



PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Budget Impact Statement

Coalition

18 March 2019

Preface

Section 23 of the *Parliamentary Budget Officer Act 2010* requires the Parliamentary Budget Officer to prepare a Budget Impact Statement showing the costs of election policies proposed by the Premier and the Leader of the Opposition.

The Budget Impact Statement lists the costed election policies, and summarises the net financial impact of each policy on the current State budget and forward estimates for 2018-19 to 2021-22.

The Budget Impact Statement shows the impact of these policies on the following financial indicators:

- General Government Sector Total Revenue
- General Government Sector Total Expenses
- General Government Sector Net Operating Balance (Budget Result)
- General Government Sector Capital Expenditure
- General Government Sector Net Lending/(Borrowing)
- Total State Sector Net Lending/(Borrowing).

The Parliamentary Budget Officer must publicly release the Budget Impact Statements on the fifth last day before the NSW general election. For the 2019 New South Wales General Election, this will be Monday 18 March 2019.

Release of revisions to the Budget Impact Statement may occur following further costings of policies after the date of this statement.

Stephen Bartos

Parliamentary Budget Officer

18 March 2019

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About this Budget Impact Statement

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

The Budget Impact Statement captures the estimated budget impact of all policies that the Premier proposes to implement, if elected. Parliamentary leaders have an obligation under 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.

The Budget Impact Statement summarises the budget impact of all costed election policies for the Premier. It provides an overview of the total impact on the budget for the current financial year (the 2018-19 budget year) and the next three years (the forward estimates, from 2019-20 to 2021-22).

The detailed costings for individual election policies included in this Budget Impact Statement are published separately on the Parliamentary Budget Office website.

1. Current Budget Position

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

New South Wales Fiscal Position and Outlook

The current budget aggregates have been taken from the 2019 Pre-Election Budget Update (PEBU), published by NSW Treasury on 5 March 2019. The PEBU updates the fiscal and economic position for New South Wales since the 2018-19 NSW Half Yearly Review (released 18 December 2018).

The PEBU takes into account NSW Government decisions made before the beginning of the caretaker period on 1 March 2019. It also includes updated measures of New South Wales' economic performance and other changes that could affect the State's economic and fiscal outlook.

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

Table 1: New South Wales Published General Government Budget Aggregates

	2018-19 Revised \$m	2019-20 Forward Estimates \$m	2020-21 Forward Estimates \$m	2021-22 Forward Estimates \$m
General Government Sector				
Revenue	81,266	84,455	87,108	89,590
Expenses	80,419	83,312	85,659	87,973
Net Operating Balance (Budget Result)	846	1,143	1,449	1,617
Capital Expenditure	18,182	19,065	17,265	14,710
Net Lending/(Borrowing)	(11,609)	(12,014)	(8,730)	(6,253)

Source: 2019 Pre-Election Budget Update

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

Net Operating Balance Outlook

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

According to the PEBU, the Net Operating Balance is forecast to be \$846 million in 2018-19. It has decreased since the 2018-19 NSW Half Yearly Review (when it was \$1.1 billion), although it remains in surplus.

Over the forward estimates, the forecast Net Operating Balance has increased compared to the Half Yearly Review (\$4.2 billion vs \$3.9 billion), with the Net Operating Balance forecast to be in surplus by an average of \$1.3 billion per year over the four years to 2021-22.

Table 2 provides an overview of the Net Operating Balance outlook in 2018-19 and the forward estimates.

Table 2: New South Wales General Government Net Operating Balance

	2018-19	2019-20	2020-21	2021-22
	Revised	Forward Estimates		
	\$m	\$m	\$m	\$m
Position as at Half Yearly Review	1,120	1,018	1,348	1,566
Changes since the Half Yearly Review	(274)	125	101	51
Position as at the Pre-Election Budget Update	846	1,143	1,449	1,617

Source: 2019 Pre-Election Budget Update

Revenue Outlook

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

General Government Sector Revenue is forecast to be \$81.3 billion in 2018-19. This is \$477.3 million lower than was forecast in the 2018-19 NSW Half Yearly Review (\$81.7 billion). The reason for this lower figure is primarily lower transfer (stamp) duty revenue as a result of lower-than-expected residential property sales in recent months.

Over the four years to 2021-22, General Government Sector Revenue is forecast to be \$363.0 million higher than in the 2018-19 NSW Half Yearly Review. This reflects an expected increase in GST revenue over the forward estimates and an increase in other dividends and distributions, partially offset by lower than expected transfer, duty and payroll tax.

Table 3 provides an overview of the Revenue outlook in 2018-19 and the forward estimates.

