NSW BUDGET 2023-24

Budget Paper No.01
Budget Statement

Budget Statement

2023-24

Budget Paper No. 1

Circulated by The Hon. Daniel Mookhey MLC, Treasurer

STATEMENT OF THE SECRETARY

The 2023-24 Budget Papers incorporate the requirements of the *Government Sector Finance Act 2018* and the *Fiscal Responsibility Act 2012*.

Best available information

The Estimated Financial Statements have been prepared to reflect economic and financial data and estimates of Government policy decisions up to 14 September 2023, including information provided in the 2023-24 Commonwealth Budget released on 9 May 2023.

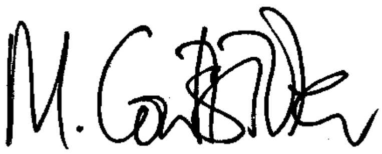
Any estimates or assumptions made in calculating revenues, expenses, other economic flows, assets or liabilities are based on the latest information available at the time.

Professional judgement

The Estimated Financial Statements contain projections for the Budget year (2023-24) and the three following years (2024-25 to 2026-27).

The forward-looking nature of these projections means it is necessary to apply professional judgement in their preparation. That judgement includes an informed assessment of the most likely economic and financial outcomes including spending and revenue profiles. Differences between underlying assumptions and eventual outcomes can reflect the reality of an uncertain operating environment and the impact of many variables over which the Government has little or no control.

Treasury has exercised its best professional judgement in preparing the Estimated Financial Statements. These Statements have been prepared in accordance with the Statement of Significant Accounting Policies and Forecast Assumptions.



Michael Coutts-Trotter
Secretary, NSW Treasury
19 September 2023

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ABOUT THIS BUDGET PAPER

Purpose and scope

Budget Paper No. 1 *Budget Statement* provides information on the State finances in aggregate. The objectives of this paper are to:

- inform citizens of the State's fiscal position and the Government's fiscal strategy
- meet requirements under the *Government Sector Finance Act 2018*, which prescribes the content of the budget papers, including providing four-year projections of all major economic and financial variables, revised estimates for the preceding budget year and explanations of any significant variations
- meet requirements under s.8 of *the Fiscal Responsibility Act 2012*, including providing a statement of the Government's fiscal strategy, a report on performance against the fiscal objectives, targets and principles contained in the Act and an assessment of the impact of any budget measures on the State's long-term fiscal gap
- enable interstate comparisons by reporting in line with the Australian Bureau of Statistics Government Finance Statistics framework.

The scope of the Budget is the general government sector. However, this budget paper also includes estimated financial statements for the public non-financial corporations (PNFC) and the non-financial public sector (NFPS). The statements provide a comprehensive picture of the State's fiscal position and strategy.

Where comparisons are made to previously published estimates, unless otherwise stated, the comparison is to the 2023 Pre-election Budget Update.

For a list of definitions used in the budget papers, please see *How to Read the Budget Papers*.

Reporting of Actual and Budget data

The actual results for 2022-23 reflect the estimated actuals as the audited financial statements for the GGS were not available at the time when the budget papers were published.

The Estimated Financial Statements of the general government sector (2023-24 to 2026-27) in these budget papers are prepared on an accrual basis of accounting, in accordance with Australian Accounting Standards, the Uniform Presentation Framework and the principles and rules contained in the Australia Bureau of Statistics, Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015 (Cat. No. 5514) (ABS-GFS Manual).

Aggregated financial data is presented on an eliminated basis – that is, intra government transactions between entities are eliminated.

Notes

The budget year refers to 2023-24, while the forward estimates period refers to 2024-25, 2025-26 and 2026-27. Figures in tables, charts and text may have been rounded. Discrepancies between totals and the sum of components reflect rounding:

- estimates under $100,000 are rounded to the nearest thousand
- estimates midway between rounding points are rounded up
- percentages are based on the underlying unrounded values.

For the budget result, parentheses indicate a deficit, while no sign indicates a surplus.

One billion equals one thousand million.

The following notations are used:

- n.a. means data is not available
- N/A means not applicable
- no. means number
- 0 means not zero, but rounded to zero
- … means zero
- '000 means thousand
- $m means millions of dollars
- $b means billions of dollars.

Differences between harmonised government finance statistics (GFS) and generally accepted accounting principles (GAAP) information, as shown in the budget papers, and pure GFS information, as reported by the Australian Bureau of Statistics, are known as convergence differences. Such differences are not departures from Accounting Standards but merely variations in measurement or treatments between GAAP and GFS frameworks.

Unless otherwise indicated, the data source for tables and charts is NSW Treasury.

1. BUDGET OVERVIEW

1.1 Prioritising essential services and support for families

The 2023-24 Budget sets out the Government's approach to delivering its commitments to the people of New South Wales, including making the first steps towards repairing the Budget to a more sustainable footing. This Budget also begins the task of addressing a number of inherited challenges.

High inflation and increased cost-of-living pressures have moderated economic growth in New South Wales over recent quarters, driven by a slowdown in household consumption. The labour market has been the key to the resilience in the NSW economy. Employment has risen sharply over the last year, with participation reaching a record level in late 2022.

Alongside economic challenges, prolonged high levels of spending, gaps in funding for some essential services and constrained wages growth have placed the NSW Budget in an unsustainable position. Without targeted and disciplined intervention, these challenges would have eventually impacted both the quality and breadth of services the State is able to deliver to the people of New South Wales.

Following careful review of the State's expenditure (see Box 1.1), the Government has taken necessary action to reprioritise funding towards policies that address our key priorities of rebuilding essential services and supporting families with cost-of-living pressures.

The Government will improve public services and support higher wages for public sector workers, including nurses, teachers and child protection workers. The Government will also establish a new approach to bargaining, that is supported by the establishment of a new $3.6 billion Essential Services Fund.

Health, education and world class infrastructure are also a focus of this Budget. Investing in quality health services, improving educational outcomes and delivering the State's essential infrastructure needs are key priorities for the Government.

The Government is also supporting families with the rising cost of living. This Budget delivers a range of initiatives aimed at addressing housing affordability, rising energy costs, transport and road tolling, as well as childcare costs and placements.

The Faster Planning Program accompanied by a $2.2 billion investment in new housing and infrastructure will begin to address housing supply. Energy bill relief will support eligible households and businesses struggling with rising costs.

Relative to the 2023 Pre-election Budget Update, the 2023-24 Budget projects improvements to the State's budget result from 2024-25 onwards. Gross debt is projected to be $173.4 billion by June 2026, which is $14.8 billion below the 2023 Pre-election Budget Update. Net debt is now projected to peak at 12.6 per cent of gross state product (GSP) by June 2027, around 1.4 per cent lower than at the 2023 Pre-election Budget Update.

Box 1.1: Responsible and transparent financial management – Expenditure and infrastructure reviews

The Government has undertaken careful review of the State's expenditure.

Comprehensive Expenditure Review

The Comprehensive Expenditure Review, under the guidance of the Treasurer and Minister for Finance, was tasked with identifying budget savings and reform proposals. The ongoing Review aims to balance the current and future needs of the people of New South Wales with the current fiscal and structural pressures facing the Budget.

The Review supports the task of moving to a more sustainable level of debt, while also providing capacity for the Government to deliver its priorities and manage risks and pressures.

The initial phase of the review has returned savings to the budget and redirected funding to other essential programs and services for the community.

Refer to Box 5.1 in Chapter 5 Expenditure for further detail on this Review.

Strategic Infrastructure Review

The Strategic Infrastructure Review was initiated by the Government to support a more sustainable infrastructure program for the State. The Review identified opportunities for savings to the Budget by identifying those projects that should no longer proceed, be delayed or de-scoped.

Refer to Box 3.2 in Chapter 3 Fiscal Strategy and Outlook, or Budget Paper No. 3 *Infrastructure Statement* for further information on the Review.

1.2 Economic outlook

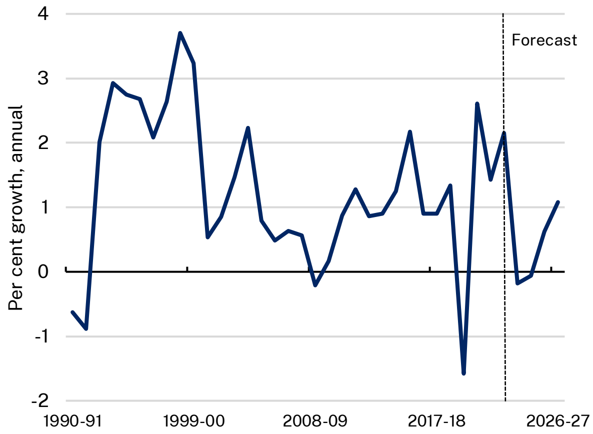
Domestic and global economic growth rebounded more strongly from the COVID pandemic than expected. By contrast, global supply chains took longer to recover. The strain that high demand put on supply chains, alongside the disruptions to energy and food markets caused by Russia's invasion of Ukraine, drove inflation to multi-decade highs in many countries.

Central banks across most major advanced economies, including Australia, have responded by raising interest rates sharply to ensure inflation returns to more acceptable levels. This rapid increase in interest rates, combined with elevated cost-of-living pressures, has contributed to a recent moderation in economic growth across developed economies.

Notwithstanding this slowing in activity, business conditions have been supported by strong sales and sustained profitability. Against this backdrop, business investment has also remained solid given historically high levels of capacity utilisation. In addition, firms have continued to fill job vacancies that emerged during the pandemic as population growth was constrained by the closure of international borders.

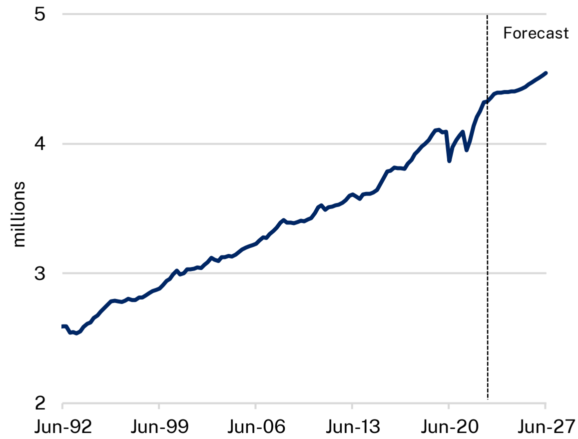
As a result, the labour market in Australia and New South Wales has remained strong. NSW employment has risen sharply over the last twelve months and is 7.0 per cent higher in August 2023 compared to pre-pandemic levels in February 2020. The unemployment rate consequently fell to a new monthly low of 2.9 per cent in June 2023, but has risen in recent months.

Chart 1.1: NSW Real GSP per capita



Source: ABS and NSW Treasury

Chart 1.2: NSW Employment



Over the projection period, NSW economic growth is expected to slow as high inflation and interest rates continue to negatively impact households.

This slowdown in economic growth would be more pronounced if not for the strength in population growth. This is expected to impact the housing market, in terms of both prices and construction activity, as well as business investment. Planned investment in renewable energy is also expected to support the economy.

This strong population growth masks a more significant slowing of the economy on a per capita basis. Per capita GSP is expected to be broadly flat over the next two years. This is the weakest result, excluding the pandemic, since the global financial crisis.

The labour market is also expected to provide some support, with employment to remain at its current elevated level despite softer growth in activity. While employment will remain stable, the unemployment rate is estimated to steadily rise to a peak of around 4¾ per cent in early 2025. This is above the rate NSW Treasury considers is consistent with inflation being steady, often referred to as ‘full employment’ (around 4 per cent). While the increase in unemployment from its current low level is significant, by historical standards the forecast peak for the unemployment rate remains relatively low.

The combination of the normalisation of global supply chains, easing commodity prices and the impact of higher interest rates on economic activity, is expected to see inflation continue to slow. However, the lagged impact of low unemployment on wages is expected to delay the return of inflation back to the Reserve Bank of Australia’s target.

The challenge going forward for governments, including New South Wales, is to manage short term economic challenges, such as cost of living pressures, while supporting long term drivers of growth. The provision of quality services, including health and education, alongside early childhood education and care, are vital in supporting participation in the workforce and boosting the productive capacity of the people of New South Wales. The implication of a warming climate is another key structural determinant of long run economic growth.

Economic risks remain unusually elevated, as outlined in detail in Chapter 2 The Economy. The main risks are centred around uncertainty of the outlook for inflation, the lagged impact of the sharp rise in interest rates and the outlook for the Chinese economy.

1.3 Fiscal outlook

In recent years, the State's fiscal position has weakened.

Growth in the State's expenses have far outpaced revenues, with expense growth peaking in 2021-22 at 25.0 per cent. This is primarily driven by elevated levels of expenses, including both the provision of support to households and businesses through COVID and natural disasters, but also substantial levels of new policy spending, totalling over $460 billion across the four years to 2025-26.

The State's infrastructure program continued to expand, even with high inflation driving up input prices and the labour market highly constrained. This has stretched the State's balance sheet, and higher debt has driven up interest expenses.

Relative to the 2023 Pre-election Budget Update, gross debt was expected to increase to $188.2 billion by June 2026 to fund infrastructure and invest in financial assets through the NSW Generations Fund (NGF), despite rising interest rates. This would have resulted in interest expenses of $7.0 billion by 2025-26 and net debt peaking at 14.0 per cent of GSP in June 2026.

High levels of spending left limited buffers to support the State in the event of a future shock, with the NGF returns and the accounting treatment of rail spend through Transport Asset Holding Entity (TAHE) masking an ongoing underlying budget result deficit.

The 2023-24 Budget begins the task of restoring the State's fiscal position, while providing for the delivery of the Government's election commitments, targeted cost of living relief and bolstering essential services, transitioning the State to more responsible and transparent financial management.

Table 1.1: Key Budget aggregates for the general government sector

	2021-22 Actual	2022-23 Est. Actual	2023-24 Budget	2024-25	2025-26 Forward Estimates	2026-27
Budget Result ($m)	(15,329)	(10,104)	(7,847)	844	1,582	1,508
Per cent of GSP	(2.2)	(1.3)	(1.0)	0.1	0.2	0.2
Underlying Budget Result ($m) *(without net impact of NGF investment returns)*	(15,329)	(10,060)	(8,596)	(53)	454	123
Per cent of GSP	(2.2)	(1.3)	(1.1)	...	...	...
Capital expenditure ($m)	20,600	21,746	22,227	22,973	20,456	19,919
Per cent of GSP	3.0	2.8	2.8	2.8	2.4	2.2
Net debt ($m)	55,781	74,873	92,624	100,974	107,815	113,571
Per cent of GSP	8	9.8	11.7	12.3	12.6	12.6
Gross debt ($m)	108,352	132,914	145,789	159,510	173,373	186,688
Per cent of GSP	15.5	17.3	18.4	19.4	20.2	20.7
Interest expense ($m)	2,527	4,230	5,501	5,900	6,309	6,978
Per cent of Revenue	2.4	4	5	5	5.3	5.7

The Government is committed to improved financial management in New South Wales, and has adopted two key fiscal principles:

- returning to, and then maintaining, a sustainable operating position
- stabilising and then maintaining a sustainable debt position.

Facing the challenges of high inflation and increasing gross debt, the Government is taking the first steps to ensure that recent deficits do not become entrenched.

The Government has carefully reviewed spending through a Comprehensive Expenditure Review which has identified $13 billion of budget improvement and reprioritisation measures, with work to continue to reduce pressure on future budgets.

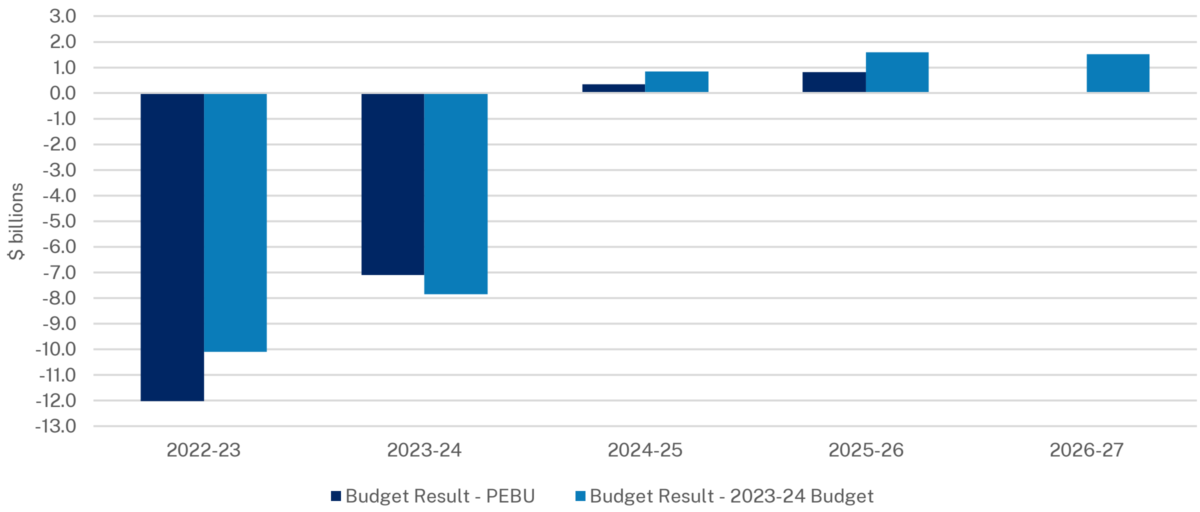
Additionally, the Strategic Infrastructure Review has identified opportunities for savings to the Budget by recommending those projects that should no longer proceed, be delayed or de-scoped. See Box 3.2 in Chapter 3 Fiscal Strategy and Outlook for more information.

The 2023-24 Budget provides for a $116.5 billion investment in public infrastructure over four years that is less reliant on debt funding than at the 2023 Pre-election Budget Update.

The 2023-24 Budget projects a deficit of $7.8 billion in 2023-24, and then improved surpluses in every year thereafter, reaching $1.5 billion in 2026-27 (see Chart 1.3). This improvement in the projected surpluses is supported by the Government letting some of the revenue improvement since the 2023 Pre-election Budget Update flow through to the State's bottom line, helping rebuild the State's fiscal buffers.

Since the 2023 Pre-election Budget Update, state taxation revenue is forecast to increase by $17.6 billion over the four years to 2026-27, supported by stronger transfer duty, land tax and payroll receipts.

Chart 1.3: NSW Budget result: 2023 Pre-election Budget Update compared to the 2023-24 Budget



This Budget also takes a responsible approach to the management of the State's assets and liabilities, including more efficient approaches to managing State funds such as the NGF.

Following an inquiry by the NSW Parliament's Standing Committee on State Development, the Government will temporarily suspend contributions in 2023-24 to the NGF, reducing the State's gross debt by $7.7 billion in the interim. Contributions are budgeted to recommence from 2024-25 to 2026-27, pending further government decisions.

General government gross debt is projected to improve in every year relative to the 2023 Pre-election Budget Update, reaching $186.7 billion by June 2027. This improvement is primarily driven by a temporary suspension of the contributions into the NGF and the restructuring of TAHE from a commercial to a non-commercial operating model.

The Government is also providing a more transparent account of the impact of the NGF on the State's operating position. For the first time, the Budget reports the general government budget result with and without the net impact of the NGF (see Chapter 3 Fiscal Outlook for more information).

In 2022, the State's triple-A credit ratings were reaffirmed by Moody's and Fitch ratings (in September 2022 and November 2022 respectively). S&P Global reaffirmed the State's double-A plus credit rating in October 2022. The State's credit rating helps to limit the cost of debt funding and maintain investor confidence in the State's bonds.

Box 1.2: Performance reporting framework

The 2023-24 Budget adopts a transitional approach to performance reporting. In future, the Government will move towards a broader set of performance measures that highlight how Government decisions have impacted New South Wales residents' wellbeing across a range of economic, environmental, and social domains.

In the interim, this Budget provides performance and wellbeing information in key service delivery areas against selected measures, with a spotlight on wellbeing in housing and energy. For further information on performance against key service delivery areas, see Budget Paper No.2 *Agency Financial Statements*.

1.4 Budget priorities

The Government will deliver on its commitments to the people of New South Wales despite the challenging fiscal outlook.

Rebuilding essential services

This Budget begins the task of rebuilding essential services, supporting essential workers and addressing critical staff vacancies with a new approach to engaging the public sector workforce.

Recognising and rewarding essential workers

This Budget includes a range of policies as the first step towards recognising our essential workers and rebuilding high quality services, through:

- removing the wages cap to retain and recruit staff
- increasing public sector pay by 4.5 per cent (including 0.5 per cent superannuation) in 2023-24 for over 400,000 public sector workers
- addressing the teacher shortage crisis by recruiting and retaining high quality teachers through a historic pay rise
- delivering the largest wage increase for healthcare workers in over a decade
- development of a new interest-based bargaining framework.

This is the beginning of a long-term plan to support higher wages and rebuild essential services in New South Wales.

Essential Services Fund and Industrial Relations Taskforce

The NSW Government will establish a new $3.6 billion Essential Services Fund to enable the Government to improve services by negotiating workplace changes.

The Industrial Relations Taskforce, led by former Deputy President of the Fair Work Commission, Anna Booth, and former President of the Industrial Relations Commission, Roger Boland has been established to fulfil the NSW Government's commitment to a new cooperative interest-based approach to bargaining.

This approach aims to address critical vacancies across the public sector by collaborating with the State's workforce and delivering long-term wage growth.

Rebuilding the State's essential services requires a combination of wage growth and service delivery improvements. The Essential Services Fund reinforces the NSW Government's commitment to a new bargaining approach by setting aside the funds to support public service improvements and deliver higher wages for thousands of our essential workers.

Rebuilding essential health services

To improve access and delivery of key essential services to the people of New South Wales, the Government is investing more than $2.5 billion to recruit and retain healthcare workers and improve access to health services with a significant investment of $13.8 billion in health facilities. Key health initiatives include:

- an additional 1,200 nurses and midwives employed by 2025-26 to implement safe staffing levels in our public hospitals ($419.1 million)
- converting 1,112 full-time equivalent nurses and midwives, which positions were funded temporarily to June 2024, to permanent ($572.3 million)
- increasing the number of regional and rural paramedics by 500 at a cost of $438.6 million over four years to address paramedic fatigue and improve wellbeing
- providing 12,000 healthcare students with study subsidies. New students will receive scholarships of $4,000 per year. Existing students will receive one-off payments of $8,000 at a cost of $121.9 million over five years
- delivering a boost to take home pay for more than 50,000 healthcare workers through increased salary packaging benefits ($170.8 million)
- improving a range of health facilities, including expanding Blacktown and Mount Druitt Hospital ($120.0 million), expanding Canterbury Hospital and upgrading existing infrastructure ($350.0 million) and expanding Fairfield Hospital to deliver more beds and increase capacity ($550.0 million). The Rouse Hill Hospital development will be more than doubled rising from $300.0 million to $700.0 million.

Better education and schools

The 2023-24 Budget allocates the largest education investment in a decade, across initiatives to ensure children have strong educational foundations to equip them for entry into the workforce and providing them with the skills to meet a changing economy.

An Education Future Fund delivers new programs such as:

- permanent literacy and numeracy tutoring programs in primary and secondary schools at a cost of $278.4 million over four years
- converting 10,000 temporary teaching positions and 6,000 school administrative staff into permanent positions
- attracting the best and brightest teachers through the Innovative Teacher Training Fund with an investment boost of $20 million.

The Government is also investing $9.8 billion over the next four years to provide for the growing needs of communities, including:

- $3.5 billion over four years for 24 new and 51 upgraded primary and high schools in Western Sydney
- $1.4 billion over four years for 19 new and 35 upgraded schools in regional New South Wales
- a plan to deliver new and upgraded schools in fast growing areas.

Delivering the Essential Transport Infrastructure Plan without privatisation

The Government is committed to delivering high quality transport and roads infrastructure projects across the State that help improve connectivity and reduce the time people spend in traffic. This Budget invests $72.3 billion in transport infrastructure, including:

- investing an additional $1.0 billion to rescue the Sydney Metro City and Southwest project
- $302.7 million reserved for the Western Sydney Rapid Bus network to ensure the Penrith, Liverpool, and Campbelltown communities and the future Western Sydney International Airport are connected
- $200.0 million reserved to expedite the planning for procurement, construction and delivery of the Parramatta Light Rail Stage 2 for Western Sydney
- improving accessibility through upgrading train stations and car parks, including installation of new lifts, ramps and footbridges ($300.0 million).

The Budget also makes significant investments in important road infrastructure across the State, including:

- $2.4 billion for Western Sydney roads to address population and employment growth
- establishment of the Urban Roads Fund with a commitment of $770.0 million, to build major roads in metro areas including improvements to key corridors in Heathcote, Riverstone, and a range of road projects
- a new $390.0 million Regional Emergency Road Repair Fund to assist regional councils in repairing roads damaged by recent weather events and natural disasters
- a new $334.0 million Regional Roads Fund which will be used to build new roads in rural and regional areas.

Protection and disaster relief

The State has been impacted by a range of natural disasters since 2019, including floods and fires across parts of regional New South Wales. In response, the Government is committed to rebuilding these affected communities and preparing infrastructure and services in the event of future disasters, through the recently established NSW Reconstruction Authority.

Natural disaster and response measures supported in this Budget include:

- $3.2 billion ($3.1 billion recurrent expenses and $120.0 million capital expenses) for disaster relief and recovery programs, which is eligible for co-contribution from the Australian Government under the Disaster Recovery Funding Arrangements
- $299.3 million to restore damaged State roads
- $128.3 million to repair critical water and sewerage infrastructure damaged by flood events
- $58.0 million for flood recovery support, including the Back Home Program
- $3.3 million for a natural disaster detection system to better protect communities in high-risk areas.

The Government is also investing in critical infrastructure and services aimed at protecting communities and keeping citizens safe, through initiatives such as:

- upgrading fire stations at Sutherland, Engadine, Helensburgh, Thirroul and Coledale
- increasing policing numbers in Murwillumbah to provide 24/7 policing and community safety ($6.9 million)
- 20 new police officers in Western Sydney to keep the community safe
- enhancing the State's Forensic Analytical Science Service ($12.0 million).

Providing relief to household budgets

This Budget will deliver cost-of living-support to the people of New South Wales to ensure everyone can access essential services, without adding inflationary pressures on the State's fiscal position. These targeted cost-of-living measures complement the other support provided to households, businesses and organisations via tax exemptions and concessions. Refer to Appendix A2 Tax Expenditure and Concessional Charges Statement for further detail on these measures.

This Budget bolsters existing support measures with a range of new and expanded measures, including those detailed below.

Confronting the housing crisis

The Faster Planning Program, Essential Housing package, and $2.2 billion Housing and Infrastructure Plan will begin to address the historic neglect of new housing supply.

Homes NSW will be established to deliver better outcomes for public and social housing tenants, deliver more affordable and social housing and reduce the number of homeless people in New South Wales.

Additionally, the NSW Rental Commissioner, will work with Government to design and implement changes to make renting in New South Wales fairer, more affordable and more secure.

