legislation frequently have no financial impact for the State. Exceptions would include where there was a significant cost of implementation, for example, new systems or processes might be required. Alternatively, reforms that lead to reduced oversight functions could reduce costs.

Where government agencies are themselves subject to the relevant regulation, the State incurs financial impacts in the same way as those in the community are affected. Where changes to legislation or regulation have a quantifiable impact on the budget and/or forward estimates, a costing has been completed.

Efficiency dividends across the public sector

Efficiency dividends represent the financial impact of broad efficiency strategies. The dividend is not a return on investment in the private sector context. It is an annual reduction in funding for the overall running costs of agencies. Efficiency dividend measures expect the same output from less funding as a result of improvements in productivity, usually in areas like technology, resource management etc.

Efficiency dividend measures do not identify specific programs or activities and so do not reflect changes in government priorities. The dividend percentage is applied to total expenditure, arriving at the reduction. Accordingly, the financial impact of an election policy incorporating increased efficiency dividends is to reduce overall levels of total expenditure. However, certain expenses are less likely to yield efficiencies in the short term, such as depreciation, meaning the reduction is not necessarily applied to all types of expenses in the same proportion.

Savings measures

Savings measures are commitments to spend less. Such commitments can be achieved through efficiencies, in which service delivery is not affected, or by reducing the extent of service delivery, or a combination of both.

Administrative changes and restructures

Commitments to changes in the government's or public sector's administrative arrangements can have a financial impact. These sorts of changes include:

- increasing or decreasing the number of Ministers
- creating and/or abolishing agencies
- creating new decision making or consultation processes and/or abolishing existing ones.

Changes to the number of Ministers have an impact on recurrent expenditure and capital expenditure. Ministers are paid higher levels of remuneration than other members of parliament and have additional staff and office facilities.

The impact of creating or abolishing new agencies can vary depending upon the mechanism by which the changes occur. Functions and activities can be transferred between departments, and departments can be abolished or created, by 'machinery of government changes'. These are regarded as changes to administrative arrangements and it is assumed there is no cost to effect the changes.

When an entity is created pursuant to legislation and there are new governance and management structures, there can be a cost of implementation and operation. The cost will vary with the scope of the new structures. In addition, where new functions or activities are proposed, without an offsetting reduction in existing activities, it is assumed expenditure is required. The extent of expenditure and its classification as recurrent or capital depends upon the scope of the new functions or activities.

Consultation and decision making processes, if similar in extent and scope, will frequently have the same cost to operate. In that instance, such changes do not impact the budget and/or forward estimates.

Revenue measures

Commitments that affect General Government Sector revenues generally relate to State taxes and fees. For example, a parliamentary leader can commit to:

- establishing new taxes or fees
- abolishing existing taxes or fees

- changes in the rates of existing taxes or fees, or thresholds above which they apply.

Commitments can also be made as to the timing of implementing changes.

New or increased taxes and fees are assumed to increase revenues, thereby improving the Net Operating Result and Net Financial Liabilities. The converse can be assumed for removals and reductions. The extent to which a change impacts amounts collected is frequently influenced by demand, which is a function of price in many instances.

Parliamentary leaders cannot generally commit to obtaining additional Commonwealth funding. The Commonwealth needs to make that commitment and any conditions precedent satisfied before additional Commonwealth grant revenues are reflected in the budget and/or forward estimates. Once sufficient agreement to indicate required levels of probability has occurred, new grants are reflected in the budget and/or forward estimates.

Capital Expenditure

Capital Expenditure relates to the acquisition of non-financial assets, such as infrastructure. Capital Expenditure is not included in expenses and so does not impact the Net Operating Result. However, the need to fund expenditure for capital purposes means it impacts on Net Lending/(Borrowing).

Depreciation is recorded over the period during which assets are used in service delivery.

Depreciation is an expense that is included in the calculation of Net Operating Result, but does not impact Net Lending/(Borrowing).

Glossary

Capital Expenditure: this is 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).

commitment: an amount that is reflected in the budget and/or forward estimates.

financial asset is any asset that is:

- cash
- an equity instrument of another entity
- a contractual right:
 - (i) to receive cash or another financial asset from another entity, or
 - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity, or
- a contract that will or may be settled in the entity's own equity instruments and is:
 - (i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments, or
 - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

General Government Sector: this is an Australian Bureau of Statistics classification of agencies that provide public services (such as health, education and police), carry out policy or perform regulatory functions. General Government Sector agencies are funded in the main by taxation (directly or indirectly). A list of those agencies within this sector can be found in Appendix B to Budget Paper No. 2 of the 2014-15 Budget Papers.

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 finance lease repayments, 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.

key fiscal aggregates: balances useful for macro-economic analysis purposes, including assessing the impact of a government and its sectors on the economy.

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 movement in non-financial assets include non-cash capital grant revenue/expenses such as developer contribution assets.

net debt: equals the sum of financial liabilities (deposits held, borrowings and derivatives and advances received) less the sum of the following financial assets (cash and deposits, advances paid and investments, loans and placements).

net financial liabilities: calculated as total liabilities, less financial assets, other than equity in Public Non-Financial Corporations and Public Financial Corporations. This measure is broader than net debt as it includes significant liabilities, other than borrowings (for example, accrued employee liabilities such as superannuation and long service leave entitlements).

Net Lending/(Borrowing): the financing requirement of government, calculated as the Net Operating Result 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 Result: represents the difference between expenses and revenues from transactions for the General Government Sector. It excludes other economic flows, which represent changes in the volume or value of assets or liabilities that do not arise from transactions with other entities and which are often outside the control of government. This measure is equivalent to the net Budget Result adopted in the 2014-15 Half-Yearly Budget Review and the Net Operating Balance adopted in the 2013-14 Report on State Finances, which is prepared in accordance with accounting standard AASB 1049 Whole-of-Government and General Government Sector Financial Reporting.

other economic flows: 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).

Public Financial Corporations sector: an Australian Bureau of Statistics classification of government controlled agencies that have one or more of the following functions:

- that of a central bank
- the acceptance of demand, time or savings deposits, or
- the authority to incur liabilities (such as insurance) and acquire financial assets in the market on their own account.

The sector is also commonly referred to as the Public Financial Enterprise sector. A list of those agencies within this sector can be found in Appendix B to Budget Paper No. 2 of the 2014-15 Budget Papers.

Public Non-Financial Corporations sector: an Australian Bureau of Statistics classification of agencies where user charges represent a significant proportion of revenue and the agencies operate within a broadly commercial orientation. The sector is also commonly referred to as the Public Trading Enterprise sector. A list of those agencies within this sector can be found in Appendix B to Budget Paper No. 2 of the 2014-15 Budget Papers.

reservation: an amount still subject to decision pending further work, such as business cases. These amounts are not reflected in the budget and/or forward estimates.

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.

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 do not affect the Net Operating Result.

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 do not affect the Net Operating Result.

Total State Sector: represents all agencies and corporations owned and controlled by the New South Wales Government. It comprises the general government, public trading (also referred to as the public non-financial corporations) and public financial enterprises (also referred to as public financial corporations).

transactions: interactions between two institutional units by mutual agreement or actions within a unit that it is analytically useful to treat as transactions, such as depreciation expense. Unlike revaluations, transactions generally reflect economic events that impact the economy.

uncommitted funds: are defined as those funds available for new initiatives within the General Government Sector that:

- will not have an impact on the Net Operating Result or Net Financial Liabilities if they are expensed
- do not affect existing services or previously announced projects if expensed
- do not require additional unbudgeted savings as at 12 December 2014.