Table 3: New South Wales General Government Revenue

	2018-19	2019-20	2020-21	2021-22
	Revised	Forward Estimates		
	\$m	\$m	\$m	\$m
Position as at Half Yearly Review	81,743	84,222	86,861	89,230
Changes since the Half Yearly Review	(477)	233	247	360
Position as at the Pre-Election Budget Update	81,266	84,455	87,108	89,590

Source: 2019 Pre-Election Budget Update

Expenses Outlook

General Government Sector Total Expenses from Transactions refers to the total amount of expenses incurred in the provision of goods and services. These expenses are forecast to be \$80.4 billion in 2018-19. This is \$203.9 million lower than was forecast in the 2018-19 NSW Half Yearly Review (\$80.6 billion).

Over the four years to 2021-22, General Government Sector Expenses are forecast to be \$359.4 million higher than in the 2018-19 NSW Half Yearly Review. This increase is due to new policy measures announced since the Half Yearly Review, plus parameter and other technical adjustments.

Table 4 provides an overview of the Expenses outlook in 2018-19 and the forward estimates.

Table 4: New South Wales General Government Expenses

	2018-19 Revised \$m	2019-20 \$m	2020-21 Forward Estimates \$m	2021-22 Forward Estimates \$m
Position as at Half Yearly Review	80,623	83,203	85,513	87,665
Changes since the Half Yearly Review	(204)	109	146	308
Position as at the Pre-Election Budget Update	80,419	83,312	85,659	87,973

Source: 2019 Pre-Election Budget Update

Capital Expenditure Outlook

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

Capital expenditure is forecast to be \$18.2 billion in 2018-19. This is \$353.9 million lower than forecast in the Half-Yearly Review (\$18.5 billion). General Government Sector Capital Expenditure for the four years to 2021-22 is forecast at \$69.2 billion, \$137.5 million lower than the Half-Yearly Review (\$69.4 billion).

The adjusted forecast reflects a decrease in projected capital expenditure for a number of projects, including:

- A \$161.0 million increase in 2019-20 for backlog maintenance in schools
- A \$257.6 million decrease associated with the transfer of the Regional Rail Fleet project to the public non-financial corporations sector, and
- A \$31.8 million decrease due to reprofiling of the WestConnex Stage 3B project to 2023-24.

Table 5 provides an overview of the Capital Expenditure outlook in 2018-19 and the forward estimates.

Table 5: New South Wales General Government Capital Expenditure

	2018-19 Revised \$m	2019-20 \$m	2020-21 Forward Estimates \$m	2021-22 Forward Estimates \$m
Position as at Half Yearly Review	18,536	18,729	17,326	14,769
Changes since the Half Yearly Review	(354)	336	(61)	(59)
Position as at the Pre-Election Budget Update	18,182	19,065	17,265	14,710

Source: 2019 Pre-Election Budget Update

Net Lending/(Borrowing) Outlook

General Government Sector Net Lending/(Borrowing) shows the financing requirement of the General Government Sector (i.e. the extent to which government's spending is financed from a call on financial assets or borrowings).

It is equal to the Net Operating Balance minus the net acquisition of non-financial assets, which includes capital expenditure and asset sales, but excludes depreciation and amortisation.

According to the PEBU, the Net Lending/(Borrowing) outlook is forecast to be -\$11.6 billion in 2018-19. This represents an \$11 million decline compared to the Half Yearly Review. PEBU's outlook over the four years to 2021-22 remains largely similar to the Half Yearly Review (-\$38.6 billion).

Table 6 provides an overview of the Net Lending/(Borrowing) outlook in 2018-19 and the forward estimates.

Table 6: New South Wales General Government Net Lending/(Borrowing)

	2018-19	2019-20	2020-21	2021-22
	Revised \$m	Forward Estimates \$m		
Position as at Half Yearly Review	(11,598)	(11,797)	(8,890)	(6,330)
Changes since the Half Yearly Review	(11)	(217)	160	77
Position as at the Pre-Election Budget Update	(11,609)	(12,014)	(8,730)	(6,253)

Source: 2019 Pre-Election Budget Update

2. Impact of Policies on Budget Aggregates

This section shows the financial impact of costed policies announced by the Coalition for the 2019 NSW Election.

These figures represent the best available estimate of the financial impact of these policies on the aggregates outlined below. The expected financial impact may change between this statement and implementation as policies, projects and initiatives are fully planned and executed.

Net Operating Balance

For the Net Operating Balance aggregate, costed policies have been categorised¹ as:

- 1) New Expenditure Initiatives: Policies that add additional costs to the budget position
- 2) New Savings Initiatives: Policies that lead to reduced spending or other savings (e.g. efficiency increases)
- 3) Revenue Initiatives: Policies that add to the State's total revenue.

As shown in Table 7, the estimated impact of costed policies announced by the Coalition on the Net Operating Balance is a decline of \$752 million over the four years to 2021-22 (\$5,055 million to \$4,303 million).