Measures aimed at improving housing affordability and availability as well as improving access to home ownership include:

- the $224.0 million Essential Housing Package which will, among other things, accelerate the delivery of social, affordable and private homes, continue to provide housing services for Aboriginal and Torres Strait Islander families, support critical social housing maintenance and provide homelessness support measures
- permanently expanding the number of social housing dwelling by around 1,500 through the $610.1 million Commonwealth Social Housing Accelerator program
- $300.0 million in reinvested dividends to enable Landcom to deliver an additional 1,409 affordable homes and 3,288 market homes to 2039-40.

Energy relief and investment

The NSW Government is ensuring a secure supply of clean, affordable electricity for New South Wales with a long-term energy investment plan and immediate energy bill relief for families.

In partnership with the Australian Government, the National Energy Bill Relief payment is supporting New South Wales citizens.

- 1.6 million vulnerable New South Wales households, pensioners, veterans, self-funded retirees and families will be eligible for up to $500 towards their electricity bill.
- over 300,000 businesses using less than 100 megawatt hours of electricity will be eligible for payments of up to $650.
- Energy bill relief will be extended from 1 July 2024 to support low income and vulnerable households with the cost of living, with a major expansion of energy rebate schemes, including:
  - increasing the Low-Income Household Rebate and Medical Energy Rebate to $350
  - raising the Seniors Energy Rebate to $250
  - the full rebate for the Family Energy Rebate increasing to $250
  - lifting the Life Support Rebate for each equipment type to $1,639.

A clean energy future

Long-term investment in renewable energy will improve affordability and reliability. The NSW Government Electricity Infrastructure Roadmap is the largest investment in renewable energy in the history of New South Wales.

The $1.8 billion investment will roll out critical transmission and energy storage solutions, including:

- putting the State's Renewable Energy Zones back on track with an additional $804.0 million
- establishing the $1.0 billion Energy Security Corporation to drive investment in stable and affordable renewable energy.

A further $263.5 million will support an efficient and equitable roll out of electric vehicles (EV). This investment will accelerate the rollout of EV infrastructure, addressing the most significant barrier for the take up of EVs.

Infrastructure investment and toll assistance

The Government will continue providing support for frequent toll road users from 1 January 2024 by providing:

- a $60 weekly toll cap for drivers, which will be in addition to existing toll relief schemes, assisting more than 700,000 motorists
- a reduction in the truck multiplier on the M5 East and the M8 from three times to two times for heavy vehicle drivers.

In addition to the initiatives above, the Government has also commissioned an Independent Review of Sydney's motorways, which will examine options to reduce costs and simplify the tolling system.

Quality early education and caring for children

Quality early childhood education and care has lifelong benefits for New South Wales' youngest learners and enables parent workforce participation.

The Budget maintains the $5.0 billion investment over 10 years in the Childcare and Economic Opportunity Fund and also maintains $5.7 billion in funding over 10 years for universal preschool access.

This Budget delivers on these priorities through:

- an investment of $769.3 million for 100 new preschools on public school sites and $60 million for new and upgraded non-government preschools
- saving parents and carers $500 a year by trialling preschool fee relief for eligible three year old children, at a cost of $64 million over two years
- an investment of $28.5 million in the essential early childhood education and care workforce, including $3.0 million to strengthen the workforce pipeline and $10.0 million for professional development to prevent workforce attrition
- a boost to Out of Home Care services, with an additional $200 million to provide permanency services and post-care support.

Making communities stronger and fairer

New initiatives and investments are being delivered to support and empower stronger communities across New South Wales, including Aboriginal and Torres Strait Islander people and multicultural communities.

The 2023-24 Budget is investing in initiatives, including:

- progressing the 28 co-developed Closing the Gap initiatives, developed in partnership with the NSW Coalition of Aboriginal Peak Organisations, and delivered in partnership with local communities, at a cost of $131.4 million
- $39.1 million to prevent domestic, family and sexual violence and support victim safety
- $13.8 million to improve women's participation and empowerment through the Working Women's Centre and a Future Women's Jobs Academy
- investment of $47.8 million in the Multicultural Communities Support Package, which includes support for community language schools, creation of a Multicultural Capital Partnership Fund, establishment of the Premier's Prevention Panel on Racism and Extremism and a multicultural youth network platform.

2. THE ECONOMY

- Economic activity in New South Wales has broadly rebounded post-COVID, supported by a strong labour market.
- High inflation and numerous interest rate rises over the past year have increased pressure on household budgets.
- Due to higher inflation for essential goods and services, cost of living pressures are most acute for lower income households. Employee households, on average, have experienced the largest increase in living costs, largely reflecting the proportion of household income devoted to rising mortgages and rents.
- Strong population and relative weakness in new housing supply is expected to continue to drive up rents. This will support dwelling prices.
- Household spending has softened, which is contributing to weaker economic growth. Strong population growth and a resilient labour market will help to moderate this slowdown.
- Inflation is expected to gradually return to the Reserve Bank of Australia's (RBA) target, which will eventually see economic growth return to usual long-run levels.
- Risks to the economic outlook remain elevated and centre primarily on the persistence of inflation and the lagged effect of the sharp rises in interest rates, globally and domestically, on economic growth.

Table 2.1: New South Wales economic performance and outlook(a)(b)

	2021-22 Outcome	2022-23 Outcome(c)	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast	2026-27 Forecast
Real state final demand	3.2	4.3 (4¾)	1¼ (1)	1½ (2½)	2¼ (2¾)	2¾
Real gross state product	1.8	3¾	1¼ (1½)	1¼ (2¼)	2 (2½)	2¼
Employment	1.0	5.8 (5½)	1¾ (¾)	¼ (1¼)	1	1½
Unemployment rate(d)	3.7	3.1 (3½)	3¾ (4½)	4¾ (4)	4½ (4)	4¼
Sydney consumer price index	3.9	7.1 (7)	4¾ (4¼)	3 (2¾)	2¾	2½
Wage price index	2.4	3.3 (3¾)	4	3¾ (3½)	3¼	3¼
Nominal gross state product	7.4	10 (9¼)	3½ (2¾)	3½ (3¼)	4½	4¾
Population(e)	0.9	1.8 (1.2)	1.4 (1.2)	1.3 (1.2)	1.2	1.2

(a) Per cent change, annual average unless otherwise stated. Previous forecast (2023 Pre-election Budget Update) in parenthesis where different.
(b) Commodity prices are assumed to follow Consensus Economics forecasts as of July 2023. The RBA's interest rate path over the course of 2023 and 2024 is assumed to be broadly in line with the assumptions underpinning the RBA Statement on Monetary Policy (August 2023). The Australian dollar trade-weighted index is assumed to average 63.8 across the forecast period. Net overseas migration is assumed to increase in line with Australian Government projections.
(c) 2022-23 figures are outcomes for all metrics except real gross state product, nominal gross state product and population, which are forecasts.
(d) June quarter, per cent.
(e) Per cent change through the year to 30 June. Forecasts are rounded to the nearest 0.1 percentage points.

Source: Australian Bureau of Statistics (ABS) and NSW Treasury

2.1 The New South Wales economy remains resilient

Central banks have responded to high inflation

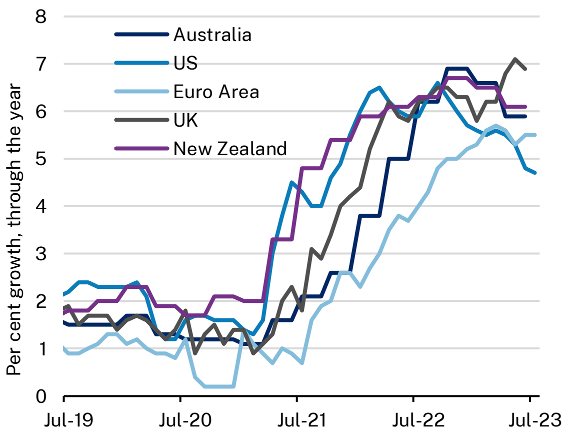
Domestic and global economic growth rebounded faster than expected from the COVID pandemic. Fiscal and monetary stimulus, combined with household savings accumulated during the pandemic, supported a sharp recovery in demand. Consumer spending patterns quickly returned to normal levels following the removal of COVID restrictions, supporting a sharp recovery in employment. The unemployment rate subsequently fell to multi-decade lows.

By contrast, global supply chains took longer to recover. The imbalance between the recovery in demand and supply, as well as the disruptions to energy and food markets caused by Russia's invasion of Ukraine, drove inflation to multi-decade highs in many countries (see Chart 2.1). Consequently, policy measures designed to support demand as the economy exited from COVID restrictions have instead further added to inflation.

High inflation affects the health of the economy. It reduces long-run economic growth by distorting investment and spending decisions. It also has distributional impacts, especially when inflation is driven by necessities such as food, shelter and utilities (water, gas and electricity). These items make up a larger share of household budgets for those on low incomes.

Central banks across the developed world have increased interest rates sharply to slow demand and bring inflation back to target levels (see Chart 2.2). The RBA has undertaken the fastest and largest tightening cycle since it began targeting inflation in the early 1990s. Since May 2022, it has raised the cash rate by four percentage points to 4.10 per cent. The RBA has assessed that interest rates are now at a level where they are restricting economic growth.

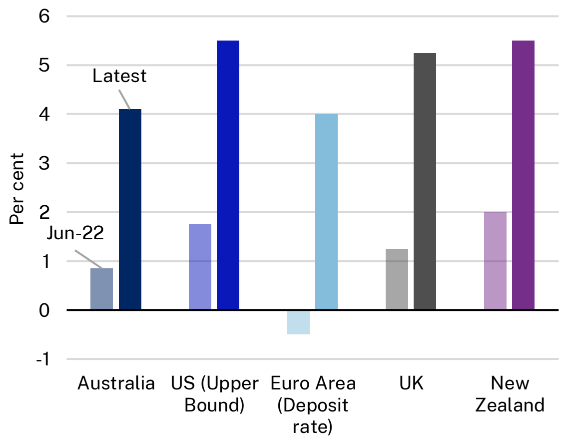
Chart 2.1: Annual core inflation[(a)]



Source: ABS, Bloomberg, NSW Treasury

(a) The frequency and measures core inflation vary across countries.

Chart 2.2: Global cash rates



Source: RBA, Bloomberg, NSW Treasury

High inflation and interest rates are impacting household budgets

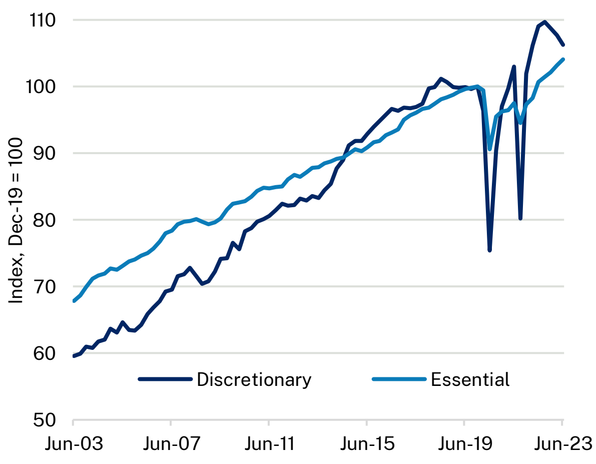
The rapid increase in interest rates, combined with elevated cost-of-living pressures, has contributed to a moderation in economic growth over recent quarters. This has been driven by a slowdown in household consumption. In particular, discretionary spending (on non-essential goods and services) has softened as higher interest rates have restricted disposable incomes nationally (see Chart 2.3). The national household savings rate, which measures the flow of new savings (including superannuation) as a share of total disposable income, has fallen sharply. Having increased sharply during the COVID pandemic, it is now below its pre-COVID level.

Dwelling investment has also eased with residential building approvals, on a trend basis, remaining below their decade average. There has been some pick-up in recent months which may in part be due to the turnaround in house prices seen in the first half of 2023. Having fallen sharply during 2022, Sydney's dwelling prices have risen 8.8 per cent since January 2023, despite a deterioration in mortgage affordability.

Low levels of advertised housing listings have helped soften the impact of higher interest rates on prices. Demand for housing, meanwhile, has intensified due to the sharp increase in net overseas migration. This has helped drive rental vacancy rates down to around their historical low levels. In response, the CoreLogic measure of advertised rents has surged by 20 per cent through the year to August 2023. This has encouraged first home buyers into the housing market. The strong labour market and household savings accumulated through the COVID pandemic has helped some households absorb interest rate increases to date.

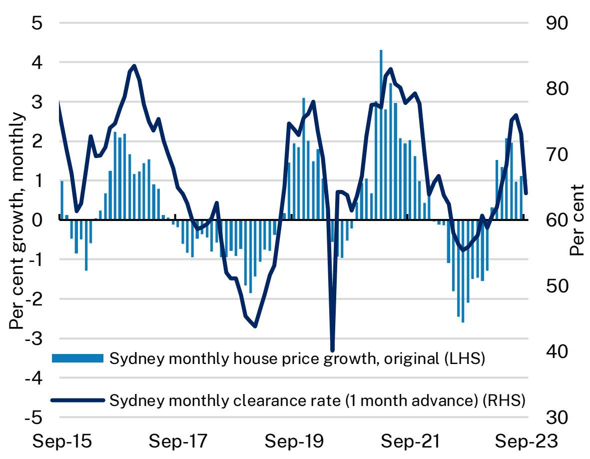
More recently, the pace of increase in dwelling prices has shown signs of easing. Sydney dwelling prices grew on average by 1 per cent in July and August, following average monthly growth of 1.6 per cent in the four preceding months. That said, Sydney's auction clearance rate remains above 60 per cent, which means further house price rises are likely in the near term (see Chart 2.4).

Chart 2.3: NSW real discretionary vs essential consumption



Source: ABS and NSW Treasury

Chart 2.4: NSW auction clearance rates and house prices



Source: CoreLogic and NSW Treasury

The labour market has remained strong

The rest of the economy has continued to be largely resilient. Despite rising costs, elevated sales and profitability have helped support survey measures of business conditions. Business investment has also remained solid as firms respond to high demand and historically low levels of spare production capacity.

The labour market, alongside strong population growth, has been key to the resilience of the economy. The post-pandemic surge in spending saw demand for labour rise considerably. Businesses are continuing to have trouble filling vacant positions, despite the return of overseas migrants helping to ease some of these pressures (see Chart 2.6). Job vacancies have subsequently declined of late, although they remain elevated compared to pre-COVID levels. Net overseas migration, including international students, lifted NSW population by 1.9 per cent through the year to the March quarter 2023. Arrivals data suggests an even larger increase in 2023 to date, indicating that net overseas migration flows might be higher than what is assumed in the forecasts (see Box 2.1). Without this rapid rise in net overseas migration, overall economic activity would be weaker than is currently the case.

Box 2.1: The impact of higher net overseas migration on the New South Wales economy

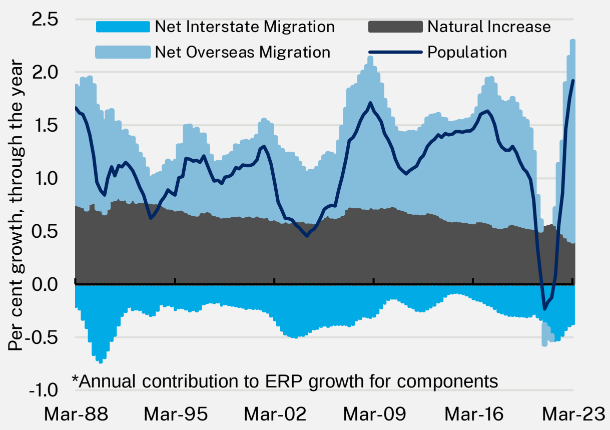
NSW population growth has been heavily impacted in recent years by the COVID pandemic. The closure of international borders through most of 2020 and 2021 meant that net overseas migration (overseas arrivals minus departures) was almost zero in those years.

Since the reopening of borders, net overseas migration has surged (see Chart 2.5). The NSW Budget utilises the Australian Government's forecasts for net overseas migration. The latest forecasts released at the time of the May Budget showed national net overseas migration surging by 401,700 in 2022-23 followed by 316,000 in 2023-24. This compares to an average of 247,600 in the three years prior to the pandemic.

Recent population and overseas arrivals and departures data suggests that net overseas migration may have been significantly higher in 2022-23.

New South Wales is expected to receive more than its population share of net overseas migrants over the forecast period. Net overseas migration will contribute almost 500,000 people to the State's total expected population growth of 580,000 in the five years to 2026-27.

Chart 2.5: NSW components of population growth[(a)]



Source: ABS and NSW Treasury

(a) Annual contribution to ERP growth for components

Sensitivity analysis previously undertaken by NSW Treasury as part of the 2020-21 Budget provides an insight as to what impact stronger population growth might have on the NSW economy. This analysis suggests that if stronger migration boosted the NSW population by 1 per cent (equivalent to an additional 80,000 migrant arrivals compared to the baseline forecast), it would boost NSW gross state product (GSP) by around 1 per cent.

The post-pandemic return of migration and changes to housing preferences has left the State's housing supply struggling to catch up to demand.

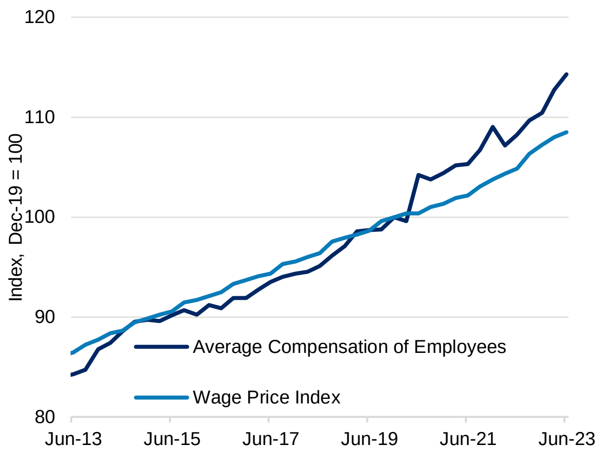
Employment has risen sharply over the past year with labour force participation reaching a record level in late 2022. Employment was 7.0 per cent higher than pre-pandemic levels in August 2023, with the majority of these gains driven by growth in female employment. The unemployment rate consequently fell to a new monthly low of 2.9 per cent in June 2023, but has risen in recent months.

The tight labour market is helping spur growth in nominal wages. Annual nominal wages, as measured by the ABS wage price index (WPI), grew 3.4 per cent in the June quarter 2023 (excluding the increase in compulsory superannuation payments). This pace is among the fastest in over a decade. Broader measures of wages, including the average compensation of employees, has been stronger in recent quarters (see Chart 2.7).

Chart 2.6: NSW job vacancies

Source: ABS and NSW Treasury

Chart 2.7: NSW wages



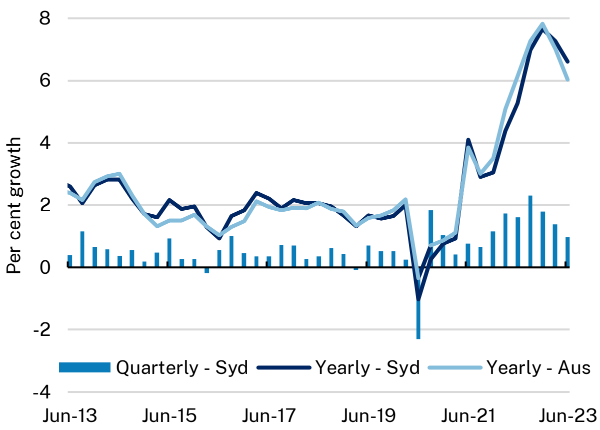
Source: ABS and NSW Treasury

Inflation has begun to ease and the labour market is at a turning point

The normalisation of global supply chains, lower commodity prices and higher interest rates are reducing inflation. Having peaked at the end of 2022, national headline inflation has slowed to 6.0 per cent in the June quarter 2023. The slowing has been less marked in New South Wales, with the Sydney consumer price index standing at 6.6 per cent in the June quarter 2023 (see Chart 2.8).

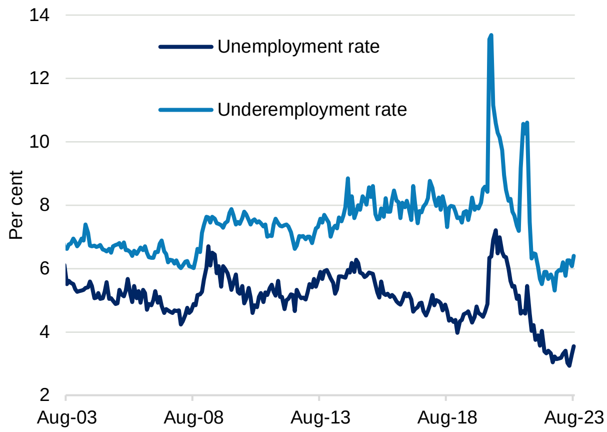
There are also tentative signs the labour market is at a turning point. While the unemployment rate remains very low, it has risen in the last two months to 3.6 per cent. Moreover, the rate of underemployment (which measures those who would like to work longer hours, but who are unable to find suitable work that exists) has been rising since late 2022 (see Chart 2.9). Rising underemployment provides an early indication that demand for labour is slowing. This is because employers, when confronted with a softening in demand for their products, are likely to first reduce hours for their workforce. While it remains historically low, underemployment has risen 1.1 percentage points from the low reached in November 2022.

Chart 2.8: Sydney CPI



Source: ABS and NSW Treasury

Chart 2.9: NSW unemployment and underemployment rate



Source: ABS and NSW Treasury

Box 2.2: How the rising cost of living is affecting the people of New South Wales

While the consumer price index (CPI), on which prices in the Budget forecasts are based, is the most widely cited measure of inflation, it does not fully capture all changes in the cost of living. Importantly, the CPI does not include the cost of servicing a mortgage, and therefore does not reflect the impact of rising interest rates on mortgage-holders. Also, the CPI is designed to capture the average rate of inflation across all households. In practice, spending patterns vary across households with different age and socio-economic profiles.

To account for these and other shortcomings, the ABS produces Living Cost Indexes (LCIs) for selected household types. The ABS calculates LCIs for four different types of households – employees, age pensioners, self-funded retirees, and other government transfer recipients (see Chart 2.10).

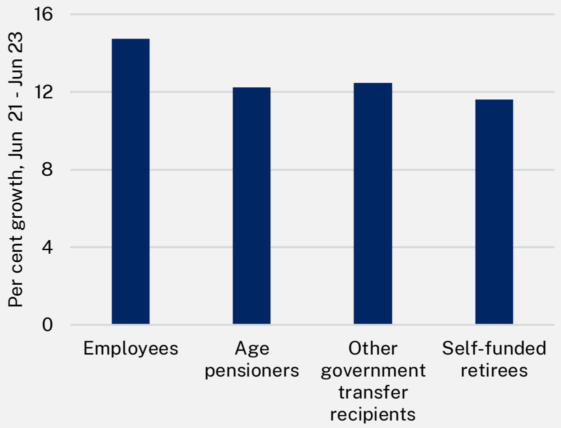
Over the year to June 2023, the LCIs for each cohort grew faster than the 6.0 per cent increase in the CPI. Employee households saw the biggest rise in annual living costs – up 9.6 per cent – reflecting the greater share of mortgage interest repayments in this group. Housing affordability issues are discussed further in Box 2.3.

Cost of living concerns become most acute when inflation is driven by increasing prices for essential items such as food, housing, utilities, healthcare and transport. Households cannot materially reduce spending on these without affecting their wellbeing. When the costs of essential items increase more rapidly, it disproportionately affects lower income families.

This has particularly been the case over the past two years (see Chart 2.11). Over this period, prices of essential goods and services, according to the Sydney CPI, have risen by 13.3 per cent versus a 10.8 per cent increase in discretionary items. Over the year to June 2023, this has affected housing costs in particular.

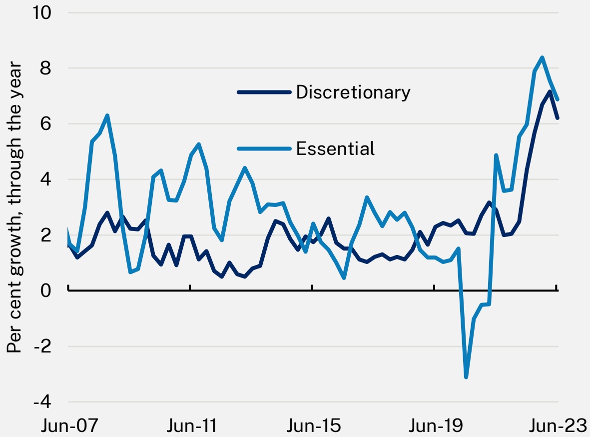
This highlights the importance of targeting policies to support households dealing with cost-of-living challenges as opposed to broad-based support. This is particularly critical in the current economic landscape, in which broad-based spending measures can contribute to inflationary pressures.

Chart 2.10: Living Cost Index by group, Australia



Source: ABS and NSW Treasury

Chart 2.11: CPI by spending category, Sydney



Source: ABS and NSW Treasury

2.2 The NSW economic outlook

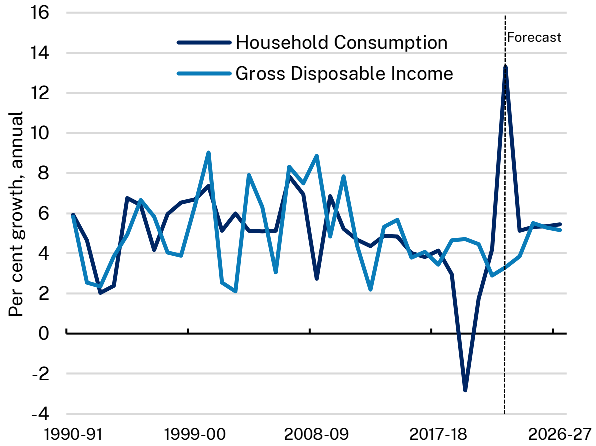
Economic growth is expected to slow, driven by declining household consumption

Looking ahead, those forces which have seen growth moderate recently are likely to see growth weaken further in the near term. The build-up in savings during the pandemic is expected to provide less support for consumers going forward (see Chart 2.12). The national household savings rate is back below its pre-COVID level, despite the lift in the compulsory superannuation guarantee. Reports suggest that excess savings buffers are more likely to belong to older age cohorts, who are less likely to make use of these savings to support spending.

Slowing economic momentum in New South Wales mirrors a slowing underway in the global economy. According to the International Monetary Fund, economic growth in advanced economies is expected to fall to 1.5 per cent this year, from 2.7 per cent in 2022.