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

Table 7: Movements in General Government Net Operating Balance (Budget Result)

	2018-19 Revised \$m	2019-20 Forward Estimates \$m	2020-21 Forward Estimates \$m	2021-22 Forward Estimates \$m	4 year total \$m
Position as at the Pre-Election Budget Update	846	1,143	1,449	1,617	5,055
Costed Policies					-
New Expenditure Initiatives	8	(232)	(465)	(515)	(1,204)
New Savings Initiatives	-	123	176	205	504
Revenue Initiatives	-	(17)	(17)	(17)	(51)
Current Position	854	1,017	1,143	1,290	4,303

Source: 2019 Pre-Election Budget Update, costed election policies

Note: a positive figure shows an increase in the Net Operating Balance and a negative figure shows a decline in the Net Operating Balance.

¹ Policies are categorised according to their main impact on expenditure, savings or revenue. Some may have minor impacts on other categories (e.g. A new revenue policy could have some administrative expenses; the statement shows the net total under revenue).

Revenue

The impact of costed policies announced by the Coalition on General Government Sector Revenue is estimated to result in a decrease of \$6 million over the four years to 2021-22.

Table 8: Movements in General Government Sector Total Revenue

	2018-19 Revised \$m	2019-20 Forward Estimates \$m	2020-21 Forward Estimates \$m	2021-22 Forward Estimates \$m	4 year total \$m
Position as at the Pre-Election Budget Update	81,266	84,455	87,108	89,590	342,419
Costed Policies	-	(9)	(1)	4	(6)
Current Position	81,266	84,446	87,107	89,594	342,413

Source: 2019 Pre-Election Budget Update, costed election policies

Note: a positive figure increases revenue and a negative figure decreases revenue.

Expenses

The impact of costed policies announced by the Coalition on General Government Sector Expenses is estimated to result in an increase of \$746 million over the four years to 2021-22.

Table 9: Movements in General Government Sector Total Expenses

	2018-19 Revised \$m	2019-20 Forward Estimates \$m	2020-21 Forward Estimates \$m	2021-22 Forward Estimates \$m	4 yr total \$m
Position as at the Pre-Election Budget Update	80,419	83,312	85,659	87,973	337,363
Costed Policies	(8)	117	306	331	746
Current Position	80,411	83,429	85,965	88,304	338,109

Source: 2019 Pre-Election Budget Update, costed election policies

Note: a positive figure increases expenses and a negative figure decreases expenses.

Capital Expenditure

The impact of costed policies announced by the Coalition on Capital Expenditure is estimated to result in an increase of \$6,662 million over the four years to 2021-22.

Table 10: Movements in General Government Sector Capital Expenditure

	2018-19 Revised \$m	2019-20 Forward Estimates \$m	2020-21 Forward Estimates \$m	2021-22 Forward Estimates \$m	4 year total \$m
Position as at the Pre-Election Budget Update	18,182	19,065	17,265	14,710	69,222
Costed Policies	-	549	2,144	3,969	6,662
Current Position	18,182	19,614	19,409	18,679	75,884

Source: 2019 Pre-Election Budget Update, costed election policies

Note: a positive figure increases capital expenditure and a negative figure decreases capital expenditure.

Net Lending/(Borrowing)

The impact of costed policies announced by the Coalition on Net Lending/(Borrowing) is estimated to result in an increase in net borrowing over the four years to 2021-22, increasing by \$7,363 million from -\$38.6 billion to -\$46.0 billion.

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

	2018-19 Revised \$m	2019-20 Forward Estimates \$m	2020-21 Forward Estimates \$m	2021-22 Forward Estimates \$m	4 year total \$m
Position as at the Pre-Election Budget Update	(11,609)	(12,014)	(8,730)	(6,253)	(38,606)
Costed Policies	8	(671)	(2,433)	(4,267)	(7,363)
Current Position	(11,601)	(12,685)	(11,163)	(10,520)	(45,969)

Source: 2019 Pre-Election Budget Update, costed election policies

Note: a positive figure shows an increase in Net Lending and a negative figure shows an increase in Net Borrowing.

3. Detailed Costed Policy Impacts

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

Table 12: List of Costed Policies Affecting General Government Sector Net Operating Balance

Costed Policy	2018-19	2019-20	2020-21	2021-22	4 yr	Notes
	Revised \$m	Forward \$m	Estimates \$m	Forward \$m	total \$m	
Net Operating Balance (Budget Result) Impact						
New Expenditure Initiatives						
<u>Education</u>						
C016 - 4,600 Extra Teachers for NSW	-	-	-	-	-	
Y033 - Sustainable Schools	-	-	-	-	-	
Y045 - Counselling and Mental Health Support for Students	-	-	-	-	-	
Y056 - Record capital funding boost for non-government schools	-	-	(15.0)	(15.0)	(30.0)	
Y084 - Before and After School Care	-	(16.9)	(17.0)	(17.0)	(50.9)	
Y085 - Preschool Capital Works	-	(5.0)	(5.0)	(5.0)	(15.0)	
<u>Family and Community Services</u>						
Y044 - Multicultural Aged Care Facilities	(5.4)	(3.0)	(7.9)	(8.1)	(24.4)	
Y069 - Support for Multicultural Community Festivals and Projects	-	(3.5)	(3.0)	(3.0)	(9.5)	
Y088 - Huge Boost to Lifeline and Kids Helpline Funding	-	(5.9)	(5.9)	(5.9)	(17.6)	
<u>Finance, Services and Innovation</u>						
C005 - Fourteen new Service NSW centres	-	(3.9)	(8.5)	(13.2)	(25.6)	
Y054 - ANSTO Nuclear Medicine and Technology Precinct	-	-	-	-	-	
<u>Health</u>						
Y028 - 5,000 Nurses and Midwives	-	(14.9)	(36.4)	(67.3)	(118.6)	
Y037 - NSW Leads in Paediatric Operations	-	(1.4)	(4.4)	(4.6)	(10.3)	
Y038 - Record Boost to Palliative Care Workforce in NSW	-	(1.5)	(2.7)	(2.2)	(6.5)	
Y046 - Regional Workforce Boost	-	(4.7)	(6.1)	(8.1)	(19.0)	
Y048 - 10,000 Additional Cataract Surgeries	-	(3.4)	(1.9)	(2.0)	(7.3)	
Y060 - Support for McGrath Foundation	-	-	-	-	-	
Y077 - Giving More Women Access To IVF	-	(7.5)	(10.5)	(10.6)	(28.6)	
Y079 - Goulburn Residential Rehabilitation with step-up, step-down support	-	-	(1.2)	(1.7)	(2.8)	
Y093 - More Care for Kids with Allergies	-	(0.4)	(0.3)	(0.3)	(0.9)	

Table 12: List of Costed Policies Affecting General Government Sector Net Operating Balance (continued)

Costed Policy	2018-19	2019-20	2020-21	2021-22	4 yr	Notes
	Revised	Forward	Estimates		total	
	\$m	\$m	\$m	\$m	\$m	
<u>Industry</u>						
C015 - Partnering with Landcare communities in NSW to conserve natural environment and resources	-	(5.4)	(5.5)	(5.7)	(16.6)	
Y025 - Standing up for Farmers	-	-	-	-	-	
Y047 - Western Sydney Startup Hub for Western Sydney Businesses	-	4.3	-	-	4.3	
Y061 - Expansion of Farm Innovation Fund	-	-	-	-	-	
Y062 - TAFE Connected Learning Centres	-	-	(1.8)	(5.4)	(7.2)	
Y064 - Vocational Schools Pilot Program	-	-	-	-	-	(1)
Y066 - Expansion of Productivity Bootcamp	-	-	(1.8)	(1.4)	(3.2)	
Y071 - 70,000 Fee Free Traineeships	-	(4.9)	(11.7)	(13.6)	(30.2)	
Y072 - Help Mature Aged Workers Get Back into the Workforce	-	(4.9)	(7.0)	(7.6)	(19.5)	
Y082 - Helping women to start their own business	-	-	(2.0)	(2.0)	(3.9)	
Y086 - Great Artesian Basin Infrastructure Investment (GABII) Program	13.0	(1.5)	(2.5)	(4.5)	4.5	
Y089 - Country University Centres	-	-	-	-	-	
Y096 - Dairy Action Plan	-	-	-	-	-	
<u>Justice</u>						
C024 - CCTV Cameras to Make Our Streets Even Safer	-	(1.3)	(1.3)	(1.3)	(3.8)	
Y035 - Volunteer Rescue Support on the Rise	-	(4.7)	(4.7)	(4.7)	(14.1)	
Y098 - Queanbeyan Courthouse	-	-	-	(0.9)	(0.9)	
<u>Planning and Environment</u>						
C020 - Improving access to national parks	-	(1.4)	(3.5)	(6.4)	(11.3)	
C023 - Open Spaces	-	-	(0.5)	(1.0)	(1.5)	
Y029 - Empowering Homes Program	-	-	-	-	-	
Y041 - Roads to Home	-	(1.4)	(11.5)	(19.0)	(31.9)	
Y067 - NSW Motor Sport Strategy	-	-	(1.9)	(1.9)	(3.7)	
Y068 - Water Quality Investigations in the Terrigal Beach Catchment & Tuggerah Lakes	-	-	-	-	-	
Y090 - Renewable Energy Boost	-	(12.5)	(12.5)	(2.5)	(27.5)	
<u>Premier and Cabinet</u>						
Y059 - Regional Digital Connectivity	-	(6.0)	(18.2)	(31.3)	(55.5)	
<u>Transport</u>						
C017 - Helping kids get to school safely	-	(1.8)	(3.9)	(6.3)	(12.0)	
Y031 - Regional Growth Buses	-	(10.0)	(12.0)	(14.0)	(36.0)	
Y032 - Upgrading 68 More Train Stations	-	-	-	-	-	
Y034 - Taxi Transport Subsidy Scheme (TTSS) and the Wheelchair Accessible Taxi Driver Incentive Scheme (WATDIS)	-	-	-	-	-	
Y040 - Rural and Regional Hub and Spoke Trials	-	-	-	-	-	
Y043 - Opal Park and Ride Expansion	-	-	(1.0)	(1.8)	(2.8)	
Y052 - Regional Seniors Transport Card	-	(21.9)	(45.1)	(23.4)	(90.3)	
Y057 - Repairing Local Roads	-	(25.0)	(75.0)	(75.0)	(175.0)	
Y070 - More Express Trains for Western Sydney	-	(0.7)	(5.2)	(6.6)	(12.6)	
Y073 - Replacing Country Bridges	-	(0.8)	(4.1)	(7.3)	(12.2)	
Y075 - Sydney, Central Coast, Lower Hunter, and Illawarra Growth Buses	-	-	(36.2)	(37.1)	(73.3)	
Y095 - Electric Buses and Bus Depot for Randwick	-	(0.2)	(0.6)	(0.4)	(1.1)	