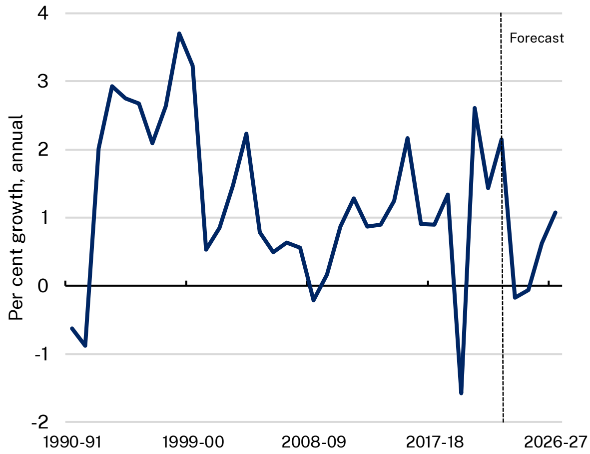
Australia is a relatively small, open economy. Changes in global demand for our goods and services can have significant consequences for domestic growth. New South Wales is particularly exposed to changes in services trade, with almost half of Australia's service exports (including tourism and education) originating in the State. Slowing growth across the State's major trading partners will weigh on domestic exports. Importantly, China, the State's largest trading partner, has experienced a more muted and uneven post-lockdown recovery than expected.

Chart 2.12: NSW nominal household consumption and disposable income



Source: ABS and NSW Treasury

Chart 2.13: NSW real GSP per capita



Source: ABS and NSW Treasury

Our expectation is for a modest slowdown in growth

Several factors prevent a more substantial slowing in household consumption and the broader economy.

Strong population growth, supported by high net overseas migration, will continue to support consumer spending, while also helping to fill job vacancies in the labour market. This strong population growth masks a more significant slowing of the economy on a per capita basis. Per capita GSP is expected to be broadly flat over the next two years (see Chart 2.13). This is the weakest result, excluding the pandemic, since the global financial crisis.

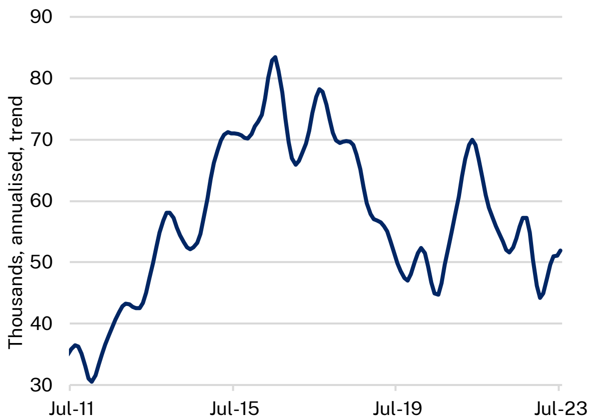
House prices have increased despite higher interest rates. Looking ahead, house prices are expected to be supported by high net overseas migration and relative weakness in new housing supply. This will continue to drive up rents. On balance, this is expected to see modest further growth in Sydney housing prices in the near term.

Despite the strong demand, dwelling investment is expected to be weak in the near term, in line with the softened dwelling approvals earlier in the financial year (see Chart 2.14). In addition, high interest rates, high construction costs and last year's fall in housing prices are expected to hinder projects over the coming year. Further ahead, dwelling investment is expected to gradually recover. This is supported by the stabilisation in dwelling prices and a reduction in interest rates from late 2024.

Business investment intentions suggest that private capital expenditure will stay elevated in the next 12 months, supported by strength in construction activity for electricity generation and transmission (see Chart 2.15). This primarily reflects renewable energy investment as coal-fired power stations are phased out and the private sector takes its own steps towards reducing emissions.

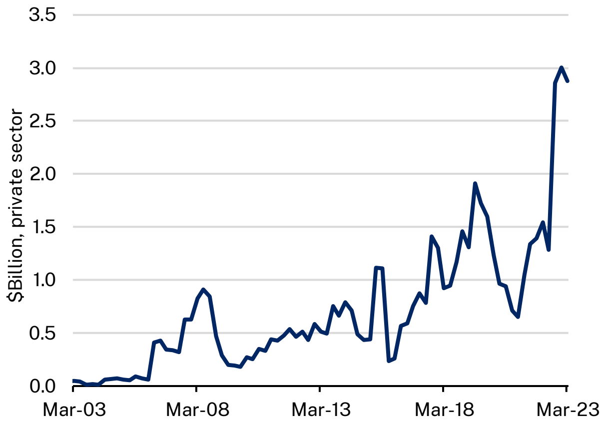
Non-residential building construction, meanwhile, will be supported by the recent strength in commercial and industrial building approvals. By contrast, investment in machinery and equipment will likely ease following the period of significant growth that coincided with Australian Government tax incentives.

Chart 2.14: NSW dwelling approvals



Source: ABS and NSW Treasury

Chart 2.15: NSW value of work yet to be done in electricity generation and transmission



Source: ABS and NSW Treasury

Box 2.3: Housing affordability has been declining and this impacts vulnerable cohorts the most

Housing is a fundamental human need, and foundational to a person's quality of life. It ensures individuals can access employment, infrastructure and services and supports the economy's productive potential.

Housing affordability has declined over the last three decades. Housing costs as a proportion of disposable income have risen since 1994, and demand has consistently outstripped supply. This is felt hardest by the most vulnerable groups. Chart 2.16 highlights that it is those in the lowest income quintile that have seen the biggest increases.

Housing affordability tends to be more of a problem for those under the age of 44, who are more likely to rent. Where they do have a mortgage, individuals are likely to have higher mortgage values and lower savings compared to older cohorts.

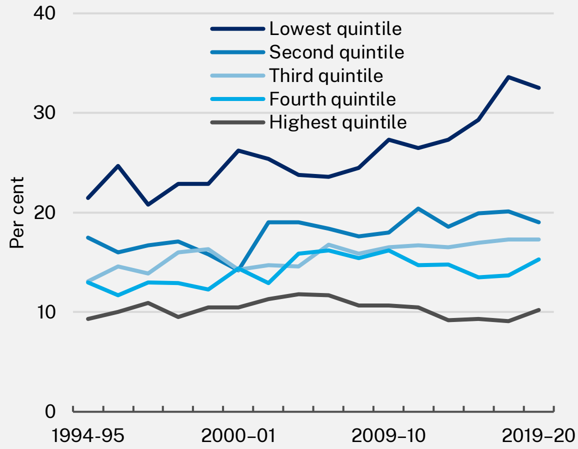
Mortgage holders have been affected by the sharp rise in interest rates since May 2022. Someone who had taken out a variable rate mortgage of $700,000 in April 2022, would have seen their mortgage repayments go up by $17,300 per year.

As seen in Chart 2.17, the cost of servicing a new mortgage is now more than 30 per cent of household income. This is the highest level in real terms since at least 1991, when comparable data became available.

Data from CoreLogic shows that median unit rents in Sydney have also seen significantly high growth, rising by 26.1 per cent since the start of this year, and by 37.3 per cent since February 2020.

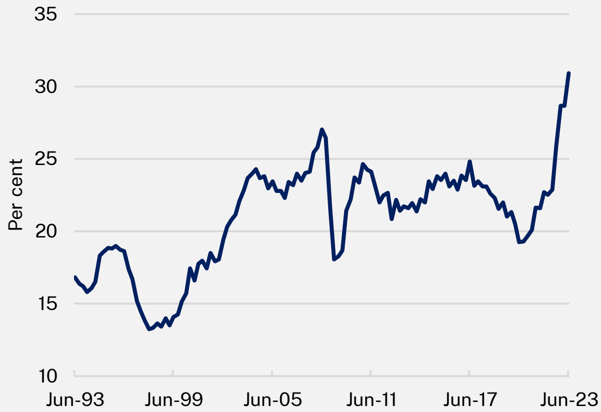
Renters are more likely to experience financial stress compared to individuals who own homes. In New South Wales, the ABS Survey of Income and Housing 2019-20 highlights that more than half of low-income renting households spent over 30 per cent of their income on housing, a greater share than in any other state or territory. Housing stress is also reflected in the 45 per cent surge in priority applicant households on the social housing register between June 2019 to June 2022.

Chart 2.16: *NSW housing costs as a proportion of income by equivalised disposable household income quintiles*



Source: ABS and NSW Treasury

Chart 2.17: *NSW mortgage servicing costs as proportion of income*[(a)]



Source: CoreLogic, RBA, ABS and NSW Treasury

(a) Mortgage repayments on a recently purchased NSW dwelling of median value. Assumes an after-tax income of a dual income household, on average incomes, with a 20 per cent deposit and a variable rate 30-year loan.

The labour market remains crucial

Indicators of near-term demand for labour, such as job advertisements and vacancies, have eased, but still suggest employment will remain robust over coming months. This is expected to help keep the unemployment rate at very low levels.

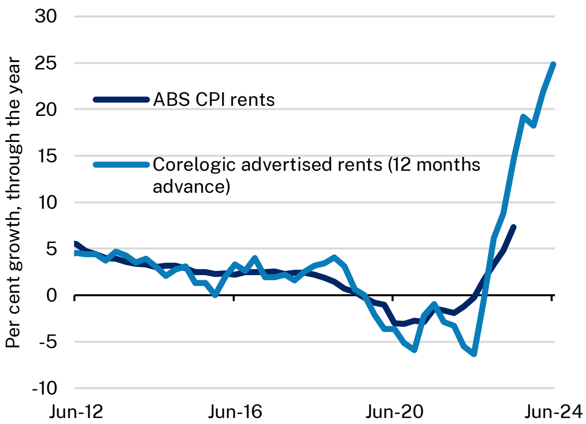
Wages growth is set to increase in the near term in response to a combination of tight labour market conditions, large increases in the minimum and award wages by the Fair Work Commission, and previously announced developments in public sector wages policy.

Nonetheless, global and domestic inflation pressures are expected to ease further over coming quarters. For Australia, headline and trimmed mean inflation are both expected to fall to below 4 per cent by mid-2024, driven by a further softening in global goods inflation. Continued strength in housing rents (see Chart 2.18), which are a large component of the consumer price index, and rising wages growth are expected to see services inflation remain somewhat persistent.

Further out, the slowdown in economic activity, weaker labour productivity and higher wages will weigh on the demand for labour. Employment growth is expected to slow materially in 2024 and remain subdued for some time. This will see the unemployment rate steadily rise to a peak of around 4¾ per cent in early 2025. This is above what NSW Treasury considers to be the rate that is consistent with inflation being steady, often referred to as ‘full employment’ (around 4 per cent, see Chart 2.19). While the increase in unemployment from its currently historically low level is significant, the forecast peak for the unemployment rate remains relatively low by historical standards. For example, it is broadly in line with the unemployment rate prior to the onset of the COVID pandemic, and is lower than the average unemployment rate of 5.2 per cent in the decade prior to the pandemic.

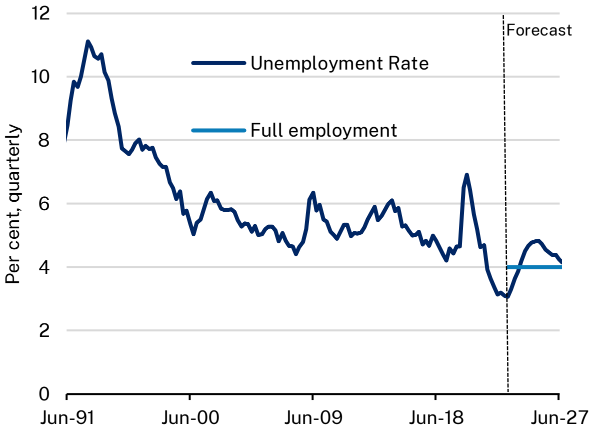
This gradual softening in labour market conditions will see real wages eventually stabilise around levels consistent with anticipated labour productivity. That should help underlying inflation return to within the top of the RBA's target band, although this is currently not expected until mid-2025.

Chart 2.18: Sydney housing rents



Source: CoreLogic, ABS and NSW Treasury

Chart 2.19: NSW unemployment rate



Source: ABS and NSW Treasury

Return of inflation to target will allow for interest rate cuts

The RBA see the expected slowdown in economic growth as necessary to bring inflation back down towards the 2-3 per cent target. NSW Treasury's forecasts assume the RBA increases the cash rate once more in coming months.

Gradual slowing of inflation to target means that the RBA is not expected to start lowering interest rates until late 2024. The cash rate is then expected to fall to its long-run sustainable level (which NSW Treasury estimate to be around 2¾ per cent) by around mid-2026. By that time, lower inflation and interest rates should support a lift in consumer spending, and economic growth that is more consistent with the economy's long-run potential (judged to be around 2¼ per cent). Household consumption will also be supported by the Australian Government's stage 3 tax cuts, which are legislated to commence from 1 July 2024.

The labour market is expected to be a little slower to rebound than economic activity, as firms look to recover some of the losses in labour productivity experienced over the past year. At the national level, gross domestic product per hour worked has fallen nearly 7 per cent since the peak in March quarter 2022. This is the weakest outcome since at least the early 1990s.

2.3 Long-term drivers of growth

The economic forecasts detailed above show that demand in the New South Wales and Australian economies has been so strong that it has been challenging the economy's capacity to provide those goods and services.

The resulting high inflation, and related sharp increase in the cost of living, negatively impacts living standards, particularly for certain groups (see Box 2.2 above). The RBA's stated objective is to lower inflation back to its target to support sustainable economic growth over the medium term. Given this, in the short term, the challenge for governments is to manage cost-of-living pressures, particularly for the most vulnerable, without further boosting demand in the economy.

Beyond the short-term macroeconomic environment, maintaining and lifting economic prosperity for the people of New South Wales requires economic growth that is inclusive and sustainable.

The provision of quality services to all, including health services, education and care, is essential to supporting participation and lifting human capital. This enhances the abilities, skill and experience of the current and future working population, and thereby productivity. Human services are also a critical enabler of quality of life, and health and care services will become increasingly important as the population ages and demand grows. At the same time, high quality early childhood education and care is vital. Not only to the building blocks for social and educational development of children, but as one of the principal policies to tackle barriers to gender equality in working life, and ensuring that we retain vital skills in the workforce.

A society that invests in equal opportunities and access to essential services, including the workforce that provides those services, is a society, and economy, that will prosper over time.

Additionally, the economic implications of a warming climate are expected to grow in real terms and relative to the NSW economy. This features alongside population, workforce participation and productivity as a key structural determinant of long-run economic growth and prosperity. The 2021-22 NSW Intergenerational Report highlights that natural disasters could cost the State between $15.8 billion and $17.2 billion per year on average by 2060-61. In addition, further costs accrue from rising sea levels, heatwaves and the impact of changing climate conditions on agricultural production.

The transition to a low carbon economy will similarly shape our future economy. A slow and disorderly energy transition would lead to higher and more volatile electricity prices. It has been estimated that this would leave our economy 0.9 per cent smaller by 2061.

The potential for future shocks underscores the importance of returning to a sustainable fiscal position, to better ensure the Government is able to respond to protect the people of New South Wales.

2.4 Key risks to the outlook

Risks remain unusually elevated

Risks to the outlook continue to be elevated. These risks are centred on uncertainty around:

- the path of inflation back to central bank targets
- the lagged impact on the economy of the sharp increase in interest rates over the past 18 months.

Increased wages growth against the backdrop of weak productivity might result in inflation remaining more elevated than expected. Climate risks, including a potential El Niño weather event, could lead to higher food prices. Should high inflation become entrenched in the wage and price setting behaviours of households and businesses, central banks may feel compelled to raise rates more than expected, slowing the economy even further to ensure inflation returns to target.

On the other hand, global goods prices might decline more than expected given the lagged impact of earlier rate rises and easing global supply chains. This would allow central banks to potentially return interest rates to more neutral levels earlier than currently envisaged, supporting stronger economic growth over the latter part of the forecast horizon.

The economy may be more susceptible than currently assumed to the increase in interest rates. This could contribute to a sharper decline in household consumption and business activity, and with it a larger rise in unemployment, than is currently expected. This risk would be amplified if housing affordability pressures saw a renewed decline in the housing market.

On the flip side, the expected near-term strength in the labour market may provide further support to house prices, which in turn could support consumer activity via increased household wealth. While this would see growth being stronger than expected in the near term, it could also see inflation remain stickier than expected. Given the RBA’s current outlook for inflation, this may necessitate additional rate increases to slow growth and ensure inflation returns to target. Cost of living pressures may also work in the opposite direction, deterring non-essential spending.

Other global risks include increased uncertainty over the outlook for Chinese growth, which could impact prices and demand for key NSW exports. In addition, geopolitical risks remain elevated. An escalation in Russia’s invasion of the Ukraine could further disrupt commodity markets and supply chains, negatively impacting global economic activity and delaying the return to lower inflation.

3. FISCAL STRATEGY AND OUTLOOK

- In recent years, the State's fiscal position has weakened. Growth in the State's expenses have far outpaced revenues. Expense growth peaked in 2021-22 at 25.0 per cent.
- At the 2023 Pre-election Budget Update, expenses were projected to total over $460 billion across the four years to 2025-26, resulting in five consecutive years of deficits with the largest deficit of $15.3 billion in 2021-22.
- High levels of spending left limited buffers to support the State in the event of a future shock, with the NSW Generations Fund (NGF) returns and the accounting treatment of rail spend through Transport Asset Holding Entity (TAHE) masking an ongoing underlying budget result deficit.
- The State's infrastructure program continued to expand, while high inflation was driving up input prices and the labour market was highly constrained. This has stretched the State's balance sheet, and higher debt has driven up interest expenses.
- Gross debt was expected to increase to $188.2 billion by June 2026 to fund infrastructure and invest in financial assets through the NGF, despite rising interest rates. This would have resulted in interest expenses of $7.0 billion by 2025-26 and net debt peaking at 14.0 per cent of gross state product (GSP) in June 2026.
- The 2023-24 Budget begins the task of repairing the State's fiscal position while delivering on the Government's election commitments to rebuild essential services, support families and provide targeted cost-of-living relief.
- Since the 2023 Pre-election Budget Update, State revenue is forecast to increase by $14.0 billion over the four years to 2026-27, supported by stronger transfer duty, land tax and payroll receipts. The Government has also delivered on the First Home Buyers Assistance Scheme, restructured mining royalties, and invested in increasing tax compliance.
- The Government's Comprehensive Expenditure Review has identified $13 billion in budget improvements, revenue, and reprioritisation measures – which will be reinvested into unfunded programs and essential services.
- As a result, the 2023-24 Budget now projects a deficit of $7.8 billion in 2023-24, before returning to an improved surplus of $844 million in 2024-25.
- Following the Government's Strategic Infrastructure Review, the State's infrastructure program is transitioning towards a more sustainable program that will place additional focus on delivering essential infrastructure. The program is projected to be $116.5 billion across the four years to 2026-27.
- The Government has taken steps to reduce the impact of the NGF and TAHE on the State's balance sheet, with gross debt projected to be $173.4 billion by June 2026, which is $14.8 billion below the 2023 Pre-election Budget Update. Net debt is now projected to peak at 12.6 per cent of GSP by June 2027, around 1.4 per cent lower than at the 2023 Pre-election Budget Update.

3.1 The State's recent fiscal pressures

Over the last four years, elevated levels of expense growth and increased borrowings have created significant budgetary pressures.

The State provided support to households and businesses through the COVID pandemic, with expense growth peaking at 25.0 per cent in 2021-22. However, expenses then remained high relative to historic trends, primarily due to new policy measures.

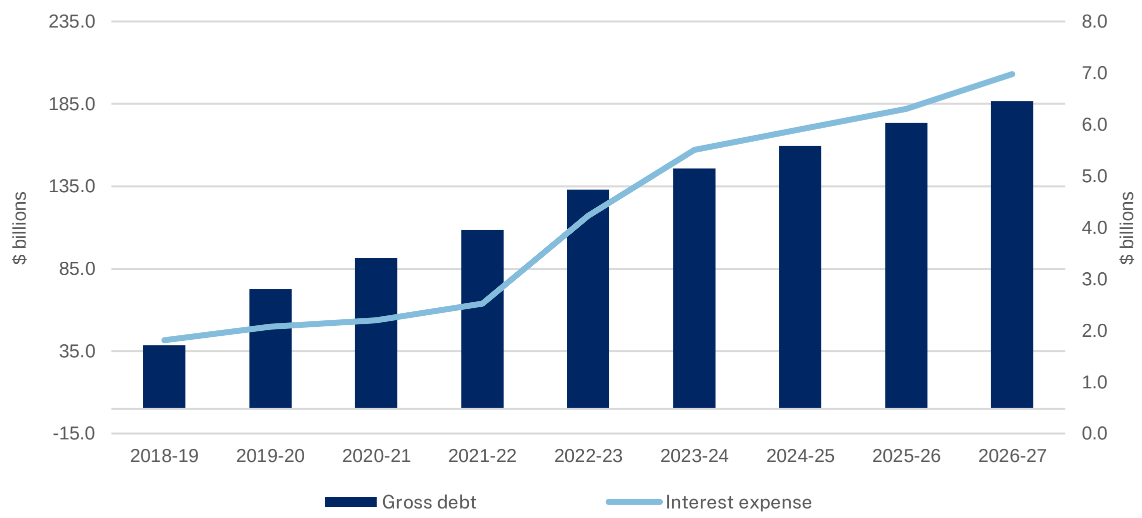
This resulted in significant budget deficits for the four years from 2019-20 to 2022-23, with the State projected to be in deficit again in 2023-24.

The rapidly escalating cost of the State's infrastructure program and relatively high levels of expenses have also greatly impacted the State's borrowing trajectory. General government gross debt has grown from $38.7 billion in June 2019 to $132.9 billion in June 2023.

The surge in debt issuance has also increased the State's exposure to interest rate and refinancing risks. Higher inflation has led to the Reserve Bank of Australia raising the cash rate 12 times since May 2022. This has increased the cost of servicing government debt, contributing to higher interest expenses. Additional borrowings to fund recent deficits have further driven up interest expenses, which are projected to cost $5.5 billion in 2023-24 alone.

The uncertain economic outlook (see Chapter 2 The Economy) is contributing to a volatile fiscal environment, with high inflation and the slowdown of the growth in the State economy remaining key issues in the medium-term.

Chart 3.1: General government gross debt and interest expense



3.2 Stabilising the State's fiscal position

The Government is committed to a more sustainable fiscal position, while balancing the delivery of targeted cost-of-living relief and bolstering essential services for the people of New South Wales.

This Budget introduces two key fiscal principles to guide the State's fiscal strategy:

- returning to, and then maintaining, a sustainable operating position
- stabilising and then maintaining a sustainable debt position.

More prudent management of the State's finances will help ensure recent deficits do not become entrenched, debt levels remain sustainable and interest expenses remain manageable.

Taxation revenue has increased by $17.6 billion over the four years to 2026-27 since the 2023 Pre-election Budget Update, principally driven by upward revisions to transfer duty, land tax and payroll tax. The strength in the NSW property market has resulted in a significant upwards revision to transfer duty and land tax of $9.5 billion and $4.9 billion respectively over the four years to 2026-27. Payroll tax has also been revised upward by $2.8 billion over the four years to 2026-27 since the 2023 Pre-election Budget Update, driven by strong demand in the labour market and rising wages. The Government has taken a restrained fiscal approach by directing some of the revenue improvement since the 2023 Pre-election Budget Update to the State's bottom line, helping rebuild the State's fiscal buffers.

The Government's Comprehensive Expenditure Review has identified $13.0 billion in budget improvement and reprioritisation measures over the five years to 2026-27.

This is comprised of $6.4 billion in budget improvement measures (including non-tax revenue measures) and $6.6 billion in reprioritisation and reprofiling measures. The savings and offsets are being directed to priority investments to support rebuilding essential services and the provision of further cost-of-living relief (see Box 5.1).

The Strategic Infrastructure Review has also helped guide the Government's infrastructure program back towards more sustainable levels by 2026-27 (see Box 3.2 for more information).

The Government has also taken steps to improve transparency in budget reporting by addressing legacy issues associated with the NGF and TAHE.

In this Budget, the budget result is presented with and without the net impact of the NGF. When the impact of the NGF is removed, the budget projects a small underlying deficit of $53 million in 2024-25, highlighting the need for continued fiscal discipline. See Box 3.1 for further information.

TAHE will transition from its current operating model as a statutory State-Owned Corporation to operating as a non-commercial public non-financial corporation. The new model will reform TAHE and eliminate some intra-government transactions that were required under the previous operating model This model lowers net debt by $4.3 billion in 2026-27.

Stabilising debt is critical to taking pressure off the State's interest expenses and avoiding further downgrades in the State's credit rating. Net debt is projected to peak at 12.6 per cent of GSP by June 2027, 1.4 per cent below the highest 2023 Pre-election Budget Update forecast of 14.0 per cent by June 2026. This pathway to fiscal sustainability will continue without privatising public assets.

The State's credit rating is reviewed by three credit rating agencies: Moody's, Fitch Ratings, and S&P Global. The State currently maintains a triple-A credit rating with Moody's and Fitch Ratings and a double-A plus rating with S&P Global (as of December 2021). For further information see Appendix E Performance and Reporting under the Fiscal Responsibility Act 2012.

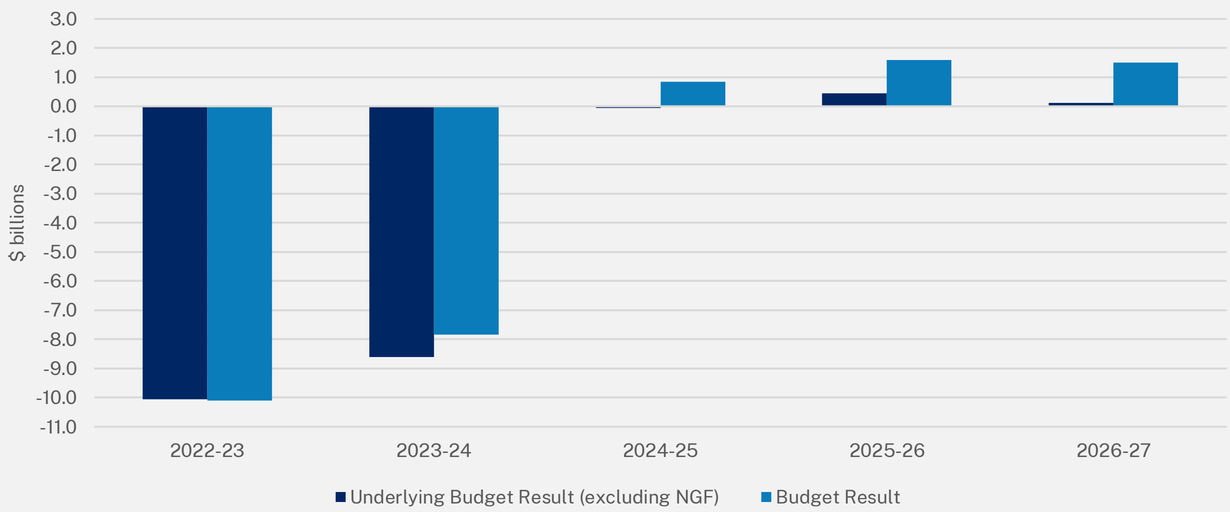
Box 3.1: Responsible, transparent financial management

Transparent budgeting supports better fiscal outcomes by allowing for greater accountability in the use of public funds. In recent years, as new initiatives such as the NGF and TAHE introduced additional complexity into the budget. As such, the need for improved transparency in budget reporting has increased.

This Budget includes improved reporting on the NGF, which was established in 2018. Legislation requires that NGF investment returns are used for debt retirement, meaning they are not available for general operating expenses.