(1) The Net Operating Balance impact is outside the forward estimates. This costing is included for completeness.

Table 12: List of Costed Policies Affecting General Government Sector Net Operating Balance (continued)

Costed Policy	2018-19 Revised \$m	2019-20 Forward Estimates \$m	2020-21 Forward Estimates \$m	2021-22 Forward Estimates \$m	4 yr total \$m	Notes
Various and Whole of Government						
Y099 - Supporting Local Communities	-	(60.0)	(70.0)	(70.0)	(200.0)	
Total Impact of New Expenditure Initiatives	7.6	(232.0)	(465.2)	(514.8)	(1,204)	
Net Operating Balance (Budget Result) Impact						
Revenue Initiatives						
C003 - Package for Small Business and Tradies	-	-	-	-	-	
Y083 - Fire Station in Lismore	-	0.3	-	-	0.3	
Y092 - Reduce the Weekly Opal Travel Cap to \$50	-	(17.1)	(17.2)	(17.3)	(51.6)	
Total Impact of Revenue Initiatives	-	(16.8)	(17.2)	(17.3)	(51.3)	
Net Operating Balance (Budget Result) Impact						
New Savings Initiatives						
Y076 - Reducing Procurement Spending, Saving Taxpayer Dollars	-	122.6	176.3	205.0	503.9	
Total Impact of Savings Initiatives	-	122.6	176.3	205.0	503.9	
Total Net Operating Balance (Budget Result) Impact	7.6	(126.2)	(306.2)	(327.1)	(751.9)	

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

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

Costed Policy	2018-19	2019-20	2020-21	2021-22	4 yr	Notes
	Revised \$m	Forward Estimates \$m	Forward Estimates \$m	Forward Estimates \$m	total \$m	
Capital Expenditure						
<u>Education</u>						
Y080 - Record Investment in NSW Schools Infrastructure	-	30.5	324.8	384.9	740.2	
Y084 - Before and After School Care	-	14.5	12.5	12.5	39.5	
Y087 - Improving Amenity in NSW Public Schools	-	0.2	5.7	1.1	7.0	
<u>Finance, Services and Innovation</u>						
C005 - Fourteen new Service NSW centres	-	2.9	2.6	4.8	10.2	
<u>Health</u>						
Y038 - Record Boost to Palliative Care Workforce in NSW	-	1.0	3.5	3.5	8.0	
Y048 - 10,000 Additional Cataract Surgeries	-	1.0	-	-	1.0	
Y077 - Giving More Women Access To IVF	-	1.8	-	-	1.8	
Y078 - Record health building boom to continue in NSW	-	22.5	123.2	395.8	541.5	
Y093 - More Care for Kids with Allergies	-	0.6	-	-	0.6	
<u>Industry</u>						
Y047 - Western Sydney Startup Hub for Western Sydney Businesses	-	4.3	-	-	4.3	
Y053 - Western Sydney Construction Hub	-	8.0	15.0	36.0	59.0	
Y062 - TAFE Connected Learning Centres	-	4.0	19.0	20.7	43.7	
Y064 - Vocational Schools Pilot Program	-	-	16.9	16.9	33.8	
Y097 - NSW Border Wild Dog Exclusion Fence	-	3.4	14.0	20.1	37.5	
<u>Justice</u>						
Y065 - Police Stations	-	-	4.6	29.9	34.5	
Y083 - Fire Station in Lismore	-	0.4	-	-	0.4	
Y098 - Queanbeyan Courthouse	-	9.0	9.0	-	18.0	
<u>Planning and Environment</u>						
C020 - Improving access to national parks	-	25.2	37.8	46.8	109.8	
C023 - Open Spaces	-	12.5	12.5	12.5	37.5	
Y067 - NSW Motor Sport Strategy	-	33.4	-	-	33.4	
<u>Premier and Cabinet</u>						
Y059 - Regional Digital Connectivity	-	90.0	105.0	115.0	310.0	

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

Costed Policy	2018-19	2019-20	2020-21	2021-22	4 yr	Notes
	Revised	Forward	Estimates	Estimates	total	
	\$m	\$m	\$m	\$m	\$m	
<u>Transport</u>						
C010 - Tweed Light Rail	-	1.0	-	-	1.0	
Y026 - \$300 million for new commuter car parking	-	-	-	-	-	
Y042 - More Cycling and Pedestrian Infrastructure	-	-	-	-	-	
Y043 - Opal Park and Ride Expansion	-	-	-	-	-	(1)
Y049 - Thousands More Seats on South Coast Trains	-	-	-	-	-	
Y050 - Urban Road Upgrade and Congestion Program	-	56.8	124.2	185.5	366.5	
Y051 - Regional Road Upgrades	-	46.2	136.4	257.1	439.7	
Y070 - More Express Trains for Western Sydney	-	2.6	3.9	60.1	66.6	
Y073 - Replacing Country Bridges	-	25.0	100.0	100.0	225.0	
Y074 - Fast Rail	-	92.9	104.6	46.4	244.0	
Y075 - Sydney, Central Coast, Lower Hunter, and Illawarra Growth Buses	-	-	13.9	-	13.9	
Y081 - Accelerating Sydney Metro West	-	52.0	948.0	2,200	3,200	
Y092 - Reduce the Weekly Opal Travel Cap to \$50	-	0.6	-	-	0.6	
Y095 - Electric Buses and Bus Depot for Randwick	-	4.7	4.7	-	9.4	
<u>Various and Whole of Government</u>						
Y099 - Supporting Local Communities	-	2.0	2.0	20.0	24.0	
Total Impact of Policies on Capital Expenditure	-	549.0	2,144	3,969	6,662	
<u>Reconciliation</u>						
Total Net Operating Balance (Budget Result) Impact	7.6	(126.2)	(306.2)	(327.1)	(751.9)	
<i>include:</i>						
Capital Expenditure Impacts	-	549.0	2,144	3,969	6,662	
<i>less:</i>						
Depreciation Impacts	-	4	17	30	51	
Other Adjustments	-	-	-	-	-	
Total General Government Sector Net Lending/(Borrowing) Impact	8	(671.2)	(2,433)	(4,267)	(7,363)	

(1) Costs are to be absorbed within existing capital funding.

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

Table 14: List of Costed Policies Affecting the Public Non-Financial Corporation and the Public Financial Corporation Sectors

Costed Policy	2018-19 Revised \$m	2019-20 Forward Estimates \$m	2020-21 Forward Estimates \$m	2021-22 Forward Estimates \$m	4 yr total \$m	Notes
Total General Government Sector Net Lending/(Borrowing) Impact	7.6	(671.2)	(2,433)	(4,267)	(7,363)	
Other Sector Impacts						
Y055 - Water Security for NSW	-	(10.0)	(10.0)	(12.0)	(32.0)	
Y070 - More Express Trains for Western Sydney	-	-	-	(0.3)	(0.3)	
Total Other Sector Impacts	-	(10.0)	(10.0)	(12.3)	(32.3)	
Total State Sector Net Lending/(Borrowing) Impact	7.6	(681.2)	(2,443)	(4,279)	(7,395)	

4. Risks and Uncertainty in the Budget Impact Statement

General limitations

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

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

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

General risks versus specific risks

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

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

- Economic variables such as inflation (e.g. consumer price indexation and wage price index)
- Population growth and demand growth
- Interest rates and volatility in financial markets
- Property transaction volumes and/or prices
- Employment growth and rates of employee retention, and
- Growth in operating costs beyond inflation.

Specific risks relating to individual costings are available in the detailed costing documents.

5. Explanatory Notes

Basis of Preparation

The Budget Impact Statement covers the budget year ending 30 June 2019 and the three forward years ending 30 June 2020, 2021 and 2022. All monetary amounts are presented in Australian dollars. Nil impact is presented as '-'. Negative numbers in tables are indicated by brackets.

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

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

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

The PBO also applies the same parameters for economic growth, inflation and other key economic indicators as those used in the 2019 Pre-Election Budget Update.

Application of Accounting Standards in the Budget and Forward Estimates

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

The budget and forward estimates are prepared to reflect existing operations and the impact of new policy decisions taken by the NSW 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 (e.g. due to uncertainties regarding the timing and amount of future cash flows), the impact is not reflected within the budget and forward estimates.

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. However, the sale of tangible assets such as property is generally included in the forward estimates.

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 2018-19 Half Yearly Budget Review.

More information about the basis of preparation for the New South Wales budget and forward estimates can be found in the *NSW Budget 2018-19 Half Yearly Review, Appendix A: Statement of Significant Accounting Policies and Forecast Assumptions*.

Aggregate Impact of Costed Policies

Financing Impact

Individual election policy costings do not include any consequential impacts related to financing costs or benefits (e.g. the cost of borrowing funds to finance policies). Instead, an aggregate impact is noted in Table 15 below.