To improve transparency around the State's operating position and better inform decision making, the 2023-24 Budget is reporting the general government budget result with and without the net impact of the NGF's investment returns (see Chart 3.2). This provides a better indication of the underlying sustainability of the Government's operating position, highlighting the need for a tighter fiscal policy stance moving forward.

Chart 3.2: General government budget result without the NGF net investment returns



3.3 The State's operating position remains challenging

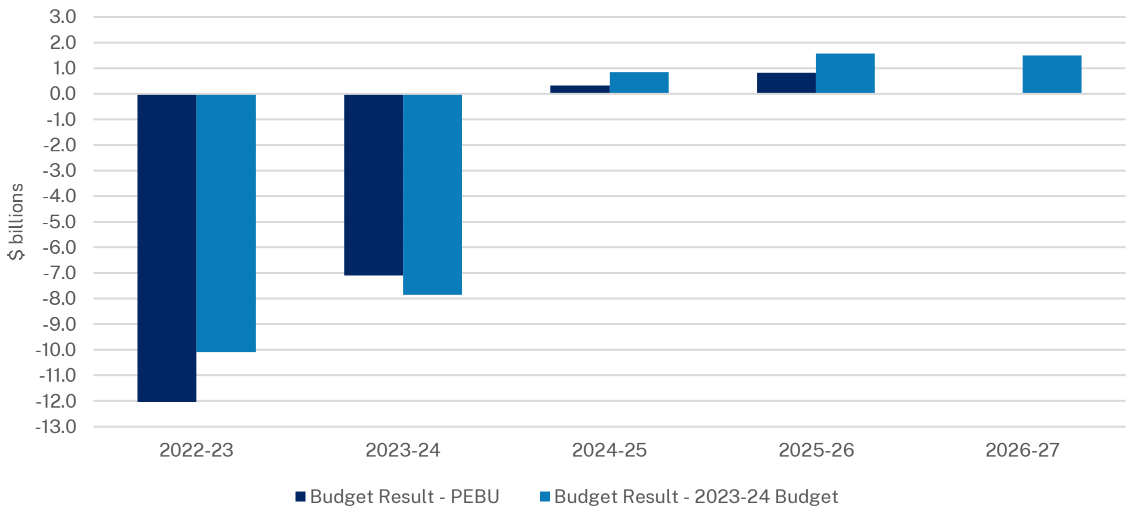
The State's overall financial performance has improved since the 2023 Pre-election Budget Update, with improvements to the projected surplus, gross debt and net debt across the forward estimates to 2026-27.

The State's projected return to surplus remains challenging. This Budget projects a deficit of $7.8 billion in 2023-24, a $740 million deterioration since the 2023 Pre-election Budget Update driven in part by increased grants expenses for Natural Disaster Relief and funding the full cost of several unfunded programs and policies.

The Budget is projected to return to surplus in 2024-25, revised up by $516 million to $844 million since the 2023 Pre-election Budget Update. Improved surpluses are forecast across the remainder of the forward estimates as the Government sees some of the revenue improvement since the 2023 Pre-election Budget Update flow through to the State's bottom line (see Chart 3.3).

Furthermore, the Government is projected to return to a net cash operating surplus in 2023-24 and maintain surpluses across the forward estimates. This means the Government is no longer borrowing to fund its operating expenses. See Chapter 6 Managing the State's Assets and Liabilities for more reporting on the State's cash operating position.

Chart 3.3: General government budget result, relative to the 2023 Pre-election Budget Update



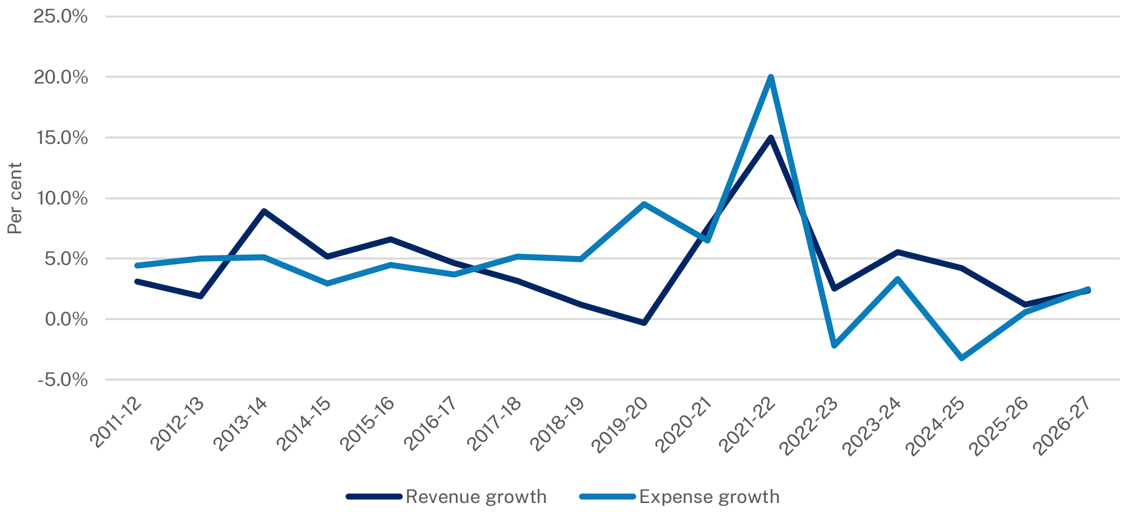
Expense and revenue growth projections to 2026-27

One indicator of a sustainable operating position is expense growth remaining in line with revenue growth. In this Budget, expense growth is projected to moderate to 2.5 per cent in 2026-27. This is lower than the long-term average revenue growth rate of around 5.6 per cent.

In this Budget, revenue growth is projected to moderate to 2.4 per cent by 2026-27 (See Chapter 4 Revenue for detailed analysis). This is significantly lower than the long-term average growth rate. However, by bringing expense and revenue growth back into line, the Government has been able to begin rebuilding the State's fiscal buffers.

Chart 3.4 shows the long-term trends in general government revenue and expense growth.

Chart 3.4: General government revenue and expense growth[(a)]



(a) Expense growth increased substantially in 2021-22 to 25.0 per cent. The changes in expense growth thereafter should be considered with respect to the effective rebasing of expenses to the elevated levels in 2021-22. In the absence of this context, the smaller increases in expenditure year on year following the spike in 2021-22 do not completely convey the elevated levels of expenditure which are persisting across the forward estimates.

Table 3.1 shows a reconciliation of the Budget Result movements between the 2022-23 Budget and this Budget. Further details of revenue and expense movements are set out in Chapter 4 Revenue and Chapter 5 Expenditure.

Table 3.1: Reconciliation of 2022-23 Budget to 2023-24 Budget[(a)]

	2022-23 Revised $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m
Budget result: 2022-23 Budget	(11,260)	(2,796)	601	1,431	N/A
Changes from the 2022-23 Budget to 2023 Pre-election Budget Update					
Revenues	1,627	1,876	3,683	2,748	N/A
Expenses	2,397	6,187	3,956	3,356	N/A
Total budget result impact	(770)	(4,311)	(273)	(607)	
Budget result: 2023 Pre-election Budget Update	(12,031)	(7,107)	328	824	N/A
Changes from the 2023 Pre-election Budget Update to 2023-24 Budget					
Revenues	927	3,803	3,524	3,013	N/A
Expenses	(1,000)	4,543	3,008	2,256	N/A
Total budget result impact	1,927	(740)	516	758	N/A
Budget result: 2023-24 Budget	(10,104)	(7,847)	844	1,582	1,508

(a) Positive amounts reflect a positive impact on the budget result e.g., an increase in revenue or a decrease in expenses.

3.4 Delivering the Government's essential infrastructure plan

In this Budget, the Government has begun the work of prioritising infrastructure spend toward essential services and supporting the development of new housing supply. The State's infrastructure program has increased significantly in recent years and infrastructure spending for the four years from 2023-24 to 2026-27 is projected to be $116.5 billion.

Funding for the capital program is comprised of State funding, public-non-financial corporations sources, such as own source revenue, and Australian Government grants. The majority of State funding is provided through borrowings, with approximately 63 per cent of the infrastructure program from 2022-23 to 2026-27 projected to be funded by borrowings. This is down from approximately 80 per cent debt funding of the infrastructure program at the 2023 Pre-election Budget Update.

Borrowings incur interest expenses, and the cost for new and refinanced borrowings has grown significantly in the current climate of higher interest rates. The Government's interest expenses over the forward estimates are expected to reach $7.0 billion in 2026-27.

Box 3.2 provides more information on the Government's infrastructure review.

Box 3.2: A long-term fiscally responsible approach to the State's infrastructure program

In recent years, the State's infrastructure program has continued to expand, while high inflation was driving up input prices and market capacity was highly constrained. The State has seen record levels of capital slippage (e.g., $6.8 billion in 2022-23). The program has stretched the State's balance sheet, with the 2023 Pre-election Budget Update projecting gross debt to rise to $188.2 billion by June 2026 and interest expenses to $7.0 billion by 2025-26.

In April 2023, the Government commissioned an independent expert, Ken Kanofski, to undertake a review of the State's infrastructure program – the Strategic Infrastructure Review. The Review was commissioned in response to significant challenges facing the NSW infrastructure program, driven by substantial cost escalation, the ongoing impacts of COVID and the need for a fairer distribution of investment.

The Review was tasked with identifying infrastructure projects and programs that should no longer proceed, be delayed or de-scoped, to get the State's infrastructure pipeline back on stable footing.

Following the Review, the Government has agreed to delay or descope projects worth more than $2.5 billion, including:

- the Great Western Highway Duplication
- Ultimo Powerhouse Museum
- the Fast Rail Program
- Wyangala Dam Wall Raising and the New Dungowan Dam and pipeline augmentation.

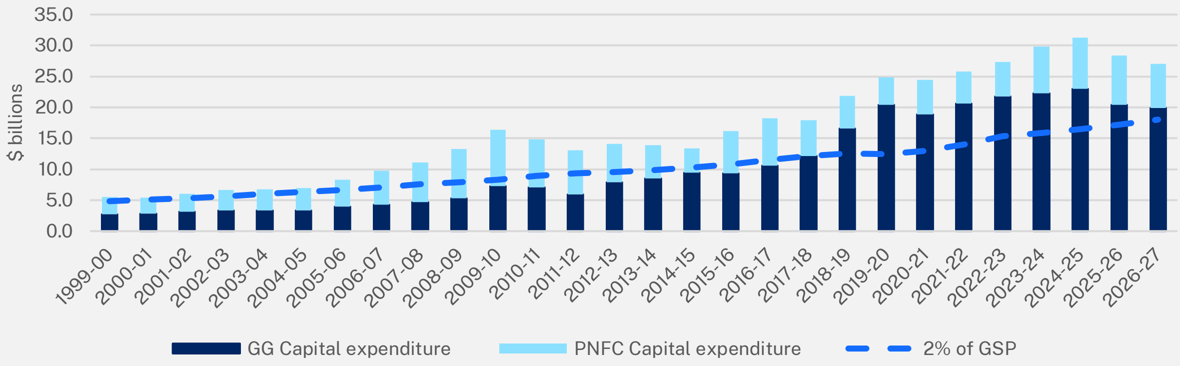
As a result of reprioritised funding, the NSW Government has been able to increase investment in new and upgraded schools, hospitals and public transport infrastructure without the privatisation of public assets.

The Review also recommended more coordinated decision making for future infrastructure investment, stronger central oversight and coordination of the infrastructure program, and to strengthen the alignment between infrastructure planning and housing completions.

The Government will review and streamline the business case and planning processes to ensure that the State's finite resources are being directed toward developing the highest priority proposals that demonstrate strong value for money.

The Government's ambition is for an ongoing infrastructure program that is fair, sustainable and well targeted to deliver the essential services communities need. Through this Budget, the Government is taking its first steps to achieve a more sustainable level of spending of around 2 per cent of GSP by 2026-27 and contribute to stabilising debt (see Chart 3.5).

Chart 3.5: Infrastructure program as a per cent of GSP



4. REVENUE

- Estimated State revenue has been revised up by $14.0 billion over the four years to 2026-27 since the 2023 Pre-election Budget Update. This upward revision includes a net $1.5 billion of policy-driven changes. The key drivers of the revisions to estimated revenue are improvements in the property market resulting in higher transfer duty and land tax, and growth in employment and wages driving stronger payroll tax.
- The First Home Buyers Assistance Scheme has been expanded, which will reduce transfer duty paid by first home buyers. The Government has also closed off access to First Home Buyer Choice.
- Coal royalty rates will increase from 1 July 2024 following the end of the Coal Market Price Emergency declaration. Higher royalty rates will ensure that New South Wales receives a fair return on its natural resources to support fiscal repair and rebuild essential services.
- The Government is implementing increased casino duty rates and has reached an agreement with The Star casino that guarantees jobs and commits to cashless gaming. A transitional levy will apply until 30 June 2030 accompanied by a jobs guarantee from The Star. Further rate changes will come into effect from 1 July 2030.
- From 1 January 2024 the stamp duty exemption on electric vehicles (EVs) will cease, with spending redirected to programs that will improve access to EVs and more effectively promote uptake.
- The Government will also introduce legislation to correct the operation of the land tax thresholds indexation system from the 2024 land tax year.

4.1 Revenue

General government sector revenue is projected to increase by 5.8 per cent in 2023-24 to be $112.4 billion. This is $3.8 billion higher than forecast at the 2023 Pre-election Budget Update. This revision is largely due to improvements in the property market driving stronger transfer duty revenue. The State's revenue is expected to grow at an average annual rate of 3.4 per cent over the four years to 2026-27 (Table 4.1).

Chart 4.1: Composition of total revenue, 2023-24

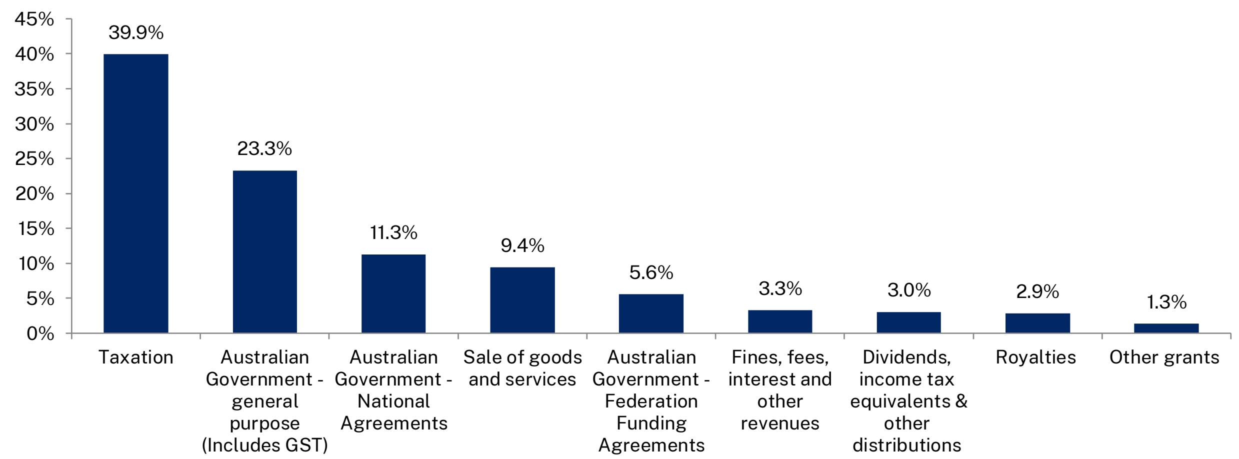


Table 4.1: General government sector – summary of revenue and its components

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward Estimates $m	2025-26 Forward Estimates $m	2026-27 Forward Estimates $m	% Average growth p.a. 2022-23 to 2026-27
Revenue from transactions							
Taxation	39,007	39,861	44,862	46,474	47,737	49,297	5.5
Grant revenue (including GST)	44,887	45,572	46,617	48,317	48,497	49,213	1.9
Sale of goods and services	9,451	9,705	10,603	10,744	10,433	10,591	2.2
Interest income	262	545	504	434	386	449	(4.7)
Dividends and income tax equivalents from other sectors	454	612	752	816	1,116	1,212	18.6
Other dividends and distributions	2,442	1,467	2,637	3,285	3,684	4,102	29.3
Royalties	3,709	4,658	3,216	3,718	3,304	3,026	(10.2)
Fines, regulatory fees and other revenues	3,273	3,751	3,189	3,520	3,549	3,681	(0.5)
Total revenue	**103,486**	**106,171**	**112,379**	**117,307**	**118,706**	**121,571**	**3.4**
Annual change	*17.6%*	*2.6%*	*5.8%*	*4.4%*	*1.2%*	*2.4%*	

Over the four years to 2026-27, forecast revenue is expected to be $14.0 billion higher than forecast at the 2023 Pre-election Budget Update.

The main drivers of this upward revision are:

- property market – strength in property transactions and prices has increased transfer duty by $9.5 billion. Land tax is also expected to be $4.9 billion higher due to higher land values
- labour market – resilient employment outcomes and strong wages growth has driven payroll tax revenue to be $2.8 billion higher over the four years to 2026-27.

These upward revisions are partially offset by significant downgrades to both GST revenue due to weaker national household consumption and mineral royalties following further declines in the thermal coal price.

Table 4.2: Revenue reconciliation

	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward Estimates $m	2025-26 Forward Estimates $m	2026-27 Forward Estimates $m	Four years to 2026-27 $m
Revenue - 2023 Pre-election Budget Update	**105,244**	**108,577**	**113,783**	**115,693**	**117,906**	**455,958**
Policy changes since 2023 Pre-election Budget Update						
Revenue measures	(19)	154	1,411	1,340	1,238	**4,143**
Revenue related to expense and capital measures	599	168	(1,254)	(572)	(984)	**(2,641)**
Total policy measures	**581**	**322**	**158**	**768**	**254**	**1,502**
Parameter changes since 2023 Pre-election Budget Update						
Taxation						
Payroll tax	412	638	564	589	685	**2,477**
Transfer duty	572	4,485	2,008	874	1,459	**8,826**
Land tax	(39)	329	883	1,573	1,765	**4,549**
Motor vehicle stamp duty	61	109	82	65	67	**324**
Motor vehicle weight tax	80	53	83	118	143	**396**
Casino	(15)	(42)	(41)	(41)	(38)	**(162)**
Property Tax	(5)	9	9	8	8	**33**
Other taxes	0	(210)	(24)	(69)	(63)	**(366)**
Grant revenue						
GST	(183)	(101)	25	(610)	(1,223)	**(1,909)**
National Agreement payments	(88)	(58)	(74)	(96)	53	**(175)**
Federation Funding Agreement payments	1,652	942	279	(303)	(416)	**502**
Other grant revenue	(130)	(693)	(1)	68	174	**(452)**
Sale of goods and services	(867)	(213)	519	534	655	**1,496**
Interest income	19	(8)	(14)	(66)	(0)	**(88)**
Dividends and income tax equivalents	(72)	(15)	67	70	352	**475**
Other dividends and distributions	(765)	(660)	(342)	(267)	(100)	**(1,369)**
Royalties	(829)	(1,202)	(659)	(266)	(134)	**(2,261)**
Fines, regulatory fees and other revenues	542	118	3	63	24	**208**
Total parameter changes and other variations	**346**	**3,481**	**3,366**	**2,245**	**3,411**	**12,504**
Total changes since 2023 Pre-election Budget Update	**927**	**3,803**	**3,524**	**3,013**	**3,666**	**14,006**
Revenue – 2023-24 Budget	**106,171**	**112,379**	**117,307**	**118,706**	**121,571**	**469,964**

4.2 Revenue measures since the 2023 Pre-election Budget Update

Revenue measures since the 2023 Pre-election Budget Update are forecast to increase revenue by $154.0 million in 2023-24 and by $4.1 billion over the four years to 2026-27.

Expenditure and capital decisions (with an indirect impact on revenue) are forecast to have a net negative impact of $2.6 billion over the four years to 2026-27. This is primarily due to reduced revenue from the transition of the Transport Asset Holding Entity (TAHE) from its current operating model as a statutory State Owned Corporation (SOC) to operating as a non-commercial public non-financial corporation (PNFC).

Key revenue decisions since the 2023 Pre-election Budget Update are set out below.

Increased coal royalty rates

The Government will increase coal royalty rates from 1 July 2024. This measure will contribute to fiscal repair and ensure that New South Wales receives a fair return on its natural resources in the current market environment of persistently high coal prices. This measure is estimated to increase coal royalties revenue by $2.7 billion over the four years to 2027-28. For more information see Box 4.4.

Expansion of the First Home Buyers Assistance Scheme

The Government has delivered on its commitment to expand the First Home Buyers Assistance Scheme. The expansion of the First Home Buyers Assistance Scheme is set to deliver an estimated $998.2 million saving for first home buyers over the four years to 2026-27.

Since 1 July 2023, first home buyers who sign contracts to purchase a home have had access to higher stamp duty exemption or concession thresholds under the First Home Buyers Assistance Scheme. First home buyers purchasing a new or existing home can benefit from a full stamp duty exemption for purchases up to $800,000 or receive a stamp duty concession for purchases between $800,000 and $1 million.

Under the former Government's First Home Buyer Choice, eligible first home buyers did not have to pay stamp duty but were required to pay an annual property tax. From 1 July 2023 this scheme was closed off to new applicants, saving $660.0 million over the four years to 2026-27. First home buyers who signed contracts before 1 July 2023 and opted into First Home Buyer Choice have been grandfathered and will continue to pay the annual property tax until they sell their property.

Tax integrity and fairness measures

Duty relief on corporate reconstructions will change. The transfer of assets between the members of a single corporate group for the purpose of restructuring is exempt from transfer duty under certain circumstances. This exemption for corporate reconstructions will be replaced with concessional duty charged at 10 per cent of the duty otherwise payable, applying to transactions occurring on or after 1 February 2024.

Additional integrity measures include changes to the minimum ownership requirement for the principal place of residence exemptions, reducing the threshold for the acquisition of a significant interest in a private unit trust, increases to fixed or nominal duty and clarifying the grounds for the remission of interest.

Additional compliance investments for payroll tax, land tax and transfer duty

The Government is making additional investments in the compliance systems of Revenue NSW. This is expected to increase payroll tax revenue by $337.0 million, land tax revenue by $225.5 million and transfer duty revenue by $87.5 million over the four years to 2026-27.

Removal of stamp duty exemption and rebate for certain vehicles

From 1 January 2024, stamp duty exemptions and rebates for the purchase of EVs will cease. The liability for the Road User Charge (RUC) will also change so that all zero and low-emissions vehicles (including plug-in hybrids) registered for the first time or transferred from 1 January 2024, will be liable to pay the RUC from the earlier of 1 July 2027 or when EVs amount to 30 per cent of new vehicle sales. Taking account of delivery delays, transitional arrangements will preserve the stamp duty exemptions and rebates for people who contract to purchase an EV before 1 January 2024.

The Government is implementing this change to redirect spending to programs that more effectively encourage uptake of EVs. Savings of $260 million will be used to implement the revised EV Strategy.

Revision of casino duty rates

Casino duty rates announced by the former Government in December 2022 have been revised. Details of the changes are in Box 4.1. Relative to the revenue forecast under those duty rates, the changes are expected to decrease revenue by $432.0 million over the four years to 2026-27.

Corrections to the operation of the land tax thresholds system

The Government will revise the operation of the land tax thresholds system, with effect from the 2024 land tax year.

An anomaly in the land tax indexation formula and an error in calculations underpinning the 2021 land tax threshold have produced higher than intended land tax thresholds for the last three land tax years. This has resulted in under-collection of land tax of around $250 million.

Amending legislation will revise the indexation formula and ensure the NSW Valuer General can determine the correct land tax threshold for the 2024 land tax year. The Government will also allow more time for the NSW Valuer General to gazette the land tax thresholds, moving the due date from 15 October to the first Friday of December from the 2023 calendar year.

This measure does not recoup past under-collections but seeks to ensure that the error is not repeated and the land tax base is not eroded. This correction is estimated to increase land tax revenue by $250.5 million over the four years to 2026-27.

Free parking at all rural and regional public hospitals

From 1 August free parking was implemented at rural and regional NSW public hospitals for all patients, staff and visitors on an ongoing basis. This is expected to reduce revenue by $19.0 million over the four years to 2026-27.

Remove ticket fees for New Year's Eve Fireworks

The Government will open up government-owned sites around the Sydney Harbour foreshore to the public this New Year's Eve for free, lowering revenue from ticket sales.

Other revenue measures

Other more minor revenue measures include a range of price and fee adjustments to improve cost recovery.

Table 4.3: New revenue measures

	2023-24 $m	2024-25 $m	2025-26 $m	2026-27 $m	Four years to 2026-27 $m
Increased coal royalty rates	...	886.5	784.4	716.0	**2,386.9**
Expansion of the First Home Buyers Assistance Scheme	(229.2)	(231.0)	(272.0)	(266.0)	**(998.2)**
Tax integrity and fairness measures	124.5	256.0	289.0	289.0	**958.5**
Closing off access to First Home Buyer Choice	88.0	179.7	203.7	188.6	**660.0**
Additional compliance investments for payroll tax, land tax and transfer duty	140.0	200.0	200.0	110.0	**650.0**
Removal of Electric Vehicle Stamp Duty Exemption and Rebate	37.1	111.2	140.8	208.9	**498.0**
Revision of casino duty rates	(96.0)	(101.0)	(114.0)	(121.0)	**(432.0)**
Corrections to the operation of the land tax thresholds system	68.6	59.2	60.0	62.7	**250.5**
Free parking at all rural and regional public hospitals	(4.5)	(4.7)	(4.8)	(5.0)	**(19.0)**
Remove ticket fees for NYE Fireworks	(3.2)	(3.3)	(3.4)	(3.4)	**(13.3)**
Other revenue measures	28.7	58.6	55.9	58.1	**201.3**
Total - Revenue measures	**154.0**	**1,411.2**	**1,339.6**	**1,237.9**	**4,142.7**

4.3 Taxation revenue

Taxation revenue is expected to be $44.9 billion in 2023-24 (see Table 4.2), which is $5.5 billion higher than forecast at the 2023 Pre-election Budget Update. Over the four years to 2026-27, taxation revenue has been revised upwards by $17.6 billion. The upgrade to taxation revenue is largely due to improvements in transfer duty revenue driven by the stronger-than-expected recovery in the property market and stronger payroll tax revenue due to continued strength in the labour market.

Table 4.4: General government sector – summary of taxation revenue

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward Estimates $m	2025-26 $m	2026-27 $m	% Average growth p.a. 2022-23 to 2026-27
Stamp duties							
Transfer duty	14,356	9,712	11,737	11,798	11,902	12,196	5.9
Insurance	1,318	1,465	1,559	1,649	1,745	1,847	6.0
Motor vehicles	939	1,076	1,149	1,200	1,259	1,331	5.5
Other	2	0	0	0	0	0	17.2
	16,615	**12,253**	**14,445**	**14,648**	**14,906**	**15,374**	**5.8**
Payroll tax	**9,069**	**11,665**	**12,654**	**13,168**	**13,955**	**14,769**	**6.1**
Taxes on land							
Land tax	4,838	5,999	6,948	7,300	7,129	6,941	3.7
Property tax	-	2	16	15	14	13	60.5
	4,838	**6,001**	**6,965**	**7,315**	**7,143**	**6,954**	**3.8**
Taxes on motor vehicle ownership and operation							
Weight tax	2,478	2,682	2,998	3,263	3,477	3,660	8.1
Vehicle transfer fees	50	53	56	60	62	65	5.0
Other motor vehicle taxes	38	45	48	52	55	58	6.8
	2,566	**2,780**	**3,101**	**3,375**	**3,594**	**3,782**	**8.0**
Gambling and betting taxes							
Racing	256	371	395	418	439	459	5.5
Club gaming devices	633	939	921	947	973	999	1.6
Hotel gaming devices	824	1,293	1,337	1,445	1,555	1,670	6.6
Lotteries and lotto	578	561	516	530	544	558	(0.1)
Casino	129	195	235	249	254	265	8.0
Other gambling & betting	10	17	18	19	20	21	6.4
	2,431	**3,374**	**3,421**	**3,608**	**3,784**	**3,972**	**4.2**
Other taxes and levies							
Health insurance levy	263	236	253	268	286	304	6.5
Parking space levy	102	95	102	107	111	114	4.6
Emergency services levy contributions	909	1,171	1,392	1,334	1,205	1,178	0.1
Emergency services council contributions	186	220	211	191	187	189	(3.7)
Waste and environment levy	719	873	894	940	971	998	3.4
Government guarantee fee	321	324	390	458	500	537	13.5
Private transport operators levy	47	67	70	76	83	89	7.5
Pollution control licences	18	19	18	18	18	18	(1.3)
Other taxes	923	783	946	967	995	1,020	6.8
	3,487	**3,789**	**4,277**	**4,360**	**4,355**	**4,447**	**4.1**
Total taxation revenue	**39,007**	**39,861**	**44,862**	**46,474**	**47,737**	**49,297**	**5.5**
Annual change	*13.4%*	*2.2%*	*12.5%*	*3.6%*	*2.7%*	*3.3%*	

Payroll tax

A resilient labour market and rising wages have resulted in a $2.8 billion upgrade to payroll tax revenue over the four years to 2026-27 compared to the forecast in the 2023 Pre-election Budget Update. Additional compliance activity is also expected to contribute an additional $337.0 million over the four years to 2026-27. With the demand for labour showing tentative signs of easing, payroll tax growth is expected to moderate over the forward estimates.

Transfer duty

The outlook for the property market has improved considerably since the 2023 Pre-election Budget Update, increasing transfer duty revenue by $9.5 billion over the four years to 2026-27. A cyclical recovery in transaction volumes has supported rising prices, despite higher interest rates.

Residential transactional activity has increased sooner than expected at the 2023 Pre-election Budget Update (see Chart 4.2). Strong momentum in transaction volumes is expected to continue in the near term. This is a result of property owners, who had delayed the decision to transact, re-entering the property market as interest rate expectations start to stabilise.

Having fallen sharply in 2022, residential property prices have increased by 8.8 per cent since January 2023. Despite affordability pressures, property prices have been elevated by low listings, strong population growth and a low rental vacancy rate. Looking ahead, the pace of property price growth is forecast to be more subdued. Residential property prices are expected to increase by 2.3 per cent each year on average over the forward estimates.

Chart 4.2: Residential property transactions (seasonally adjusted; quarterly)

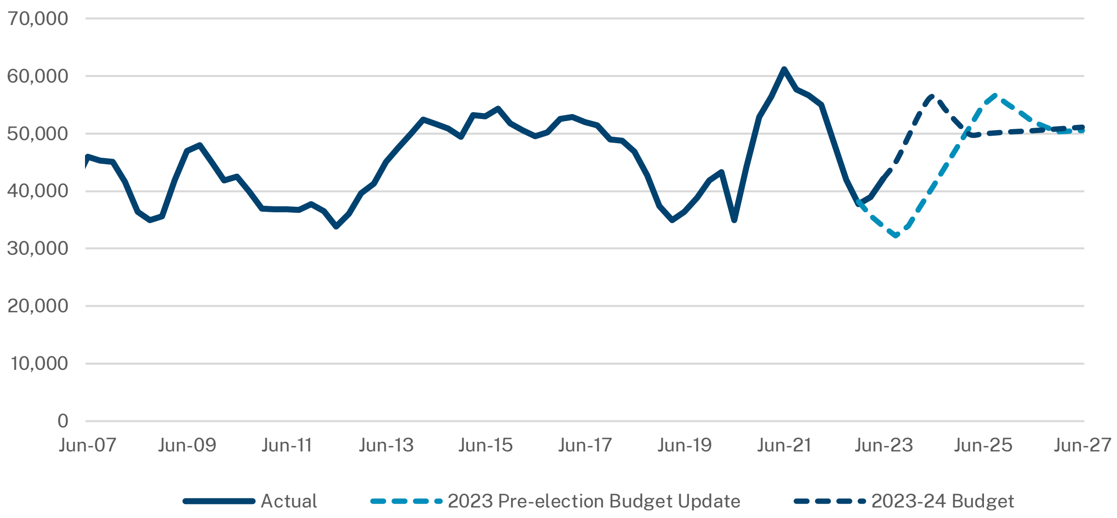
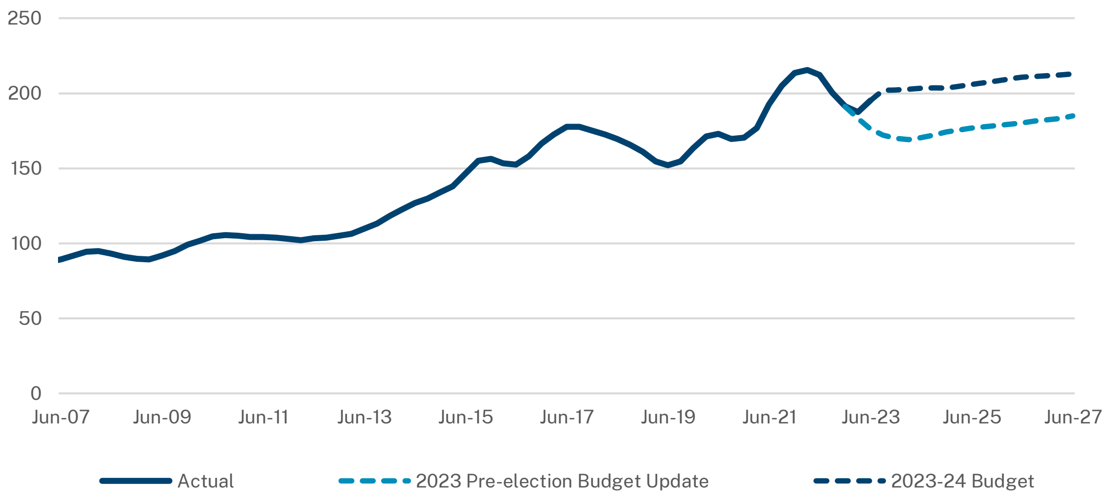


Chart 4.3: Sydney hedonic dwelling price index (quarterly)



Land tax

Land tax revenue is forecast to be $6.9 billion in 2023-24, $446.9 million above previous expectations. Over the four years to 2026-27, land tax revenue is forecast to be $4.9 billion higher than expected at the 2023 Pre-election Budget Update. This uplift is due to expectations for higher land values following the recent recovery in property prices. In addition, corrections to the operation of the land tax thresholds are estimated to increase land tax revenue (see Section 4.2 above). This is partially offset by an estimated reduction in land tax of $85.0 million per year from 2024-25 due to the decision to transition TAHE from a SOC to a non-commercial PNFC. As part of the transition, TAHE will no longer be subject to land tax on land used for railway purposes.

Gambling and betting taxes

Gambling tax revenue is forecast to be $3.4 billion in 2023-24. This is $346.8 million lower than forecast at the 2023 Pre-election Budget Update. Over the four years to 2026-27, forecast gambling tax revenue has been revised down by $1.5 billion. This reflects lower gaming machine activity in both clubs and hotels, a more subdued outlook for Sydney's casinos and lower casino tax rates.

The recent announcement by the Government to revise the casino tax rates announced in the 2022-23 Half-Yearly Review contributes $432.0 million to the downgrade in forecast casino duty over the four years to 2026-27. For further discussion on the impact of the Government's casino tax rate changes, please refer to Box 4.1 below.

Box 4.1: Changes to casino tax rates to ensure an orderly transition for casino operators

In December 2022 the former Government announced increases to casino tax rates. Subsequent Treasury analysis of The Star's financial situation indicated those previously announced rates could threaten The Star's ongoing financial viability.

In August 2023 the Government announced revised casino duty rates, to deliver an increase in tax revenue that is consistent with The Star's ongoing viability. This agreement has been made on the basis of a jobs guarantee that will provide protection for more than 3,000 jobs over the next six years. As part of this agreement, The Star has also agreed to contribute to the industry transition to cashless gaming.

Increased table game duty rates

The Star will pay increased duty on table games, with effect from 1 July 2023. The revised table game rates are 12.5 per cent for rebate play and 20.25 per cent for non-rebate play. A rebate player is a premium gambler who does not live in New South Wales.

The final gaming machine tax rates will deliver the same effective rates as Victoria.

The duty rate for The Star's gaming machines is currently 20.91 per cent, rising to 21.91 per cent from 1 July 2024, and then to 22.91 per cent from 1 July 2027. From 1 July 2030, the following marginal duty rates will be applied to electronic gaming machines:

Monthly Average Revenue (applied per gaming machine)	Tax Rate (excluding GST)
Less than $2,666	0.0 per cent
$2,666 or more and less than $6,667	37.6 per cent
$6,667 or more and less than $12,500	42.1 per cent
$12,500 or more	51.6 per cent

The agreement includes an additional levy of 35 per cent on total gaming revenue that exceeds $1.125 billion in a financial year. This levy applies in addition to other duty rates and will operate from 1 July 2023 to 30 June 2030. This structure preserves a base level of revenue for The Star, while providing the Government with a share of any upside in The Star's financial performance.

Supporting more than 3,000 New South Wales jobs with a jobs guarantee

As part of the agreement with The Star, more than 3,000 New South Wales jobs will be protected by the jobs guarantee agreement. If The Star became unviable, jobs in businesses that provide goods and services to the casino would also be at risk, including those in other sectors of the economy that service its hotel and restaurants.

Under the jobs guarantee, The Star will maintain an agreed number of employees and an agreed mix of full-time, part-time and casual workers. If the agreement is not maintained, The Star will pay the Government up to $100,000 per quarter for each job and up to $1 million per quarter if the agreed mix of workers is not maintained.

Cashless gaming

The Star has agreed to introduce 50 cashless gaming machines and eight cashless gaming tables in high-traffic areas from 31 October 2023. This commitment is in addition to existing legislative requirements that all gaming machines at The Star will be cashless by 30 August 2024.

Taxes on motor vehicle ownership and operation

Motor vehicle taxes are expected to be $3.1 billion in 2023-24, marking an increase of $71.7 million compared to the 2023 Pre-election Budget Update. Projections for motor vehicle taxes have been revised up by $531.0 million over four years to 2026-27. The revision can be primarily attributed to strong growth in the vehicle fleet and the forecast inflation rate which feeds directly into indexation of weight tax rates.

Other stamp duties

This category incorporates insurance duty and motor vehicle registration duty.

Insurance duty revenue is forecast to grow at an average annual rate of 6.0 per cent over the four years to 2026-27.

Motor vehicle registration duty has been revised up by $821.5 million over the four years to 2026-27, compared to 2023 Pre-election Budget Update. This movement is attributed to an adjustment resulting from changes in forecast vehicle prices and the removal of the EV stamp duty exemption.

Levies

Health Insurance Levy is forecast to grow at an average annual rate of 6.5 per cent over the four years to 2026-27. Since the 2023 Pre-election Budget Update revenue from Health Insurance Levy remains broadly unchanged over the four years to 2026-27.

Parking space levy has been revised down by $40.5 million over the four years to 2026-27 since the 2023 Pre-election Budget Update. This is primarily due to weaker-than-expected collections in 2022-23.

Other taxes and levies

Revenue from the Emergency Services Levy insurer contribution and the Emergency Services council contribution is forecast to increase by $83.8 million over the four years to 2026-27 compared to previous expectations. The overall increase across the four years is driven primarily by higher-than-expected prior years' expenditures and service enhancements for the emergency services agencies.

Revised expectations for indexation of the waste and environment levy have increased forecast revenue by $476.3 million over the four years to 2026-27, compared to the 2023 Pre-election Budget Update.

Government guarantee fee revenue has been revised up by $316.6 million over the four years to 2026-27 since the 2023 Pre-election Budget Update. This is primarily due to higher borrowings by Sydney Water required to fund new capital projects to service growth, particularly in the Western Sydney Aerotropolis Growth Area and South West Growth Area.

4.4 Grant revenue

Grant revenue is primarily from the Australian Government and consists of:

- general purpose grants (including GST)
- specific purpose payments, in the form of National Agreements and Federation Funding Agreements (formerly National Partnerships and Project Agreements).

Grant revenue is expected to increase by $868.9 million in 2023-24 to $46.6 billion before reaching $49.2 billion in 2026-27.

Table 4.5: Grant revenue

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward Estimates $m	2025-26 $m	2026-27 $m	% Average growth p.a. 2022-23 to 2026-27
Australian Government - general purpose grants	23,298	26,024	26,193	27,246	27,680	28,896	2.7
GST revenue (including "no worse off" payments)	23,297	26,024	26,179	27,241	27,679	28,895	2.7
Other general purpose grants	1	0	14	5	1	1	57.2
Australian Government - National Agreements	11,100	12,286	12,644	13,306	14,003	14,736	4.7
Australian Government - Federation Funding Agreements	9,220	5,837	6,279	6,354	5,344	4,076	(8.6)
Other Australian Government payments	475	459	457	498	524	564	5.3
Total Australian Government grants	**44,092**	**44,605**	**45,573**	**47,405**	**47,551**	**48,272**	2.0
Annual change in Australian Government grants	*26.1%*	*1.2%*	*2.2%*	*4.0%*	*0.3%*	*1.5%*	
Other grants	795	967	1,044	912	946	940	(0.7)
Total grant revenue	**44,887**	**45,572**	**46,617**	**48,317**	**48,497**	**49,213**	**1.9**

General purpose grants

GST payments to New South Wales have been revised down by $1.9 billion over the four years to 2026-27, largely reflecting a decline in the forecast of the national GST pool. These effects have been partially offset by higher forecasts for the NSW population share. GST payments to New South Wales are forecast to grow by 2.7 per cent per year, on average, over the four years to 2026-27.

The national GST pool is expected to be $2.3 billion lower over the four years to 2026-27, compared to 2023 Pre-election Budget Update forecasts. This largely reflects downward revisions to expectations for the share of total consumption subject to GST, and slightly weaker national household consumption.

New South Wales' relativity (the per capita share of the national GST pool) is expected to be lower over the forecast period, notably in 2025-26 and 2026-27. This is largely due to the forecast improvements in both transfer duty and land tax revenues.

Table 4.6: GST (including "no worse off") revenues to New South Wales – reconciliation statement[(a)]

	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m	Four years to 2026-27 $m
2023 Pre-election Budget Update	**26,207**	**26,280**	**27,216**	**28,289**	**30,118**	**111,903**
Change due to:						
Change in population	32	56	69	76	86	287
Change in pool	(215)	(133)	(105)	(174)	(265)	(677)
Change in relativities	...	(18)	(170)	(925)	(1,643)	(2,756)
'No worse off' payments	...	(7)	232	413	599	1,237
2023-24 Budget	**26,024**	**26,179**	**27,241**	**27,679**	**28,895**	**109,994**
Change since 2023 Pre-election Budget Update	**(183)**	**(101)**	**25**	**(610)**	**(1,223)**	**(1,909)**

(a) The Australian Government will provide separate untied grants in the form of "no worse off" payments from 2021-22 to 2026-27 so that states and territories are not adversely affected by changes to horizontal fiscal equalisation. These payments are not part of the GST pool, are counted as other general purpose grant revenue and are not assessed by the Commonwealth Grants Commission.

Box 4.2: The no worse off guarantee and reduced Australian Government support for New South Wales

The GST floor was introduced in 2018 to ensure that all states and territories received a guaranteed minimum 70 per cent share of GST revenue. From 2024-25, the floor will be revised upwards to 75 per cent.

The GST floor is accompanied by a no worse off guarantee which ensures that states and territories are not financially disadvantaged by the introduction of the floor. The no worse off guarantee will expire in 2027-28 and will impact New South Wales' forward estimates for the first time in the next Budget.

The guarantee has historically only been necessary when mining revenue in Western Australia was elevated. Analysis undertaken by the Board of Treasurers found that at times when the guarantee is triggered, the Australian Government benefits from higher mining revenue through increased company tax revenue. The Australian Government finds the guarantee affordable because it is only triggered at times when their budget is also benefitting from higher revenue.

The end of the GST no worse off guarantee would be disastrous for New South Wales. It is the money required to employ more than 8,000 nurses or teachers. The end of the guarantee would risk essential services and require reintroduction of inefficient taxes.

Given the serious damage that would be caused, and the Australian Government's commitment to essential services, it is not credible that the no worse off guarantee should end. Therefore, future budget planning will be made on the assumption the GST no-worse off guarantee continues.

National Agreements

This category consists of payments for specific purposes from the Australian Government to the states and territories under the:

- National Health Reform Agreement
- National School Reform Agreement
- National Housing and Homelessness Agreement
- National Agreement for Skills and Workforce Development.

National Agreement payments are projected to decrease by $174.7 million over the four years to 2026-27 relative to the 2023 Pre-election Budget Update. This is mainly due to a significant reduction in New South Wales' funding under the National School Reform Agreement due to downward revisions to the Australian Government's forecast of enrolments for New South Wales public schools. This is partially offset by increased funding under the National Agreement for Skills and Workforce Development and the National Housing and Homelessness Agreement due to an upward revision to the Australian Government's wage cost indices.

Table 4.7: National Agreement payments to New South Wales

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward Estimates $m	2025-26	2026-27	% Average growth p.a. 2022-23 to 2026-27
Health	7,144	8,192	8,359	8,880	9,434	10,019	5.2
Education	2,958	3,101	3,248	3,367	3,488	3,618	3.9
Skills and workforce development	502	499	522	538	549	558	2.9
Affordable housing	496	493	516	521	532	541	2.3
Total National Agreements	**11,100**	**12,286**	**12,644**	**13,306**	**14,003**	**14,736**	**4.7**

Federation Funding Agreements

The Australian Government provides payments to support specified projects, ongoing service delivery or service delivery improvements.

NSW Government revenue from Federation Funding Agreements is expected to be $1.1 billion higher over the four years to 2026-27 compared to the 2023 Pre-election Budget Update. This increase is mainly due to:

- increased funding from the Australian Government's Implementing the Murray Darling Basin Plan Reform and the National Water Infrastructure Development Fund totalling $177.4 million. This increase largely relates to the reprofiling of existing funding with the renegotiation of milestones and timeframes for several projects currently underway
- an increase in payments over the four years to 2026-27 for the HomeBuilder program due to an extension on the application deadline for existing program participants, resulting in a reprofiling of future payments
- an additional $34.4 million in both 2023-24 and 2024-25 under the Public Dental Services for Adults Agreement. The Australian Government, as part of the Long-Term Dental Funding Reform, has budgeted to extend the Agreement to June 2025
- increased funding from the Australian Government's contribution to the National Energy Bill Relief Fund which will help fund bill relief for eligible small businesses and households and the Energy Price Relief Plan which caps the price of coal for electricity generation.

Revenue in this category is also impacted by reprofiling of Australian Government funding for natural disaster relief and transport infrastructure projects. The cancellation or reduction of a number of Australian Government transport payments following the 2023-24 Federal Budget also negatively impacts revenue in 2025-26 and 2026-27 in particular.

Table 4.8: Funding Agreement payments to New South Wales

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward estimates $m	2025-26 $m	2026-27 $m	% Average growth p.a. 2022-23 to 2026-27
Transport	1,837	2,522	3,773	4,457	3,473	2,955	4.0
Education and skills	231	264	196	153	111	11	(54.5)
Disability	630	350	362	...	...	...	(100.0)
Health	2,316	142	148	202	15	3	(61.4)
Environment	221	1,309	924	1,005	1,345	224	(35.7)
Other	3,985	1,250	875	537	399	883	(8.3)
Total Federation Funding Agreement payments	**9,220**	**5,837**	**6,279**	**6,354**	**5,344**	**4,076**	**(8.6)**

Box 4.3: Social housing accelerator (Australian Government Grants)

The Australian Government Social Housing Accelerator Fund provides $610.1 million to New South Wales to increase and improve social housing supply. New South Wales aims to deliver a permanent increase of around 1,500 social housing dwellings with this funding.

Funds will be used across a range of programs to permanently increase social housing stock. This includes:

- an immediate restoration program for current vacant social properties to reinstate them into service
- a medium density housing program across regional New South Wales including dual occupancies
- delivery of new housing by the Aboriginal Housing Office and Aboriginal Community Housing Providers
- fast tracking delivery of social homes by the Land and Housing Corporation
- mixed tenure developments with Community Housing Provider partnerships and further investment through the Community Housing Innovation Fund towards dwellings delivered by Community Housing Providers.

Other Australian Government payments

Since the 2022-23 Pre-election Budget Update, Other Australian Government payments have been revised down by $458.4 million over the four years to 2026-27, mainly due to a reclassification to other grants. Revenue from Other Australian Government payments are expected to increase by 5.3 per cent per year annum on average over the four years to 2026-27.

Other grants

Other grants are expected to provide $1.0 billion in 2023-24 and decline by 0.7 per cent per year on average over the four years to 2026-27.

4.5 Non-tax revenues

Sale of goods and services

Sales of goods and services revenue is expected to be $10.6 billion in 2023-24. Over the four years to 2026-27, revenue in this category has been revised up by $1.4 billion compared to the 2023 Pre-election Budget Update. The upwards revision reflects the following:

- $922.3 million in additional revenue reprofiled from 2022-23 from TAHE for management of capital projects. This includes $300.0 million from TAHE relating to the election commitment on accessibility and car park upgrades at train stations
- $244.7 million in revenue relating to NSW TrainLink for maintenance costs of the Mariyung Fleet
- $118.8 million in higher special number plate revenues.

These increases are partially offset by $159.1 million in tolling revenues deferred to later years from the revised open to traffic date for the Western Harbour Tunnel.

Table 4.9: Sale of goods and services

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward Estimates $m	2025-26 Forward Estimates $m	2026-27 Forward Estimates $m	% Average growth p.a. 2022-23 to 2026-27
Rents and leases	276	304	255	310	334	321	1.4
Fee for service	2,902	2,644	3,110	2,832	2,321	2,320	(3.2)
Entry fees	46	59	71	82	84	87	9.9
Patient fees and hospital charges	1,089	1,228	1,143	1,187	1,232	1,279	1.0
Department of Veterans' Affairs	111	138	119	108	98	88	(10.5)
Court fees	131	161	162	166	169	169	1.2
Road tolls	112	136	166	173	199	216	12.4
Other sales of goods and services	4,783	5,036	5,577	5,887	5,997	6,112	5.0
Sale of goods and services	**9,451**	**9,705**	**10,603**	**10,744**	**10,433**	**10,591**	**2.2**

Interest income

Interest income includes returns on managed bond investments, including investments made by TCorp, and interest earned on bank deposits and funding facilities. Interest revenue is expected to be $135.5 million lower over the four years to 2026-27. This largely reflects an updated profile for the Regional Rail project.

Dividends and income tax equivalents

SOCs and NSW Treasury Corporation pay dividends that provide appropriate returns on the Government's equity investment in these entities. They also make income tax equivalent payments to ensure competitive neutrality.

Dividends and income tax equivalents are estimated to be $1.8 billion lower over the four years to 2026-27 relative to the 2023 Pre-election Budget Update. This is largely due to the Government's decision that TAHE will no longer be required to pay dividends and income tax equivalents from 2023-24, as part of its transition to a non-commercial PNFC operating model.

The downgrade in dividends and income tax equivalents is partially offset by increased revenue from TCorp due to higher financial markets revenue and an increase in revenue from Sydney Water due to the gradual introduction of infrastructure contributions from 2024-25 and increased forecast revenue in line with the anticipated Independent Pricing and Regulatory Tribunal's pricing determination for Sydney Water commencing 1 July 2025.

Other dividends and distributions

Other dividends and distributions are received from entities other than SOCs, as well as from the State's equity investment in associated entities such as Ausgrid and Endeavour Energy. Over the four years to 2026-27, other dividends and distributions have been downgraded by $3.1 billion. Key drivers include the suspension of contributions to the NSW Generations Fund in 2023-24 and reduced contributions over the remaining three years, as well as the bring-forward of planned Restart NSW spend reducing returns from the NSW Infrastructure Future Fund. Higher returns from the Social and Affordable Housing Fund and Snowy Hydro Legacy Fund are expected to provide a slight offset.

Fines, regulatory fees and other revenue (excluding royalties)

Fines revenue forecast has been revised down by $226.2 over the four years to 2026-27 primarily due to revised expectations on infringement volumes for the mobile speed camera program resulting from the reintroduction of warning signage.

Regulatory fees have been revised up by $145.9 million over the four years to 2026-27 primarily due to an accounting reallocation of revenue from sale of goods and services revenue.

Table 4.10: Fines, regulatory fees and other revenues

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward Estimates $m	2025-26 Forward Estimates $m	2026-27 Forward Estimates $m	% Average growth p.a. 2022-23 to 2026-27
Fines	812	800	682	720	736	739	(1.9)
Regulatory fees	131	138	177	179	181	184	7.4
Other revenues	2,331	2,814	2,331	2,621	2,631	2,759	(0.5)
Total fines, regulatory fees and other revenues	**3,273**	**3,751**	**3,189**	**3,520**	**3,549**	**3,681**	(0.5)

Royalties

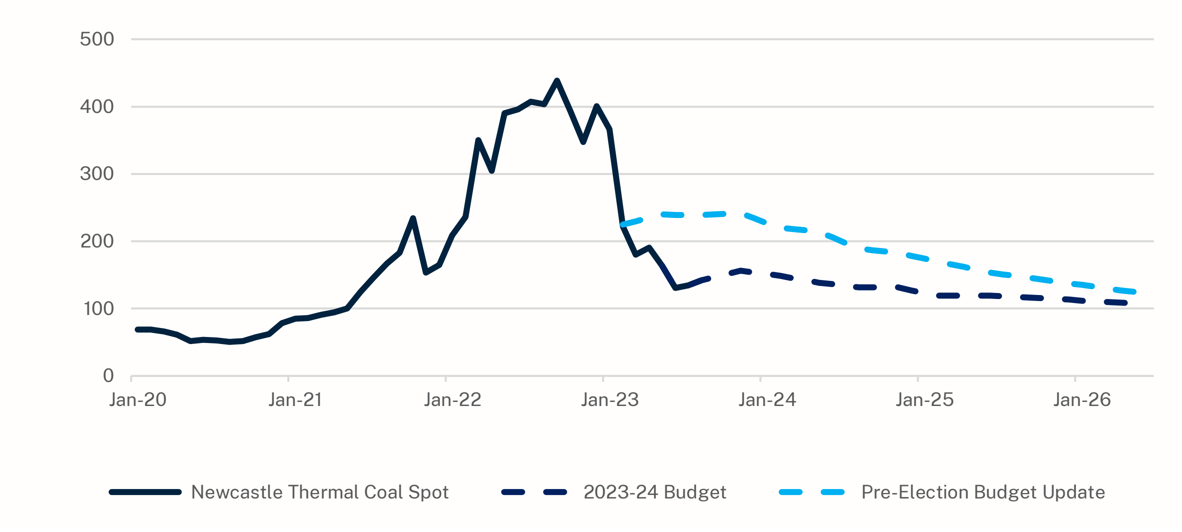
Since the 2023 Pre-election Budget Update, thermal coal prices have continued to fall. This is following weaker European demand due in part to warmer-than-expected conditions during the last northern hemisphere winter. High stockpiles of thermal coal and LNG have contributed to supply levels outstripping demand, putting further downward pressure on prices.