This aggregate impact is determined using the cumulative impact of Net Lending across the forward estimates for the General Government Sector, and the Public Non-Financial Corporation (PNFC) and Public Financial Corporation (PFC) sectors. This cumulative impact will, in the absence of other changes, indicate the changes to borrowing requirements.

The PBO has assumed that this debt can be funded at the current government borrowing rate. Treasury has advised that as of 5 March 2019, the ten year T-Corp bond rate is 2.75% per year.

The estimate below does not provide the impact of financing requirements within a given financial year, as PBO-costed policies do not capture this level of detail.

Table 15: Financing impact of costed policies

	2018-19 Revised \$m	2019-20 Forward Estimates \$m	2020-21 Forward Estimates \$m	2021-22 Forward Estimates \$m
<u>General Government Sector</u>				
Net Lending/(Borrowing) Impact	7.6	(671.2)	(2,433)	(4,267)
Cumulative Impact	7.6	(663.6)	(3,096)	(7,363)
Estimated General Government Sector Financing Cost	(0.2)	18.2	85.1	202.5
<u>Public Non-Financial Corporation Sector</u>				
Net Lending/(Borrowing) Impact	-	(10.0)	(10.0)	(12.3)
Cumulative Impact	-	(10.0)	(20.0)	(32.3)
Estimated Public Non-Financial Corporation Sector Financing Cost	-	0.3	0.6	0.9

Ability to Achieve Savings

A number of costed policies allocate savings requirements to agencies. These savings may occur through the absorption of costs, or through the introduction of new savings and efficiency measures. The PBO is not in a position to consider the ability of agencies to achieve these policies, other than comparing the proposed savings against agency budgets and government expenditure where information is available.

Interactions between Costed Policies

Each PBO costing is prepared on its own merits as a change from a business as usual scenario. Nevertheless, some costings may interact with one another in different ways; for example, one costing may be contingent on additional employment funded as part of another costing.

Where possible, the PBO has endeavoured to either remove double counting of policy costs, or included in a policy costs from another policy where the latter is not an election policy.

Second Round Effects of Costed Policies

Election policies frequently have both direct and indirect impacts. PBO costings only estimate the direct impact of a policy. They do not estimate any further effects on the New South Wales economy

or government revenues that may arise as a result of any 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.

Structure of the NSW Government

The New South Wales public sector comprises a large number of individual entities—usually referred to as agencies—that undertake various functions. Agencies are consolidated into 'clusters' that reflect broad policy areas of government.

All agencies and activities under the control of the NSW Government are collectively referred to as the New South Wales Total State Sector (TSS). The TSS's activities and agencies can be divided into the General Government Sector (GGS) and two non-General Government Sectors: the Public Non-Financial Corporation (PNFC) sector, and the Public Financial Corporation (PFC) sector.

GGS agencies provide public services (e.g. health, education and police), carry out policy implementation and development, or perform regulatory functions. GGS agencies and activities are funded in the main by taxation (directly or indirectly through the GST).

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

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

- Commercially run agencies contribute to GGS revenues by way of dividends, income tax equivalent payments and fees for access to the State's credit rating
- Contributions to GGS revenues by way of payroll and other taxes, and
- 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 GGS's budgeted balance sheet includes, as an asset, an interest in the net assets of agencies outside the GGS.

A list of which agencies comprise the GGS can be found in Appendix A3 to Budget Paper No. 2 of the 2018-19 Budget Papers.

Commitments beyond the Forward Estimates

The Budget Impact Statement covers the budget year ending 30 June 2019 and the three forward years ending 30 June 2020, 2021 and 2022. 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 2022 is not included in the Budget Impact Statement. Individual costings may include comments on future year impacts where relevant.

The need for reliable measurement before recognising budget impacts

The New South Wales budget and forward estimates reflect the impact of new policy decisions taken by the NSW Government where their financial effect can be reliably measured. Where the impact of a policy decision or planned event cannot be reliably estimated—for example, due to uncertainties

about the timing and amount of future cash flows—the impact is not reflected within the budget and/or forward estimates.

This practice of only including the impacts when they can be reliably measured is consistent with the principles within Australian Accounting Standards, which have been applied to the budget and forward estimates to the maximum extent possible.

The PBO aims to apply the same accounting standards and reporting conventions when costing election policies and preparing this Budget Impact Statement. This means that if an election policy costing cannot be reliably measured, a costing is not made or not included in the summary impacts.

However, relevant individual election policy costings will discuss the reasons why it is not possible to measure the impact reliably, and may include a range of potential outcomes.

Commitments involving future commercial negotiations

Election policies can relate to planned arrangements with private sector providers, which can raise commercial sensitivities. These arrangements may be for the provision of services, but are often for provision of capital works. Where these arrangements have not yet been entered into, release of financial information could compromise competitive bidding processes or disadvantage the State in negotiations. Typically in such situations, the State’s budget papers do not include detailed information in order to preserve the State’s ability to obtain the best financial outcome.