The outlook for international market conditions and mineral royalties continues to be volatile. Since mid-July 2023, the thermal coal spot price has started to trend upwards following strong energy demand due to hot summer conditions in China and possible industrial action at Western Australian LNG facilities.

Since the 2023 Pre-election Budget Update the dominant near-term influences on royalties revenue have been weakening in thermal coal prices and weaker export volumes due to the ongoing impacts of heavy rainfall on mine production. Mineral royalties revenue is forecast to be $1.2 billion lower in 2023-24 compared to the previous forecast.

From 1 July 2024, higher coal royalty rates will apply (see Box 4.4). Excluding the impact of revised royalty rates, mineral royalties revenue over the four years to 2026-27 has been revised down by $2.3 billion relative to expectations at the 2023 Pre-election Budget Update. This is due largely to a significant downward revision to the thermal coal spot price forecast (see Chart 4.4 below).

Chart 4.4: Newcastle thermal coal spot price ($US per tonne)



Box 4.4: Coal royalties

The Coal Market Price Emergency declaration will end on 30 June 2024. Thereafter, coal royalty rates will increase by 2.6 percentage points to ensure that the people of New South Wales receive a fair return for the natural resources the State owns. From 1 July 2024, royalty rates will increase from 8.2 per cent to 10.8 per cent for open cut coal; from 7.2 per cent to 9.8 per cent for underground coal (mines less than 400 metres below ground); and from 6.2 percent to 8.8 per cent for deep underground coal (mines more than 400 metres below ground).

Coal royalties were last changed in January 2009, when rates were increased by 1.2 percentage points. Between then and July 2021, export thermal coal prices averaged around US$85 per tonne. Since 2021, a range of external factors, including the Russian invasion of Ukraine, has led to an unprecedented surge in the price of energy commodities, including coal.

The increase in coal royalty rates ensures New South Wales continues to receive a fair return on its natural resources in the current market environment of persistently high coal prices. This change will raise an estimated $2.7 billion over the four years to 2027-28 and provide an ongoing lift in royalty revenue over the long-term.

5. EXPENDITURE

- General government expenses are projected to be $120.2 billion in 2023-24.
- New measures reflect the Government's commitment to:
  - improve essential services by addressing critical staff vacancies and a new approach to engaging with the public sector workforce, including an offer of a 4.5 per cent pay increase
  - provide better education and schools
  - improve health care and hospitals
  - address the housing crisis
  - provide energy bill support
  - provide toll relief for commuters
  - boost levels of support for early childhood education and care.
- In June 2023, the Government announced a Comprehensive Expenditure Review. This Budget includes the first tranche of decisions from that review. In total, the Budget includes $13.0 billion in savings, reprioritisation, and other budget improvement measures over the next four years.
- The Government has also revised its infrastructure investment program, in response to the findings of its Strategic Infrastructure Review. The revised general government infrastructure program is projected to be $85.6 billion over four years.
- The revised outlook incorporates the reclassification of expenses associated with the Transport Asset Holding Entity. Expenses that were previously classified as 'net equity contributions' are now recognised as grant expenditure.

5.1 Alleviating cost of living pressures and rebuilding essential services

Government expenses are projected to be $120.2 billion in 2023-24. This is an increase compared to the outlook in the 2023 Pre-election Budget Update ($115.7 billion). There are five drivers of the uplift:

- the Government's offer to lift pay for hundreds of thousands of public servants
- the reclassification of equity contributions and an increase in grant expenditure to Transport Asset Holding Entity (TAHE)
- lags in spending across agency programs and initiatives last financial year, which lowered expenses for 2022-23 but has led to the carrying forward of expenses into 2023-24
- an increase in demand and costs for existing government programs
- new policy measures, including the resourcing of the Government's commitments.

Tables 5.1 and 5.2 set out the expense profile over the forward estimates. Expense growth is forecast to average just 0.8 per cent per annum over the four years to 2026-27.

Table 5.1: Expense reconciliation since the 2023 Pre-election Budget Update

	2022-23 Revised $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m
Expenses – 2023 Pre-election Budget Update	117,275	115,684	113,456	114,869	n.a.
Policy measures	2,879	7,927	4,640	3,946	2,448
Reforms, savings and offsets[(b)]	(165)	(3,076)	(3,039)	(2,910)	(3,488)
Parameter and other budget variations	(3,714)	(308)	1,406	1,219	n.a.
Expenses – 2023-24 Budget	**116,275**	**120,227**	**116,463**	**117,124**	**120,063**

(a) Further information on new measures is provided in the Measures Statement in Appendix A5.
(b) This includes the expense impacts from (i) savings to programs and initiatives since the Pre-election Budget Update, (ii) offsets for new expense measures and (iii) expense impacts for individual years where program timing profiles have been adjusted.
(c) Total estimated expenses include an annual allowance for the established tendency for parameter and technical adjustments to increase expenses over time. These can be the result of changes in demand or cost of statutory services, or accounting adjustments. In the 2023-24 Budget, the allowance is set at a level equivalent to 0.3 per cent of total expenses, increasing total estimated expenses across the budget and forward years. This allowance is for estimates purposes only. It is not a provision for future new policy spending.
(d) Total estimated expenses include an allowance for the established tendency of expenditure to slip and be carried forward to future years. The allowance is based on observed trends. In the 2023-24 Budget, the allowance is set at the equivalent of 4.9 per cent in 2023-24. In setting the allowance it is assumed that 96 per cent of under expenditures are carried forward into future years and that the extent of slippage declines by 0.2 percentage points each year.

Significant new expense measures since the 2023 Pre-election Budget Update include:

Rebuilding Essential Services

- establishing a new $3.6 billion Essential Services Fund to enable the Government to improve services by negotiating workplace changes
- the Government's offer to increase public sector pay rates by 4.5 per cent in 2023-24 (including a 0.5 per cent increase to superannuation), which will support over 400,000 workers ($2.5 billion over the four years to 2026-27)
- boosting teacher pay ($1.9 billion over four years to 2026-27), offset by initial savings identified in the Department of Education
- establishing an ongoing, targeted literacy and numeracy tutoring program ($278.4 million over four years to 2026-27)
- additional funding to support flood affected communities and improve natural disaster resilience ($2.3 billion over five years from 2022-23 to 2026-27), including:
  - to meet demand for existing disaster relief and recovery programs, eligible for co-funding by the Australian Government under the Disaster Recovery Funding Arrangements
  - to repair and restore damaged State roads
  - to support the newly established NSW Reconstruction Authority to perform its legislated functions
- funding an additional 500 rural and regional paramedics ($438.6 million over four years to 2026-27), to address paramedic shortages and help improve ambulance response times for life threatening callouts and medical emergencies
- establishing the Regional Emergency Road Repair fund ($390.0 million in 2023-24) to support regional councils in managing existing roads and prioritising works based on the needs of their communities.

Cost-of-living support

- energy bill relief for households ($730.8 million in 2023-24) and small businesses ($234.2 million in 2023-24), which is delivering targeted and temporary energy bill relief under the National Energy Bill Relief Fund
- toll relief for private motorists and truck drivers, with the introduction of a $60 weekly cap and a one third toll rebate for heavy vehicles using the M5 and M8 tunnels ($615.0 million over three years to 2025-26)
- delivering the Australian Government's social housing accelerator agreement ($610.1 million over four years to 2026-27)
- providing the Essential Housing Package ($224 million over four years to 2026-27) to deliver more housing and support for the most vulnerable
- $1.6 billion for preschool fee relief from an expanded affordable preschool program, including saving parents and carers $500 a year by trialling preschool fee relief for 3 year old children in long day care.

Responsible fiscal management

- reclassification of expenses associated with the Transport Asset Holding Entity. Expenses previously classified as 'net equity contributions' are now recognised as grant expenditure.

The Budget also provides funding to the below programs that would otherwise be unfunded:

- ongoing funding for 1,112 nurses and midwives that previously only had funding to 30 June 2024 ($572 million over three years to 2026-27). The funding will improve health outcomes, take pressure off NSW hospitals, and retain experienced nurses and midwives in the NSW Health workforce
- extending the Active Kids and Creative Kids Voucher Programs to 31 January 2024 (which were otherwise due to cease on 30 June 2023), and then transitioning to a combined "Active and Creative Kids NSW" voucher program that will be means tested. The cost of this measure is $159.3 million over four years to 2026-27
- additional funding for the Department of Communities and Justice to deliver the Out of Home Care and Permanency support program ($200 million in 2023-24). This program provides out-of-home care and permanency services, and post care support to around 22,000 children and young people. The funding ensures services can continue to be delivered while the Government reviews funding models over the longer term
- additional funding for Service NSW ($232.5 million to 2026-27), to continue critical services and meet projected demand in coming years
- additional funding of $80.0 million for the Department of Customer Service and Service NSW to continue critical cyber security activities.

Box 5.1: The Government has commenced a Comprehensive Expenditure Review

Following its election, the Government identified a number of fiscal and structural pressures. In response, it commenced a Comprehensive Expenditure Review.

The Comprehensive Expenditure Review has identified $13 billion in budget improvement and reprioritisation measures over the five years to 2026-27.

Measures being implemented following this review include:

- reducing labour hire expenditure
- reducing spending on consultants
- cutting spending on advertising
- reducing travel costs across government
- reducing legal expenses
- reducing the number of senior executives across the public sector
- freezing levels of pay for Members of Parliament and public sector senior executives
- a range of agency operational, procurement and corporate efficiencies
- reprioritisation of unallocated funds from grant programs, including Restart, Regional Growth Funds, Snowy Hydro Legacy Fund, WestInvest, Future Economy Fund, Coal Innovation Fund and other programs.

These savings and offsets are being directed to priority investments to support rebuilding essential services and the provision of further cost-of-living relief.

Box 5.2: A new industrial relations framework for public sector workers

The NSW Government has offered public sector workers a 4.0 per cent pay increase in 2023-24, as well as the 0.5 per cent increase to compulsory superannuation. This $2.5 billion measure represents the largest pay increase in over a decade and will support over 400,000 public sector workers.

The NSW Government has also established an Industrial Relations Taskforce, led by former Deputy President of the Fair Work Commission Anna Booth and former President of the NSW Industrial Relations Commission Roger Boland. The Taskforce is considering a new cooperative interest-based approach to bargaining, in consultation with key stakeholders including unions, government agencies and legal experts.

The Taskforce is giving consideration to:

- adding a new, more consultative interest-based bargaining stream to allow frontline workers and their representatives to improve services by negotiating workplace changes
- ensuring the Industrial Relations Commission is independent, properly resourced, and with real powers to prevent and settle industrial disputes
- reviewing the scope of the Industrial Relations Commission to address and resolve work health and safety issues or related workplace matters within the State jurisdiction.

This Budget also establishes a new $3.6 billion Essential Services Fund to enable the Government to improve services by negotiating workplace changes. The Essential Services Fund reinforces the NSW Government's commitment to a new bargaining approach by setting aside the funds to support public service improvements and deliver higher wages for thousands of essential workers.

Parameter and other budget variations

Parameter and other budget variations are changes to the cost and timing of existing projects and services that are largely outside of the Government's control. They include changes in demand, the timing of project delivery (for example, construction delays due to weather events), input costings, variations in Australian Government grants, technical accounting and actuarial adjustments, and the allocation of centrally held expenditure into agency budgets. They also include the adjustment of relevant agency budgets to account for updated inflation forecasts.

The estimates in Table 5.1 take into account central allowances and adjustments. These include adjustments to reflect historical tendency for agency programs to underspend and carry funding forward into future years. It also includes an allowance to recognise the likelihood of future parameter and technical adjustments for existing programs across government.

Major variations since the 2023 Pre-election Budget Update include:

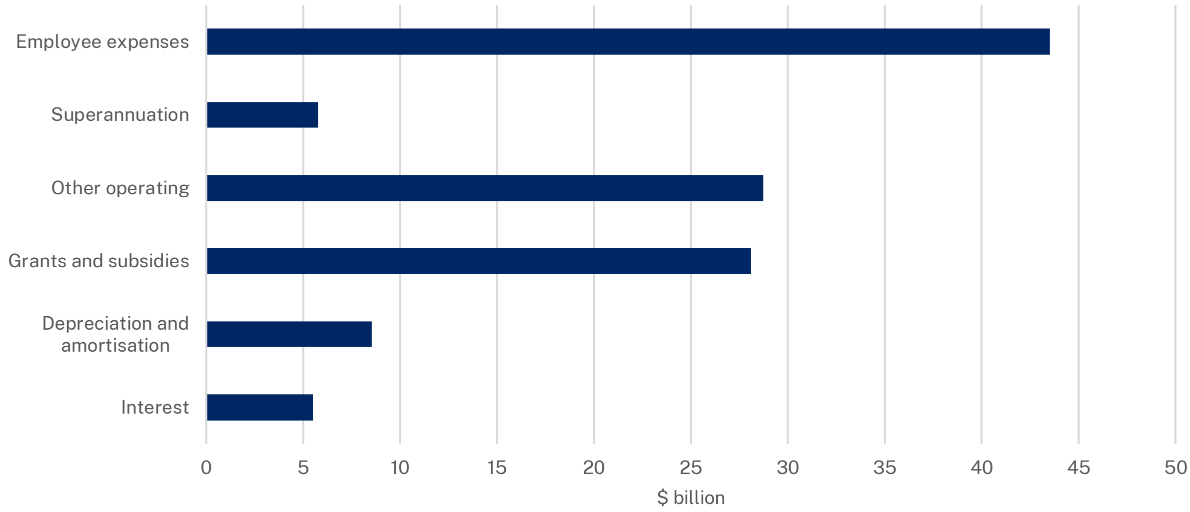
- higher depreciation and amortisation expenses for Department of Education projects ($547.3 million over four years to 2026-27) and for TAFE projects ($290.1 million over four years to 2026-27) which reflect newly completed capital projects and a revaluation of existing assets
- increase in wages for rail workers, reflecting the outcome of a Fair Work Commission arbitration ($204.3 million over four years to 2026-27)
- the carrying forward of budgets where there were timing delays in 2022-23 and expenses have been reallocated into the budget and forward estimate years
- higher forecasts for inflation since the 2023 Pre-election Budget update, which flows through to projections for government expenses.

5.2 Expense trends and further analysis

Table 5.2: General government sector expenses

	2022-23 Estimate $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m	% Average growth p.a. 2022-23 to 2026-27
Employee	42,135	43,530	46,024	47,530	49,553	4.1
Superannuation	5,621	5,780	5,903	5,960	6,074	2.0
Depreciation & Amortisation	7,837	8,551	8,829	9,267	9,878	6.0
Interest	4,230	5,501	5,900	6,309	6,978	13.3
Other Operating Expense	28,777	28,738	26,105	25,864	26,065	(2.4)
Grants, Subsidies, and Other Transfers	27,675	28,125	23,704	22,195	21,515	(6.1)
Total Expenses	**116,275**	**120,227**	**116,463**	**117,124**	**120,063**	**0.8**
Annual change	*-2.1%*	*3.4%*	*-3.1%*	*0.6%*	*2.5%*	n.a

Chart 5.1: A visual breakdown of government's expenses in 2023-24



Employee expenses

Employee expenses, projected to be $43.5 billion in 2023-24, is the largest component of the Budget. There has been an upward revision to employee expenses since the 2023 Pre-election Budget Update ($43.2 billion). This is primarily due to the wage rise for public sector workers, partially offset by a reduction in employee expenses attributable to freezing senior executive pay and reducing the number of senior executives across the Government.

Over the budget and forward estimates, employee expenses are projected to grow by an average of 4.1 per cent per annum.

Superannuation expenses

Superannuation expenses include defined contribution plans (such as compulsory superannuation), as well as defined benefit plans and their associated interest costs. Superannuation expenses are projected to be $5.8 billion in 2023-24, or 4.8 per cent of total expenses. This is an increase on the outlook at the 2023 Pre-election Budget Update ($5.7 billion) mainly due to the Government's higher wage offer and changes in expected interest costs due to revised rate forecasts.

Over the budget and forward estimates, superannuation expenses are projected to increase at an average rate of 2.0 per cent per annum.

Other operating expenses

Other operating expenses mainly represent the day-to-day running costs incurred in the delivery of government services and programs. It is the second largest category of expenses – projected to be $28.7 billion in 2023-24 (24.0 per cent of total expenses). There is a downward revision to other operating expenses relative to the 2023 Pre-election Budget Update ($29.2 billion). This is driven by the net effect of increased investment in accessibility and car park upgrades at train stations, disaster recovery support, energy bill relief, toll relief and fast-tracking elective surgeries, offset by the Government's savings across legal expenses, advertising expenses, consultants, labour hire, contractors, and domestic and international travel.

Over the budget and forward estimates, other operating expenses are projected to decrease at an average rate of 2.4 per cent per annum.

Grants, subsidies and other transfer expenses

Grants and subsidies include payments to other government sectors (for example State Owned Corporations), local government, individuals, households, community groups and non-profit organisations. They also support the delivery of services and infrastructure projects.

Grants and subsidies are projected to be $28.1 billion in 2023-24, or 23.4 per cent of total expenses. This is an upward revision relative to the 2023 Pre-election Budget Update ($23.7 billion). The upwards revision is driven by a number of new measures, including expense re-classifications for TAHE, increased payments for disaster recovery, energy bill relief, toll relief and increased support for out of home care.

Depreciation and amortisation

Depreciation and amortisation expenses are forecast to be $8.6 billion in 2023-24, comprising 7.1 per cent of total expenses. This is an upward revision on the outlook in the 2023 Pre-election Budget Update ($8.2 billion), attributable in part to a significant rise in asset valuations due to inflation.

The Government is reprofiling its infrastructure program following the Strategic Infrastructure Review. This eases pressure on depreciation and amortisation expenses over the budget and forward estimates (noting many of the changes largely take effect beyond 2026-27).

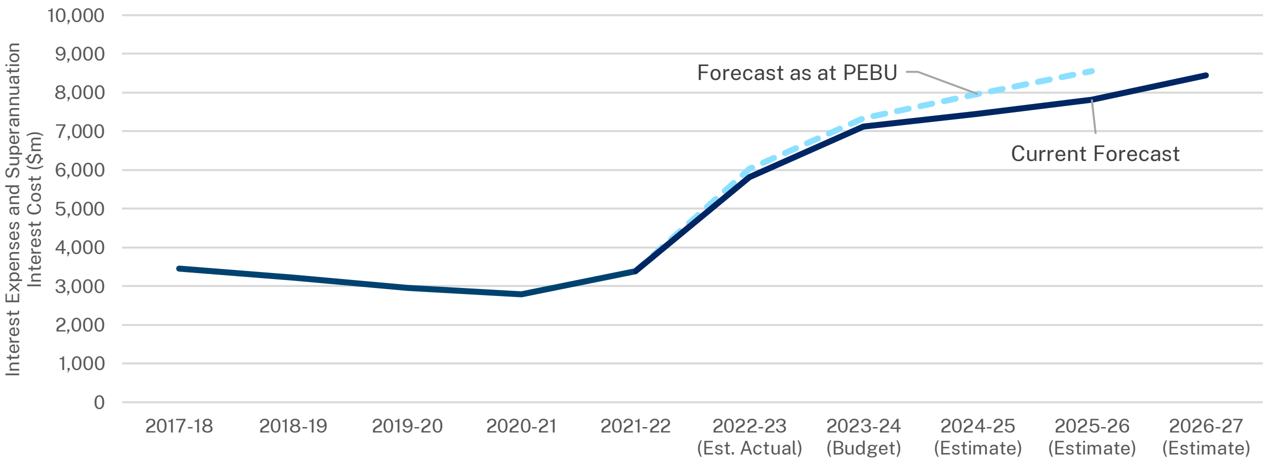
Over the budget and forward estimates, depreciation and amortisation expenses are forecast to grow by an average rate of 6.0 per cent per annum.

Interest

Interest expenses are projected to be $5.5 billion in 2023-24 (4.6 per cent of total expenses). There has been a downward revision to interest expenses relative to the 2023 Pre-election Budget Update ($5.7 billion). This relative reduction in interest expenses is projected to continue across the forward estimates (see Chart 5.2 below). Lower expected interest costs are the result of reduced borrowing requirements, largely arising from the suspension of NSW Generations Fund contributions in 2023-24, reduced debt requirements from the TAHE restructuring and improvements in the cash operating position over the forward estimates.

Over the budget and forward estimates, interest expenses are projected to increase at an average rate of 13.3 per cent per annum.

Chart 5.2: Change in interest expense forecasts (borrowings and superannuation) since the 2023 Pre-election Budget Update



Box 5.3: Closing the Gap and improving Aboriginal and Torres Strait Islander Outcomes

To support the continued implementation of the 28 co-developed Closing the Gap initiatives, developed in partnership with the NSW Coalition of Aboriginal Peak Organisations, this Budget includes an ongoing investment of $131.4 million over the forward estimates. This includes:

- $34.1 million to tackle overrepresentation in the out-of-home care and justice systems
- $25.0 million to promote health and wellbeing in Aboriginal and Torres Strait Islander communities including access to culturally appropriate mental health and cancer treatment services.

To track and monitor progress against the Priority Reforms and Socio-Economic Outcomes of the National Agreement, New South Wales has embedded processes to routinely capture Aboriginal and Torres Strait Islander-specific expenditure data. The 2023-24 Budget includes $1.5 billion of existing targeted programs and services highlighted by:

- $375.5 million in Communities and Justice to fund early intervention programs, Aboriginal-led commissioning and child and family support programs
- $366.5 million in Planning and Environment to fund housing solutions, restoring land rights, and essential community infrastructure
- $321.1 million in services to be delivered by Aboriginal Community Controlled Organisations in line with Priority Reform 2
- $270.7 million in Transport for procurement with Aboriginal and Torres Strait Islander-owned businesses as part of the procurement policy, alongside driver licensing and road education programs.

To determine the effectiveness of ongoing initiatives designed to address the overrepresentation of Aboriginal and Torres Strait Islander people in the Out of Home Care and justice systems, evaluation requirements have been built into the 28 co-developed programs. The evaluation results in conjunction with expenditure data will be used to identify potential savings and redirect funding to initiatives that deliver positive outcomes and better serve Aboriginal and Torres Strait Islander communities.

To complement existing reform initiatives under Closing the Gap, the NSW Government has commenced work on the development of a First Nations Budget Model. The First Nations Budget Model will include an Impact Assessment and be designed to ensure resources are allocated to priority areas as determined by Aboriginal and Torres Strait Islander communities.

5.3 Capital expenditure

General government sector[1]

This section provides analysis of capital expenditure in the general government sector. It excludes the investment program of government corporations (such as Sydney Water). After accounting for likely slippage, general government capital expenditure is projected to be $22.2 billion for 2023-24, an increase of 2.2 per cent from 2022-23.

Table 5.3 outlines the profile over the four years to 2026-27 as well as changes since the previous Budget.

Table 5.3: Capital expenditure reconciliation

	2022-23 Revised $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m
Capital – 2023 Pre-election Budget Update	22,806	22,211	22,573	21,406	n.a.
Capital measures	(408)	(248)	(205)	(1,362)	(755)
Parameter and other variations	(652)	264	605	412	n.a.
Capital – 2023-24 Budget	**21,746**	**22,227**	**22,973**	**20,456**	**19,919**

Note: Total estimated capital expenditure includes an allowance for the established tendency for capital expenditure to slip each year. The extent of slippage has been increasing in recent years due to market capacity constraints and supply chain disruptions. In setting the allowance, observed past slippage and broad assessments of market capacity are considered. In the 2023-24 Budget, this allowance for capital slippage is set at $6.8 billion in 2023-24 reducing to $1.8 billion in 2026-27.

Significant investments since the 2023 Pre-election Budget Update include:

- funding towards 24 new and 51 upgraded schools in Western Sydney ($3.5 billion over four years to 2026-27)
- funding for 19 new and 35 upgraded schools in regional NSW ($1.4 billion over four years to 2026-27)
- improving healthcare access through the expansion and upgrades of:
  - Fairfield Hospital ($350.0 million over four years to 2026-27)
  - Canterbury Hospital ($328.0 million over four years to 2026-27)
  - Rouse Hill Hospital ($255.0 million over four years to 2026-27)
- implementing the revised delivery strategy for the Sydney Metro City & Southwest Project ($1 billion over three years to 2025-26).

Detailed analysis of the Government's capital program is available in Budget Paper No. 3 *Infrastructure Statement*.

Public non-financial corporations sector

Public non-financial corporations also invest in infrastructure assets, leading to improved service levels for New South Wales residents. When this infrastructure program is combined with that of the general government sector, the Government's total capital expenditure investment is forecast to be $116.5 billion over the four years to 2026-27.

[1] This section should be read in conjunction with Budget Paper No 3. *Infrastructure Statement*.

6. MANAGING THE STATE'S ASSETS AND LIABILITIES

- The Government is establishing fiscal principles to help support the State's balance sheet, and deliver essential services and infrastructure, while maintaining a strong credit rating.
- This Budget takes a more prudent and responsible approach to managing the State's assets and liabilities, considering more efficient approaches to certain State funds, including the NSW Generations Fund (NGF). Furthermore, the Government is slowing down the rapid growth in gross debt to help take pressure off the State's interest expenses in the current economic and fiscal climate.
- Gross debt is projected to grow to $173.4 billion by June 2026, $14.8 billion lower than the previous projection in the 2023 Pre-election Budget Update. This is primarily driven by a temporary suspension of the contributions into the NGF and the restructuring of the Transport Asset Holding Entity (TAHE).
- Other factors supporting lower gross debt than previously forecast include an updated infrastructure plan and a focus on a return to an operating surplus (aided by the Comprehensive Expenditure Review). Net cash flows from operating activities are projected to return to surplus in 2023-24 and remain in surplus thereafter.
- Net debt is projected to peak at 12.6 per cent of gross state product (GSP) by June 2027. It is estimated to be 12.5 per cent by June 2026, 1.5 per cent below the projection at the 2023 Pre-election Budget Update.
- The State's total assets were $574.3 billion at June 2023 and are projected to grow to $653.6 billion by June 2027. This is one of the benefits of retaining the State's assets for the people of New South Wales.
- Net worth was $326.1 billion at June 2023 and is projected to grow to $347.0 billion by June 2027. This is supported in part by the State's growing asset base.

6.1 Stabilising the State's debt position

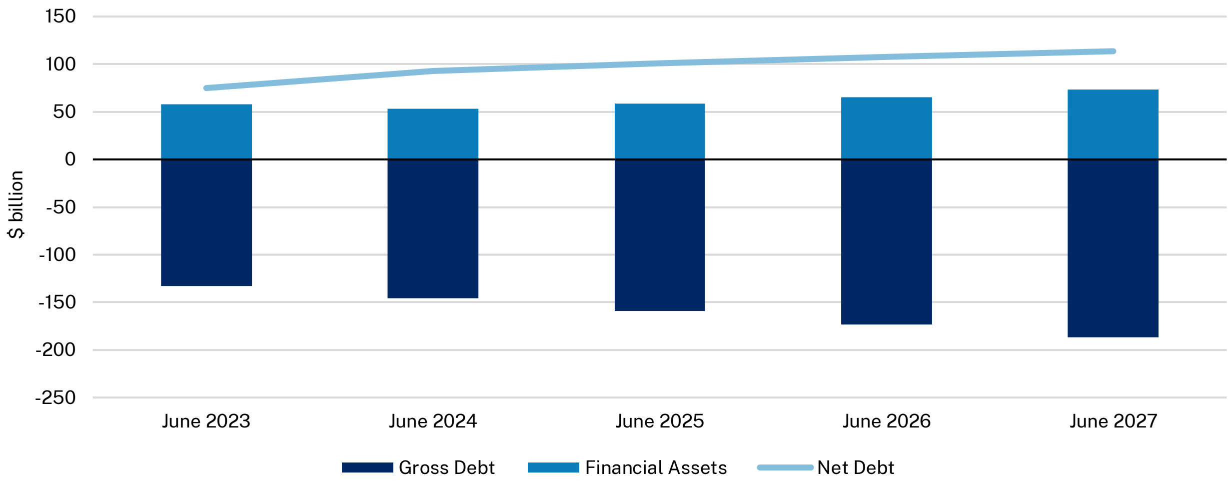
By stabilising its infrastructure plan through initiatives such as the Strategic Infrastructure Review and by letting some of the revenue uplift flow through to the bottom line, this Budget takes the first step towards stabilising the State's net debt below 14.0 per cent of GSP that was projected at the 2023 Pre-election Budget Update.

The Strategic Infrastructure Review led by Ken Kanofski was tasked with identifying infrastructure projects and programs that should no longer proceed or should be delayed or de-scoped, to get the State's infrastructure pipeline back on stable footing.

The Government now projects the State's infrastructure plan will be around 2 per cent of GSP from 2026-27 onwards down from its peak of 3.3 per cent in 2019-20. This will allow the Government to replace its existing asset base in line with depreciation while supporting investment that will help grow the broader economy.

These measures contribute to the forecast for a gross debt of $186.7 billion by June 2027. This is also helping stabilise net debt to GSP around 12.6 per cent by June 2027.

Chart 6.1: General government sector net debt[1], gross debt and financial assets



Financial assets included in net debt

The State's investment funds generate returns that can either be spent or reinvested to support policy aims. The investment funds also support the State's fiscal position and, as financial assets, reduce the State's net debt. It is essential to manage the State's assets prudently and efficiently to ensure opportunities are maximised while risks are minimised.

Financial assets included in the calculation of net debt were $58.0 billion at June 2023, which was $7.7 billion higher than projected at the 2023 Pre-election Budget Update. This is primarily driven by a higher cash balance for payments at June 2023. These assets also include the State's investment funds and other financial assets.

The Government will temporarily suspend contributions to the NGF in 2023-24. Contributions are budgeted to recommence from 2024-25 to 2026-27, while the Government considers further policy decisions, with the NGF's balance projected to grow from $16.0 billion at June 2023 to $39.2 billion by June 2027. The Government will also investigate how certain State funds could be more efficiently managed by TCorp to achieve better risk-adjusted returns.

[1] The estimates of net debt at June 2025 and beyond do not include planned cash receipts of $1.6 billion in 2024-25 from the recycling of the investment for developing the Central West Orana transmission project. This is because the anticipated cash payment will form part of a larger service concession transaction which, in accordance with the budget policy for major asset transactions, will not be recognised until finalised.

Box 6.1: Improving the management of the State's investment funds

Over time, the State has set up various investment funds, each with their own specific legislated purpose. This includes funds such as the Treasury Managed Fund (TMF- the State's self-insurance fund), the NGF, and the NSW Infrastructure Future Fund (NIFF) among others.

Following an inquiry by the NSW Parliament's Standing Committee on State Development, the Government will temporarily suspend contributions in 2023-24 to the NGF, reducing the State's gross debt by $7.7 billion. Contributions are budgeted to recommence from 2024-25 to 2026-27. During this time the Government will determine a more appropriate policy regarding contributions to, and debt retirement payments from, the NGF and also consider a more efficient approach to managing certain State funds, including the NGF.

The NGF balance is now projected to be around $55.0 billion by June 2032, compared to the $94.3 billion projected in the 2022-23 Budget. This financially responsible approach to managing the NGF will significantly reduce the potential impact to the State's finances from investing a larger balance in volatile financial markets.

The 2023-24 Budget also includes an underlying budget result that excludes the NGF's net investment returns to provide a more transparent picture of the State's finances (see Chapter 3 Fiscal Strategy and Outlook, Box 3.1).

The Government will continue exploring options to manage the State's financial assets prudently and efficiently. This will help ensure they remain fit-for-purpose to achieve the Government's policy aims over the long term without creating undue risk for the State's finances and broader balance sheet.

The major investment funds are presented in Table 6.1.

Table 6.1: NSW investment funds returns to 30 June 2023

Fund	Inception Date	Fund Balance $ billion[(a)]	Investment Objective %	FY2022-23 Returns %	Returns Since Inception[(a)] %
NSW Generations Fund	Nov-18	16.0[(b)]	CPI + 4.5[(c)]	8.9	6.4
NSW Infrastructure Future Fund	Dec-16	7.4	CPI + 2.0	4.8	3.8
Social and Affordable Housing Fund	Aug-17	1.6	CPI + 4.0	9.2	6.3
Treasury Managed Fund	Mar-99	14.9	CPI + 3.5	9.6	6.7
Snowy Hydro Legacy Fund	Dec-21	1.6	CPI+1.0	6.0	(2.5)
Long Service Corporation Investment Fund	Nov-13	2.2	AWOTE[(d)]+1.0	6.6	6.2

(a) To 30 June 2023.
(b) This does not include cash set aside for debt retirement.
(c) CPI: Consumer Price Index.
(d) AWOTE: Average Weekly Ordinary Time Earnings (AWOTE), this reflects increases in wage inflation.

Financial assets at fair value are projected to grow to $69.6 billion by June 2027, supported by the growth in the State's investment funds over the budget and forward estimates.

Other financial assets included in the calculation of net debt include cash and cash equivalents. Cash and cash equivalents totalled $6.3 billion at June 2023, $6.1 billion higher than projected in the 2023 Pre-election Budget Update. This high cash balance is to meet the cash payments in July 2023. Cash and cash equivalents will decrease to $263 million by June 2027 in line with the more efficient management of the State's cash balance.[2]

[2] The Government has good access to multiple sources of liquidity, which has allowed it to target a lower general government cash balance than in previous budgets, without any material risk of a funding shortfall. This, in turn results in a lower borrowing requirement for the Budget year, consistent with the Government's objective of lowering the State's gross debt.

Financial liabilities included in net debt

Financial liabilities included in the calculation of net debt were $132.9 billion at June 2023. These liabilities include borrowings (including leases), advances received[3], and deposits held[4].

Borrowings at amortised cost at June 2023 have increased by $3.4 billion since the 2023 Pre-election Budget Update. This increase was primarily driven by a $5.0 billion increase in new borrowings in 2022-23 due to bringing forward funding required in the next financial year. This was one of a number of factors that has reduced the 2023-24 Crown's forecast borrowings from $23.2 billion at the 2023 Pre-election Budget Update to $11.6 billion in this Budget.

Key balance sheet movements since the 2023 Pre-election Budget Update are shown in Table 6.2.

Table 6.2: Key balance sheet aggregates of the general government sector

	June 2022 Actual	June 2023 Est. Actual	June 2024 Budget	June 2025	June 2026 Forward Estimates	June 2027
Total Assets ($m)	510,549	574,325	584,618	604,275	632,355	653,603
Financial Assets ($m)	193,513	210,143	203,046	208,662	225,149	235,824
Non-Financial Assets ($m)	317,036	364,183	381,572	395,613	407,205	417,779
Total Liabilities ($m)	223,828	248,224	264,011	277,843	293,818	306,566
Net Worth ($m)	286,722	326,101	320,606	326,432	338,537	347,037
Net Worth as a per cent of GSP(a)	41.1	42.5	40.4	39.7	39.4	38.5
Net Debt ($m)	55,781	74,873	92,624	100,974	107,815	113,571
Net Debt as a per cent of GSP	8.0	9.8	11.7	12.3	12.5	12.6
Gross Debt ($m)	108,352	132,914	145,789	159,510	173,373	186,688
Gross Debt as a per cent of GSP	15.5	17.3	18.4	19.4	20.2	20.7

(a) Gross State Product (GSP) for N*ew South Wales from June 2024 to June 2027 is forecast by NSW Treasury*.

[3] Advances Received are advances and loans made from the Australian Government in funding various approved projects. Advances are loans motivated by government policy rather than liquidity management purposes.

[4] Deposits Held are cash and deposits held at banks and other financial institutions on behalf of entities and individuals external to the State.

Box 6.2: Interest expense affordability and refinancing risk

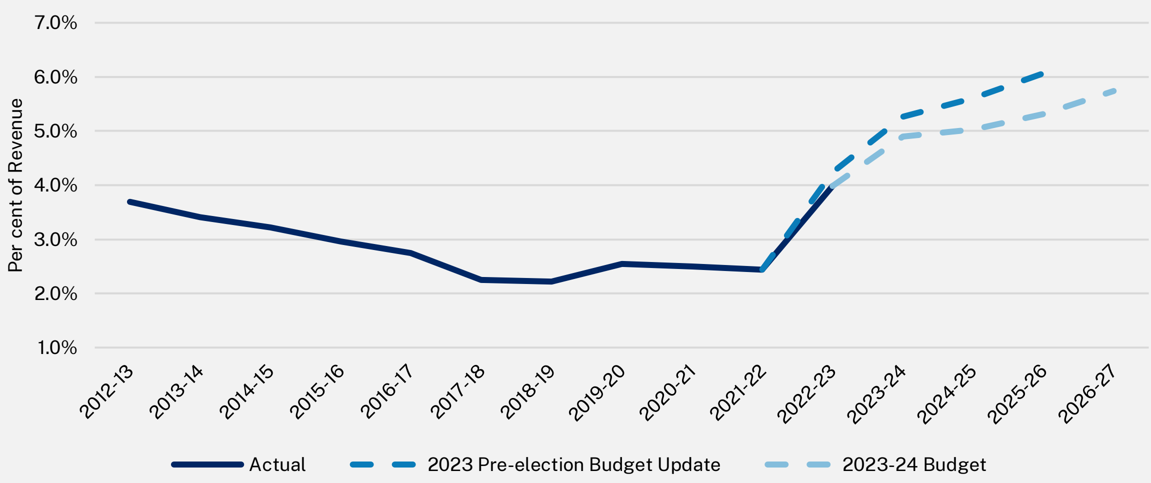
Gross debt is expected to reach $186.7 billion by June 2027 and interest expense is estimated to be $7.0 billion in 2026-27.

Since January 2020, TCorp 10-year bond yields have ranged from a low of around 1.0 per cent (in November 2020) to approximately 4.7 per cent on 1 September 2023. This is primarily due to the rapid change in monetary policy with the RBA raising its cash rate 12 times since May 2022. The cash rate is currently at 4.1 per cent in September 2023.

The weighted average yield of the Crown debt portfolio rose from 2.1 per cent at 30 June 2022 to 2.9 per cent at 30 June 2023. This was driven by new borrowings and refinancing of existing debt at higher interest rates. The weighted average yield of the portfolio is forecast to continue rising over the forward estimates period.

The Government's interest expense as a percentage of revenue is estimated to be 5.3 per cent in 2025-26. This is below 6.1 per cent projected at the 2023 Pre-election Budget Update (see Chart 6.2). Nevertheless, interest expenses continue to place significant pressure on the Government's operating position.

Chart 6.2: Interest expense to revenue - 2023 Pre-election Budget Update vs 2023-24 Budget

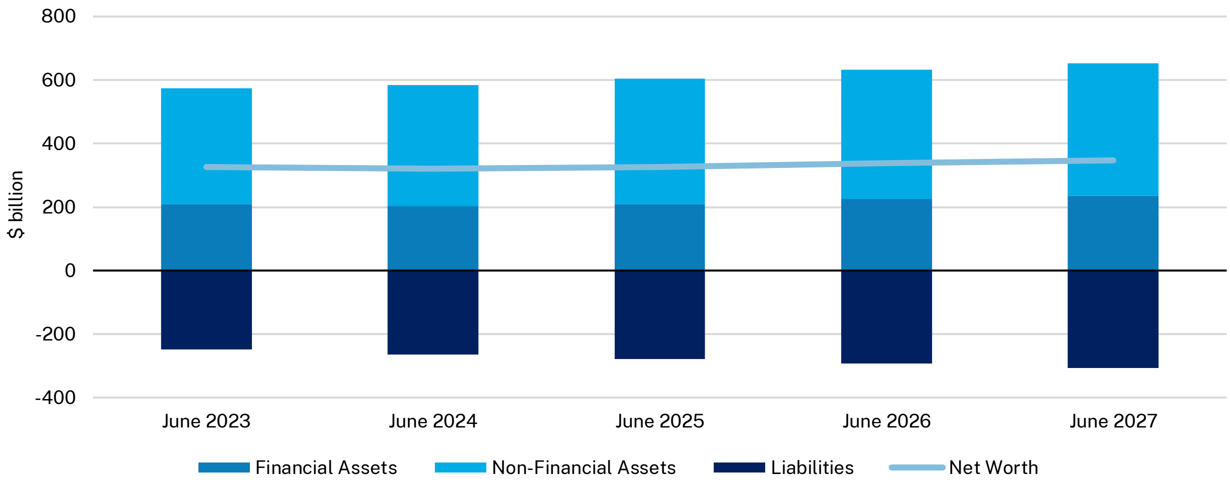


6.2 Net worth continues to grow

General government sector net worth was $326.1 billion at June 2023, $47.5 billion higher than the projection in the 2023 Pre-election Budget Update. This is mostly driven by an upward revaluation of the State's non-financial assets and a better-than-expected operating position in 2022-23.

From June 2023 to June 2027, net worth is estimated to increase by $20.9 billion to $347.0 billion (see Chart 6.3). This increase is driven primarily by a forecast return to budget surpluses from 2024-25, an increase in the value of the equity investments in other public sector entities and the growth of the State's non-financial assets. This is strengthened by the Government's prudent management of its balance sheet, without privatisation of public assets.

Chart 6.3: General government sector net worth to increase over the next four years

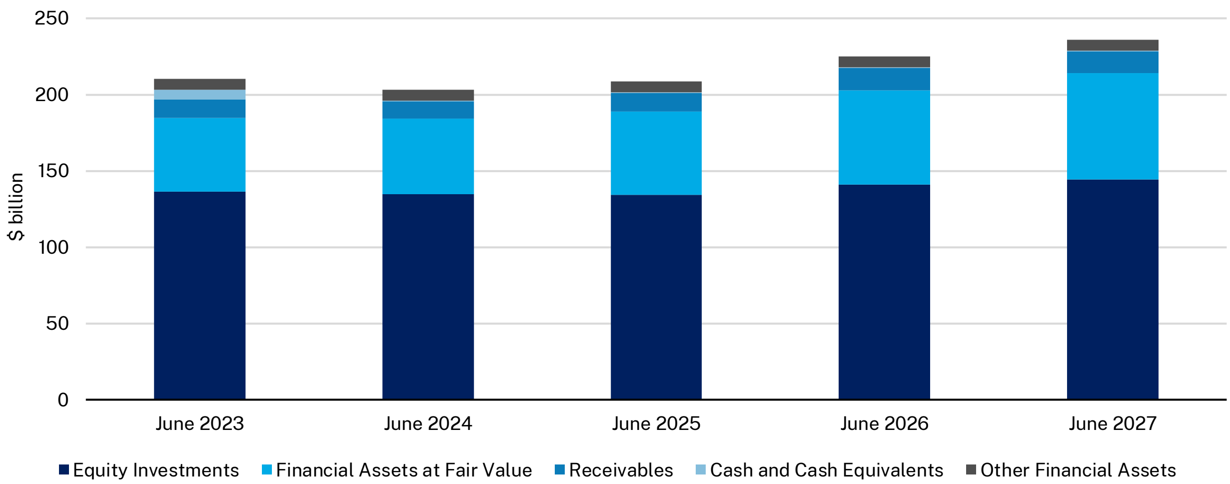


Financial assets included in net worth

The State's total financial assets were $210.1 billion at June 2023[5], $21.6 billion higher than the projection in the 2023 Pre-election Budget Update. This is mainly driven by a $11.5 billion increase in equity investments in other public sector entities due to mostly asset revaluation.

Financial assets are forecast to reach $235.8 billion by June 2027 (see Chart 6.4), driven by the growth in the State's investment funds.

Chart 6.4: General government sector financial assets increasing over time



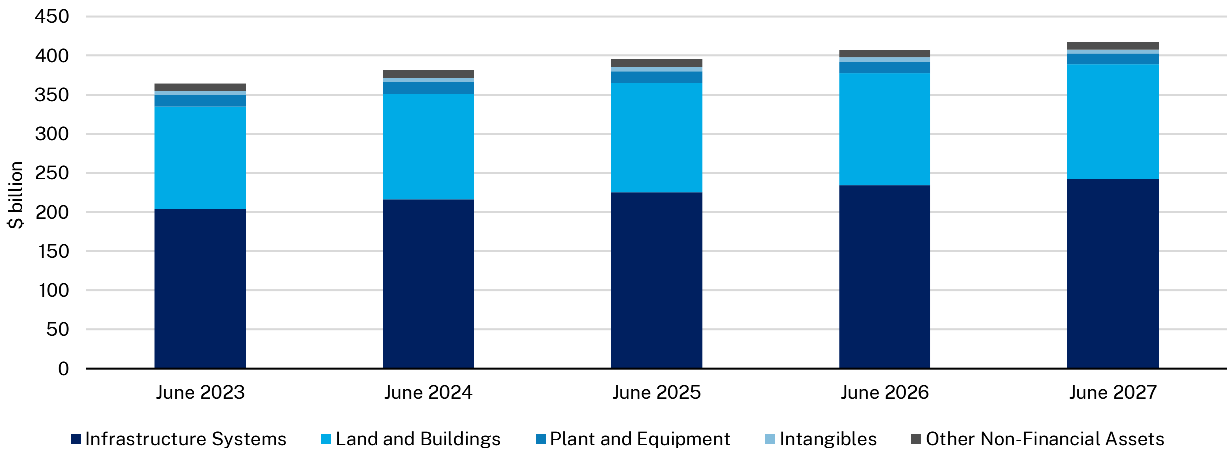
[5] The general government's investments in other public sector entities include the carrying amount of net assets of the Transport Asset Holding Entity (TAHE). The carrying amount of TAHE's net assets, as at 30 June 2023, includes property, plant and equipment measured using an income approach in accordance with *TPP21-09 Valuation of Physical Non-Current Assets at Fair Value* and *AASB 13 Fair Value Measurement*. As a result of the Government's ongoing review of TAHE's future operating model, it is likely that there will be a change in the valuation approach from the income approach to current replacement cost (CRC) during 2023-24. A change in valuation approach to CRC is likely to lead to a materially higher fair value of TAHE's property, plant and equipment that will be reflected in the future Budget estimates.

Non-financial assets included in net worth

The State's non-financial assets were $364.2 billion at June 2023 ($29.0 billion higher than the 2023 Pre-election Budget Update due to upwards revaluations to land and buildings and infrastructure systems). Non-financial assets are estimated to grow to $417.8 billion by June 2027 (see Chart 6.5). This expected increase to June 2027 is primarily due to:

- a projected increase in the State's productive infrastructure systems of $38.4 billion from June 2023 to June 2027, driven by investment in public transport infrastructure
- a projected increase in the value of land and buildings, of $16.2 billion from June 2023 to June 2027, driven by investment in transport, schools, and hospitals.

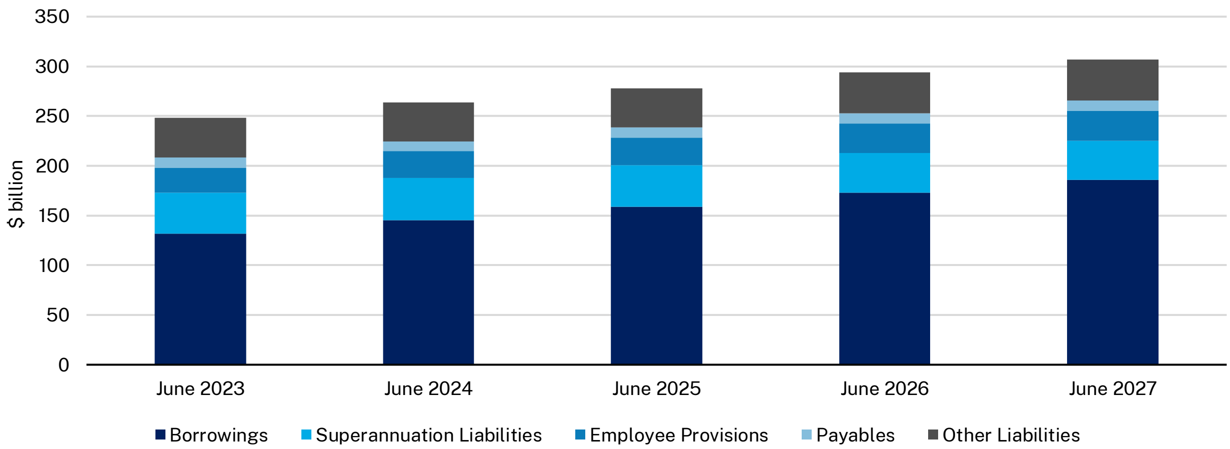
Chart 6.5: General government sector non-financial assets growing over time due to infrastructure investment and asset revaluation



Liabilities included in net worth

Total liabilities were $248.2 billion at June 2023 and are projected to increase to $306.6 billion by June 2027 (see Chart 6.6). This is predominately driven by the State's increased borrowings to fund the investment in infrastructure.

Chart 6.6: Liabilities to increase over the forward estimates



Borrowings represent the largest liability category on the general government sector balance sheet. They are projected to increase over the forward estimates from $132.1 billion at June 2023 to $186.0 billion by June 2027.

TCorp is the State's central borrowing authority and seeks to mitigate financing risk through diversification of funding sources and funding types. This includes the issuance of Green and Sustainability bonds through the NSW Sustainability Bond Programme, lengthening the maturity profile and issuing different types of fixed interest instruments to appeal to a broader set of investors.

The second largest liability of the Government is its defined benefit superannuation liability[6]. The liability was valued at $40.1 billion at June 2023 and is expected to decrease to $39.2 billion by June 2027. In this Budget, the Government has adopted a revised contribution profile, which is $1.7 billion higher over the four years to 2026-27 than the previous schedule. As a result, Treasury's actuaries project that the Government is on track to fully fund its superannuation liabilities by 2040.

Employee provisions, including long service leave, are projected to increase over the forward estimates from $25.4 billion at June 2023 to $30.4 billion by June 2027.

6.3 Managing the State's cash flows

The cash flow statement reports two fiscal measures, which are the net increase in cash held and cash surplus/(deficit). The net increase in cash held is the sum of net cash flows from all operating, investing, and financing activities. Cash surplus/(deficit) comprises net cash from operating activities, plus sales and less purchases of non-financial assets.

This Budget projects a return to a net operating cash surplus in 2023-24, estimated to be $102 million. This indicates that the Government will not borrow to fund its operations. This cash operating surplus is projected to increase to $9.6 billion in 2025-26, which is $1.8 billion higher than the projection in the 2023 Pre-election Budget Update. This is primarily driven by more prudent management of revenues (e.g., coal royalties) by allowing some of the revenue uplift to flow through to the State's bottom line, partially offset by the increase in Government's contribution profile for the defined superannuation liability.

As the State continues to invest in infrastructure such as the Sydney Metro projects, this results in net cash outflows from investments in non-financial assets. These are estimated to be a net cash outflow of $17.0 billion in 2023-24 and a total of $72.0 billion over the four years to 2026-27.

Net cash flows from investments in financial assets for policy purposes represents net cash flows from disposal or return of equity. This includes net equity injections into other public sector entities. In this Budget, this investment is estimated to be $170 million net cash outflows in 2023-24, compared to $2.3 billion net cash outflows projected in the 2023 Pre-election Budget Update. Previously, payments to TAHE were included in net cash flows from investments in financial assets for policy purposes. These payments have been reclassified to cash payments from operating activities in line with the accounting standard.

Net cash flows from investments in financial assets for liquidity purposes include the contributions into and withdrawal from the State's investment funds, such as the NGF and NIFF. In 2023-24, payment for purchases of investments is $7.0 billion lower than projected in the 2023 Pre-election Budget Update. This was led by the Government's decision to temporarily suspend contributions into the NGF in 2023-24, with contributions budgeted from 2024-25 to 2026-27.