The commercial-in-confidence nature of potential asset sales or leases, or other business transactions, means the budget and forward estimates do not reflect their financial impacts until they are finalised. Accordingly, election policies containing proposals for the sale or lease of State assets, or other business asset transactions, have not been costed.

Glossary

Term	Definition
Budget Result	See <i>Net Operating Balance</i>
Budget Year	Refers to the 2018-19 financial year.
Capital Expenditure	Expenditure relating to the acquisition or enhancement of property, plant and equipment (including land and buildings, plant and equipment and infrastructure systems) and intangibles (including computer software and easements). Capital expenditure also includes assets acquired using finance leases.
Cluster	NSW Government entities have been consolidated into clusters reflecting broad policy areas of Government. These clusters are not legal entities. They are administrative arrangements that bring together a group of different legal and administrative entities.
Current Year	See <i>Budget Year</i>
Estimated Total Cost (ETC)	Represents the current cost estimate of planning, procuring and delivering the infrastructure/project/asset. The ETC may change as more detailed planning is undertaken and further information on market conditions becomes available. Due to commercial sensitivities, the ETC for some major works is not included.
Financial asset	<p>A financial asset is any asset that is:</p> <ul style="list-style-type: none"> (a) cash (b) an equity instrument of another entity (c) a contractual right: <ul style="list-style-type: none"> (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 (d) a contract that will or may be settled in the entity's own equity instruments and is: <ul style="list-style-type: none"> (i) a non-derivative for with 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 of delivery of the entity's own equity instruments.

Fiscal Aggregates	These are analytical balances that are useful for macroeconomic purposes, including assessing the impact of a government and its sectors on the economy. <i>AASB 1049 Whole-of-Government and General Government Sector Financial Reporting</i> prescribes the net operating balance (budget result), net lending/borrowing (fiscal balance), change in net worth (comprehensive result), net debt, net worth, and cash surplus/(deficit).
Forward Estimates	Refers to the period from 2019-20 to 2021-22.
General Government Sector (GGS)	This is an ABS classification of agencies that provide public services (such as health, education and police), or perform a regulatory function. General government agencies are funded in the main by taxation (directly or indirectly).
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.
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 Lending/ (Borrowing)	This is the financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. It also equals transactions in financial assets less transactions in liabilities. A positive result reflects a net lending position and a negative result reflects a net borrowing position.
Net Operating Balance (Budget Result)	This is calculated as revenue from transactions less expenses from transactions.
Nominal dollars/prices	This shows the dollars of the relevant period. No adjustment is made each time period for inflation or escalation.
Other economic flows	These are the changes in the volume or value of an asset or liability that do not result from transactions (that is, revaluations and other changes in the volume of assets)
Public Financial Corporation (PFC)	An ABS classification of agencies that have one, or more, of the following functions: <ul style="list-style-type: none"> • That of a central bank • The acceptance of demand, time or savings deposits, or • The authority to incur liabilities and acquire financial assets in the market on their own account.

Public Non-Financial Corporation (PNFC)	Government controlled agencies where user charges represent a significant proportion of revenue and the agencies operate within a broadly commercial orientation.
Rebuilding NSW	The NSW Government's 10 year plan to invest in new infrastructure funded by the electricity network transactions, Commonwealth Government Asset Recycling Initiative payments, and investment earnings. These proceeds are first deposited into the Restart NSW fund before being invested into infrastructure projects.
Restart Commitment	Inflows that are committed to be spent on an individual project. A Restart NSW commitment can only be recognised once the Treasurer has accepted a specific funding recommendation from Infrastructure NSW for an individual project, as required by the <i>Restart NSW Fund Act 2011</i> .
Restart NSW	A fund established by the NSW Government in 2011 under the <i>Restart NSW Fund Act 2011</i> . Funds deposited into Restart NSW come from asset recycling transactions, Commonwealth Government asset recycling initiative payments, proceeds from Waratah Bonds, windfall tax revenue and investment earnings.
Restart Reservation	An amount of funds from Restart NSW or Rebuilding NSW set aside for a future project. As these projects have yet to be formally approved, they are not included in the budget aggregates.
State Owned Corporation (SOC)	Government entities (mostly PNFCs) which have been established with a governance structure mirroring as far as possible that of a publicly listed company. NSW state owned corporations are scheduled under the <i>State Owned Corporations Act 1989</i> (Schedule 5).
Total Expenses from Transactions	The total amount of expenses incurred in the provision of goods and services, regardless of whether a cash payment is made to meet the expense in the same year. It does not include expenditure on the purchase of assets. It also excludes losses, which are classified as other economic flows.
Total Revenue from Transactions	The total amount of revenue due by way of taxation, Commonwealth Government grants, and from other sources (excluding asset sales), regardless of whether a cash payment is received. It excludes gains, which are classified as other economic flows.
Total State Sector (TSS)	This represents all agencies and corporations owned and controlled by the NSW Government. It comprises the general government, public non-financial corporations and public financial corporations.