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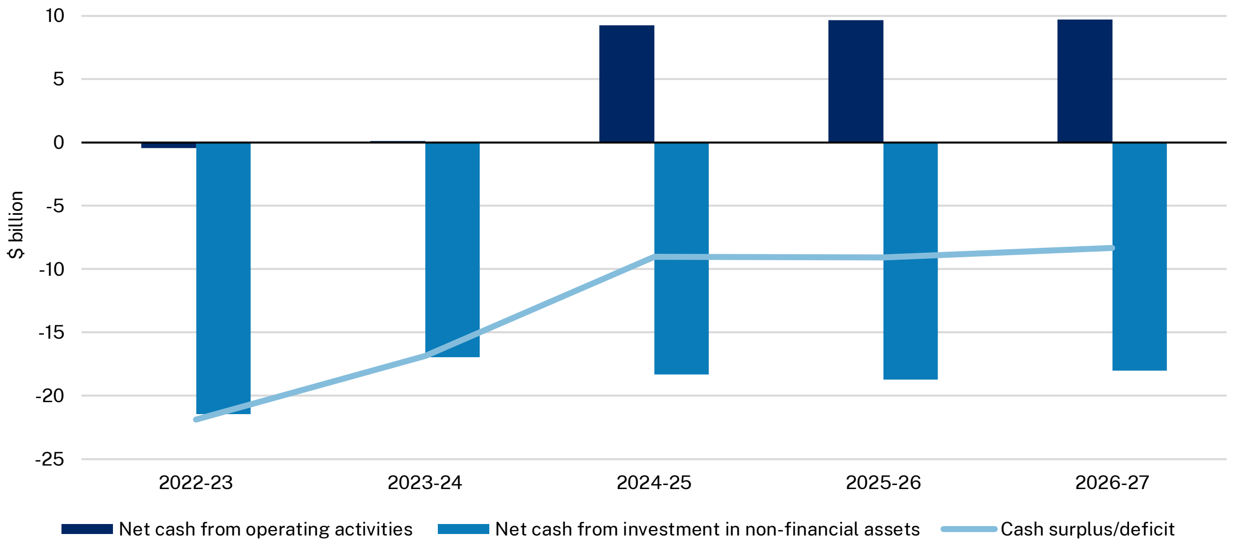
[6] The superannuation liability can be measured using two Australian Accounting Standards Board (AASB): *AASB119 Employee Benefits* and *AASB1056 Superannuation Entities*. The superannuation liability reported on the State's balance sheet is the unfunded component of the liability and is governed by AASB119. It should be noted that this Accounting Standard creates a larger and more volatile liability than under AASB1056 due to the use of a conservative valuation discount rate. AASB1056 is the basis used when assessing the Government's funding position. The defined benefit superannuation liability has increased over the last year due to the high inflation experienced, given that pensions are linked to consumer price index (producing a net liability of $19.8 billion as of 30 June 2023 under this basis).

The general government sector cash deficit is estimated to be $43.3 billion over the four years to 2026-27. It reflects the Government's investment in its infrastructure. This cash deficit has to be largely funded by new borrowings, which is the main driver of the increase in gross debt. The cash deficit has improved slightly since the 2023 Pre-election Budget Update.

Chart 6.7: General government sector cash surplus/(deficits)



7. COMMERCIAL PERFORMANCE IN THE BROADER PUBLIC SECTOR

- Commercial operations of the public sector are delivered through the State Owned Corporations (SOCs), other entities in the public non-financial corporation (PNFC) sector and entities in the public financial corporation (PFC) sector (see Appendix A4 Classification of Agencies for classifications of the entities). These commercial entities operate at arm's length from the Government and are guided by Treasury's Commercial Policy Framework.
- The Government is working with individual SOCs to align their strategic direction with the Government's priorities, while maintaining SOCs' independence of operation in a commercial manner. SOCs will fully reflect the Government's expectations in the upcoming Statement of Corporate Intent and business planning process for 2024-25.
- The commercial entities in the NSW public sector deliver essential services including water, energy and port functions. The Government is committed to maintaining public ownership of its essential assets. The Government has safeguarded Sydney Water Corporation (Sydney Water) and Hunter Water Corporation (Hunter Water) from privatisation through an amendment to the *Constitution Act (NSW) 1902*.
- SOCs are taking action to support the State's energy security and transition to net zero emissions. They are exploring a wide spectrum of renewable energy solutions, including renewable energy generation, storage and efficient connections to the network.
- In line with the Government's commitment to addressing the cost of living by ensuring housing is more affordable, Landcom is accelerating investment in affordable housing. A special dividend of $300.0 million that had been projected to be declared in 2024-25 will instead be retained and used to fund the delivery of an estimated additional 4,697 dwellings, of which 1,409 will be affordable housing.
- icare continues to implement a multi-year improvement program aimed at:
  - strengthening icare's culture, governance and accountability frameworks
  - upgrading risk management and capability
  - bringing about a greater focus on customer and return to work outcomes.

  The program is underpinned by the recommendations from the *State Insurance and Care Governance Act 2015* Independent Review led by the Hon Robert McDougall QC (McDougall Review) and the Governance, Accountability and Culture Review (GAC Review) in 2021. The reviews contained 107 recommendations which icare has committed to addressing. icare will progressively address the remaining 86 recommendations throughout 2023-24.
- The total dividend and tax equivalent payments by entities in the PNFC and PFC sectors were $653.7 million in 2022-23 and are forecast to be $4.1 billion over the budget year and forward estimates to 2026-27.

7.1 Reforms and initiatives of State Owned Corporations

Water

Sydney Water and Hunter Water deliver essential water and wastewater services to households in Greater Sydney, Illawarra and the Lower Hunter. WaterNSW supplies bulk water to metropolitan and regional areas.

The Government is committed to safeguarding the State's essential water assets from privatisation.

Box 7.1: Protecting the State's water assets

On 1 June 2023, the Legislative Council passed the *Constitutional Amendment (Sydney Water and Hunter Water) Bill 2023*, amending the *Constitution Act (NSW) 1902* to protect the continued public ownership of Sydney Water and Hunter Water.

The new provisions of the legislation ensure the essential water assets continue to belong to the people of New South Wales, which will support strategic investment in the State's water security and prevent severe water price spikes.

The Government has also agreed to establish a parliamentary inquiry that will examine options for safeguarding and supporting other regional water utilities and securing the future of water services to all parts of New South Wales. The inquiry will involve extensive local consultations and will report on the governance systems and regulatory and assurance framework for local water utilities.

In response to the cost-of-living pressures, both Sydney Water and Hunter Water have expanded their assistance programs to provide support for vulnerable customers, including concessions to eligible pensioners and assistance to eligible customers who are experiencing financial hardship.

Ensuring a resilient and sustainable water future is key for both Sydney Water and Hunter Water.

Consistent with the Lower Hunter Water Security Plan, Hunter Water is designing the Belmont Desalination Plant, exploring a connection on the Paterson River to the proposed Lostock Dam and Glennies Creek Dam pipeline, and investigating increased use of recycled water across the Lower Hunter.

Sydney Water has developed its new long-term capital and operational plan, in collaboration with WaterNSW. Sydney Water supplies clean and safe drinking water to 5.3 million people. The plan sets out investments to ensure Sydney Water can service nearly two million more people by 2050.

To support increasing housing supply, the Government will work with Sydney Water to review its capital and service planning to provide timely services to priority areas for housing growth. This review is expected to be completed by early 2024.

Sydney Water has progressed projects that contribute to thriving, liveable and sustainable communities.

The $1.3 billion Advanced Water Recycling Centre at Upper South Creek is Sydney Water's largest investment in water resilience over the next 10 years. The centre will create a foundation for a circular economy hub in Western Sydney that can offer integrated circular water, energy and organic waste management. Once completed, the centre will:

- supply wastewater services to thousands of new dwellings around the Western Sydney International Airport
- produce high-quality treated water for sustainable use in homes and businesses
- supply biosolids for agribusiness
- maximise energy recovery and unlock the value of food waste in the economy by sourcing organic waste in surrounding areas to produce and supply renewable gas to local households and industries.

In addition, the development of the centre is expected to generate $10.0 billion of social and economic benefits in Western Sydney through jobs and investment.

Other Sydney Water projects in progress include:

- the new Purified Recycled Water Discovery Centre at Quakers Hill, which will educate and engage visitors on purified recycled water
- a smart irrigation project under a trial agreement with Penrith City Council and Liverpool City Council, which is expected to result in 10 to 20 per cent reduction in water use for the councils.

In 2022-23, New South Wales and the Murray-Darling Basin experienced the wettest Spring on record. This resulted in extreme flooding in catchments across the State, bringing with it tremendous hardship for thousands of people.

During this period, WaterNSW worked closely with the State Emergency Services and the Bureau of Meteorology to mitigate the impacts of these floods where possible, while keeping local stakeholders informed and engaged throughout.

Working in partnership with local councils and other stakeholders through local Airspace Reference Panels, WaterNSW helped manage dam levels prior to rainfall events to capture floodwater.

Energy

Essential Energy operates and maintains one of Australia's largest electricity distribution networks.

Essential Energy focuses on the future needs of customers in regional, rural and remote communities of New South Wales. It seeks to optimise asset investment and use, maintain affordable network charges and facilitate new ways for customers to connect to the network and utilise services.

Essential Energy expects to spend over $100.0 million in 2023-24 as part of its network upgrades and resilience programs. This will contribute towards replacing 11,000 poles with fireproof composite poles in high-risk areas and building 1,123 portable community resilience assets by 2028-29.

In response to growth in connection inquiries from renewable generators and new load customers, Essential Energy expects to undertake $40.0 million in capital works during 2023-24 to facilitate customer connections. Essential Energy is targeting 4.2 gigawatts of renewable generation to be connected to the network by 2029-30.

In line with the Government's response to the Electricity Supply and Reliability Check Up, Essential Energy will work with the Government and the other NSW networks to explore opportunities to materially increase large-scale renewable connections.[1]

For Essential Energy, this will utilise significant available capacity that exists in its high voltage network, connecting more renewable energy and storage in the short to medium term. In return, NSW consumers can benefit from cheaper and cleaner electricity as larger scale network projects are developed.

In addition, Essential Energy is improving reliability for remote and rural customers and communities by transitioning high cost-to-serve customers to more efficient and reliable solutions where it is economically and technically feasible. This includes a target to deliver 400 stand-alone power systems by 2028-29 that will provide safe, reliable and renewable power to remote communities, or in difficult to access, flood or bushfire-prone locations.

Box 7.2: SOCs contribute to the State's renewable energy transition

The energy sector is undergoing a transformation with renewable energy continuing to grow to deliver clean power and reduce carbon emissions. All SOCs have taken initiatives to contribute to the State's energy security and transition to renewable energy.

WaterNSW Renewable Energy and Storage Program

WaterNSW is progressing its Renewable Energy and Storage Program which looks to identify opportunities to use its land and assets to support renewable energy generation and storage projects in New South Wales.

The program aligns with the State's energy initiatives, including the NSW Electricity Strategy, the NSW Electricity Infrastructure Roadmap and the NSW Pumped Hydro Roadmap. WaterNSW is undertaking the program in close collaboration with the Energy Corporation of NSW (EnergyCo).

In December 2022, WaterNSW entered into the first development agreement under the program, which is with ACEN Australia for a pumped hydro scheme located near Lake Burrendong. If constructed, the large-scale power station will provide electricity for up to 400,000 households.

Forestry Corporation of NSW (Forestry Corporation) – wind farm opportunities

Forestry Corporation is working to identify opportunities to produce renewable energy within the 225,000 hectares of State forest pine plantations. Forestry Corporation has shortlisted renewable energy providers and requested formal proposals to understand if the development opportunities are compatible with forestry activities.

This initiative is consistent with EnergyCo's 2023 Network Infrastructure Strategy, with some of the potential sites being close to existing network infrastructure and being able to open opportunities for generation to connect to new parts of the grid which were previously difficult to access.

The scale, timing and location of this potential generation development could influence the planning and operational parameters of NSW Renewable Energy Zones. EnergyCo will work closely with Forestry Corporation to ensure coordinated development of the two programs to achieve the best outcome for NSW electricity consumers.

Initiatives by the other SOCs

Other SOCs have also commenced identifying renewable energy opportunities as part of their sustainability agenda, including:

- biogas production by Sydney Water
- shore power by Port Authority of New South Wales (Port Authority)
- onsite renewable energy systems by Hunter Water and Landcom
- fireproof (composite) power poles, microgrids, stand-alone power systems, electric vehicles, batteries and renewable generation network connections by Essential Energy.

[1] To review the Government response to the Electricity Supply and Reliability Check Up, please refer to the NSW Climate and Energy Action website (https://www.energy.nsw.gov.au/).

Transport

Transport Asset Holding Entity of NSW (TAHE)

TAHE owns an extensive asset portfolio of property, stations, rollingstock and rail infrastructure across the Sydney metropolitan area, the country regional network and other limited locations in New South Wales. TAHE is also the strategic asset manager of these assets.

TAHE will transition from its current operating model as a statutory SOC with a commercial imperative to a non-commercial PNFC. TAHE's new operating model will be implemented under a phased approach over the next 12 months. As part of the transition, the Government will no longer require TAHE to provide returns to Government in the form of dividends and income tax equivalents from 2023-24 onwards.

Port Authority

Port Authority is responsible for all commercial marine functions in the ports of Sydney Harbour, Port Botany, Newcastle Harbour, Port Kembla, Port of Eden and Port of Yamba.

Demand for cruises in 2023-24 is expected to remain strong which will facilitate sustainable tourism in New South Wales. Port Authority will invest $43.3 million over the 10 years from 2023-24 to 2032-33 in key cruise infrastructure assets to improve customer experience, including upgrades to the Overseas Passenger Terminal and the White Bay Cruise Terminal.

The terminal capacity for cruise ships in Sydney Harbour is becoming constrained and Port Authority is examining options to improve the capacity.

Port Authority is leading the development of the Bays Port Integration and Innovation Plan which will provide a long-term vision for Bays Port. The plan will identify opportunities for increasing the utilisation of the port, introducing new uses and subsequently supporting an efficient and sustainable city. The development of this plan commenced in 2022-23 and will conclude in 2023-24.

Property

Landcom is the State's land and property development organisation that develops land to achieve both public outcomes and financial benefits for the State and people of New South Wales. Landcom supplies new dwellings through the delivery of master-planned communities and development projects, with a focus on expanding the stock of affordable and diverse housing.

Landcom settled 2,313 dwellings in 2022-23 and projects to settle 3,581 dwellings in 2023-24. The settlements in 2023-24 include the first settlements of 161 dwellings at Landcom's Panorama project in North Wilton. The North Wilton project is on an 871-hectare site and is expected to deliver over 5,000 dwellings over the next 25 years.

Box 7.3: Landcom accelerates the supply of affordable housing

The Government is committed to addressing the cost-of-living pressures by ensuring housing is more affordable. As part of this commitment, Landcom will accelerate investment in delivering affordable housing by reinvesting $300.0 million of dividends planned to be declared in 2024-25. The investment will allow Landcom to deliver an estimated 1,409 affordable dwellings and 3,288 market dwellings.

In addition to the $300.0 million investment, Landcom remains committed to delivering 10 per cent of its new housing in metropolitan areas and 20 per cent in regional areas as affordable housing.

Landcom released 237 dwellings in 2022-23 as affordable rental housing to community housing providers, and expects to release 579 dwellings in 2023-24.

Excluding the dwellings to be delivered as part of the $300.0 million investment, New South Wales has committed to build 3,100 affordable housing dwellings by 2028-29 as part of the National Housing Accord, of which 1,800 dwellings will be supplied by Landcom.

Landcom is also improving the supply of affordable housing in regional New South Wales. It is in the process of acquiring two regional sites for developing build-to-rent housing in the South Coast and Northern Rivers Region. The two projects are estimated to deliver a total of 100 dwellings over the next five years.

Forestry

Forestry Corporation manages the State forests. It also delivers a range of other public services including recreation, tourism, conservation and firefighting.

Forestry Corporation continues to invest in the State's future timber resource through improved estate evaluation plans and replanting plantations affected by the 2019-20 bushfires. In 2022-23, Forestry Corporation invested $15.3 million to repair roads and bridges impacted by the floods and reopen crucial links to forests for regional communities, industry and visitors.

Major investments are being made in strategic fire trails and installation of hardware for the transition to the Government Radio Network. Forestry Corporation also remains prepared and equipped for fires through retrofitted fire tanks and light vehicles in line with the recommendations from the NSW Bushfire Inquiry into the 2019-20 bushfire season.

The Government has made an election commitment to establish the Great Koala National Park (GKNP) on the Mid North Coast. While the GKNP is being established, Forestry Corporation ceased forestry harvesting operations in high density koala population areas of the proposed GKNP, effective from 1 September 2023. The Government is working with Forestry Corporation on timber supply options.

7.2 Capital expenditure

In 2022-23, capital expenditure within the PNFC sector was $5.6 billion, which is $1.4 billion lower than projected in the 2022-23 Half-Yearly Review. This is largely driven by the updated project delivery profile of TAHE.

Over the four years to 2026-27, capital expenditure within the PNFC sector is projected to be $31.0 billion, which is $4.7 billion higher than projected in the 2022-23 Half-Yearly Review. Key movements include:

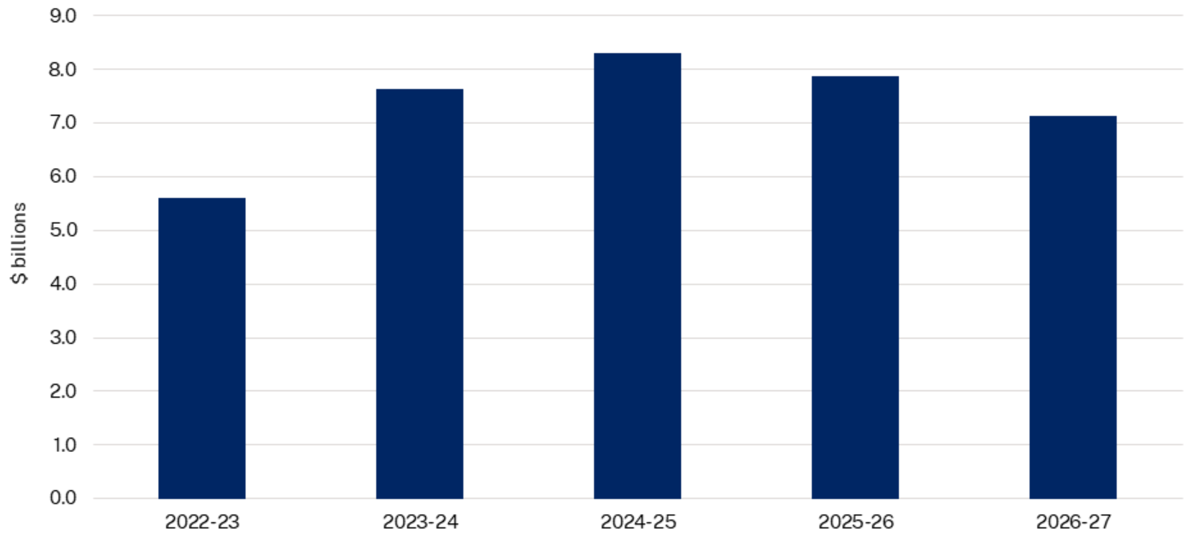
- $3.1 billion increase from Sydney Water predominantly driven by new growth projects, particularly in the Western Sydney Aerotropolis Growth Area and South West Growth Area
- $668.4 million increase from TAHE largely driven by updated project delivery profiles, new investment to increase accessibility facilities and car parks at train stations as well as increased financial costs associated with rail delivery programs

- $434.4 million increase from Essential Energy in relation to increased expenditure on network resilience, and higher future network related spend that supports changes in the way energy is sourced and shared and enables greater levels of renewables to connect to the network
- $388.0 million increase from WaterNSW primarily driven by higher projected expenditure on renewals and replacements of WaterNSW's existing assets, along with investments in the previously deferred capital projects caused by the flood events and supply chain challenges.

Chart 7.1 shows capital expenditure in the PNFC sector from 2022-23 to 2026-27.

Further details on PNFC entities' capital investment program are provided in Budget Paper No.3 *Infrastructure Statement.*

Chart 7.1: Capital expenditure of the PNFC sector



7.3 Major public financial corporations

NSW Treasury Corporation (TCorp)

TCorp is the State's investment management agency and central financing authority.

TCorp's total funds under management was around $106.0 billion as at 30 June 2023, making it one of Australia's largest fund managers. TCorp raised $33.3 billion face value in debt funding and retired $3.3 billion during 2022-23. This includes raising $2.0 billion in sustainability bonds, taking the program to $9.2 billion and making TCorp one of the largest government issuers of sustainability bonds in Australia.

Chapter 6 and Appendix B of this budget paper provide further detail on TCorp's investment and financial risk management activities which contribute to delivering the whole-of-state financial outcomes over the budget year and forward estimates.

Insurance and Care NSW (icare)

icare is the State's social insurer with the purpose to protect, insure and care for the State's people, businesses and assets.

icare's multi-year improvement program ensures:

- effective embedment of governance and risk management
- cultural improvements
- improved return to work outcomes
- improved claims servicing
- better outcomes for the customers they serve.

There has been strong focus on change management and maintaining momentum to address the remaining 86 recommendations from the McDougall Review and GAC Review which underpin this improvement program. icare will progressively complete the recommendations throughout 2023-24.

The move to multiple service providers and the introduction of performance-related incentives for claims management is intended to deliver significantly improved claims experience for injured workers across the State and help them to return to work as soon as possible.

Box 7.4: Mental health return to work trial initiative for essential workers

icare's Front of Mind initiative involves rolling out interventions that provide prevention and early intervention support for first responders and frontline workers across the State. The five-year integrated initiative commenced in July 2020 and involves collaboration between icare and a consortium of leading experts in mental health, and four participating NSW Government agencies:

- Department of Communities and Justice
- Fire and Rescue NSW
- NSW Ambulance
- NSW Police.

The initiative aims to develop a range of tailored, innovative interventions to reduce the risk and severity of psychological injury and associated injury claims. Front of Mind puts research into practice, allowing icare and the NSW Government agencies to understand some of the underlying drivers or causal factors for psychological injuries and claims. Through this initiative, NSW Government agencies are better equipped to integrate preventative mental health measures into their workplaces to help reduce the incidence of psychological distress in their workforce.

Front of Mind's interventions include:

- a training program aimed at line managers to help them identify and manage staff members at risk or affected by psychological stress
- an online mental health assessment followed by feedback tailored to the level of psychological distress reported
- a self-guided app-based program aimed at individuals who have mild to moderate levels of distress or subclinical symptoms
- an app-based program for Post Traumatic Stress Disorder designed to complement clinical treatment.

7.4 Returns to the Government from the PNFC and PFC sectors

SOCs and TCorp pay dividends to the State as return on its investments in these entities. These entities also make tax equivalent payments and debt neutrality charges (government guarantee fees) to ensure competitive neutrality.

The government guarantee fees were $319.7 million in 2022-23, and are forecast to total $1.9 billion over the budget year and forward estimates.

Total dividend and tax equivalent payments from the PNFC and PFC sectors were $653.7 million for 2022-23, which is $65.5 million lower than forecast at the 2022-23 Half-Yearly Review. This is primarily due to Sydney Water's lower income tax equivalents, which was driven in part by lower profit caused by increases in finance costs and operating expenses.

Over the four years to 2026-27, total dividend and tax equivalent payments to the Government from the PNFC and PFC sector are forecast to be $4.1 billion, which is $2.1 billion lower than forecast at the 2022-23 Half-Yearly Review. Key movements include:

- decrease of $2.0 billion dividends and tax equivalents from TAHE in line with the Government's decision that TAHE will no longer be required to pay dividends and income tax equivalents from 2023-24, as part of its transition to a non-commercial PNFC operating model
- decrease of $364.2 million dividends and tax equivalents from Landcom, primarily driven by the decision not to proceed with the $300.0 million dividend that was previously planned to be declared in 2024-25. The funding will be invested to accelerate the delivery of affordable housing
- increase of $155.5 million dividends and tax equivalents from TCorp due to higher revenues mainly from lending margins payable on new client loans to meet the State's funding program
- decrease of $153.1 million dividends and tax equivalents from Essential Energy, driven by higher expenditure in relation to major IT projects, increased insurance premiums, higher depreciation following the revaluation of non-current system assets and initiatives to enable more consumer energy resources on the network. In addition, Essential Energy will be subject to an Efficiency Benefit Sharing Scheme penalty following an issues paper released by the Australian Energy Regulator in March 2023. The penalty will be the result of projected operating expenditure in 2022-23 and 2023-24 exceeding the allowances approved by the Australian Energy Regulator, which was driven by increased resourcing requirements to support customers in the energy transition
- increase of $97.2 million dividends and tax equivalents from Sydney Water, due to higher revenue resulting from the gradual introduction of infrastructure contributions from 2024-25 and increased forecast revenue in line with the anticipated Independent Pricing and Regulatory Tribunal's (IPART) pricing determination for Sydney Water commencing from 1 July 2025. After reflecting these updated assumptions, Sydney Water's dividends and tax equivalents are forecast to increase significantly in 2025-26 (to $626.0 million)
- decrease of $64.9 million dividends and tax equivalents from Forestry Corporation, due to softening of market demand for softwood timber resulting from lower housing starts, inflationary cost pressures and increased investments in community and environmental projects.

Table 7.1 below shows the dividend and tax equivalent payments from the PNFC and PFC sectors across 2022-23 to 2026-27.

Table 7.1: Total dividend and tax equivalent payments from the PNFC and PFC sectors

	2022-23 Estimated Actual $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m
Public non-financial corporations					
Essential Energy	2	16	22	38	54
Forestry Corporation of NSW	33	3	9	14	42
Hunter Water Corporation	39	56	45	66	83
Landcom(a)	26	24	28	25	40
Port Authority of NSW	40	48	57	63	55
Sydney Water Corporation(b)	140	361	386	626	637
Transport Asset Holding Entity of NSW	129	...	...	...	...
Water NSW	40	61	65	65	65
Public financial corporations					
NSW Treasury Corporation	161	183	203	219	236
Total Dividend and Tax Equivalent Payments in Revenue from Transactions section	**612**	**752**	**816**	**1,116**	**1,212**
Public non-financial corporations					
Landcom	42	39	40	41	65
Total Dividends in Other Economic Flows section(c)	**42**	**39**	**40**	**41**	**65**
TOTAL DIVIDEND AND TAX EQUIVALENT PAYMENTS	**654**	**791**	**855**	**1,156**	**1,276**

(a) Landcom's returns classified under the 'Revenue from Transactions' section in the General Government Operating Statement relate to tax equivalent payments.
(b) Dividends and tax equivalents from Sydney Water are forecast to rise to $626.0 million in 2025-26 due to the gradual reintroduction of infrastructure contributions and the forecast higher revenue resulting from the commencement of the next IPART pricing determination.
(c) Dividends paid by Landcom across the five years to 2026-27 are classified as income within the 'Other Economic Flows' section of the General Government Operating Statement.

A1. STATEMENT OF FINANCES

This Appendix presents the financial aggregates for the 2023-24 Budget.

Financial aggregates in this Appendix are prepared in line with:

- the Uniform Presentation Framework (UPF) administered by the Council on Federal Financial Relations
- Australian Accounting Standard AASB 1049 Whole of Government and General Government Sector Financial Reporting, which adopts a harmonised Government Finance Statistics (GFS)/Generally Accepted Accounting Principles (GAAP) reporting basis.

A six-year time series is provided from 2021-22 to 2026-27 for the general government sector (GGS), public non-financial corporations (PNFC) sector, and consolidated non-financial public sector (NFPS).

An analysis of general government expenses is presented in Chapter 5 Expenditure and looks at each element of expenses by Classification of the Functions of Government-Australia (COFOG-A) category.

How to Read the Budget Papers outlines the accounting policies and forecast assumptions adopted in the Budget. The UPF tables quantify the impact of these policies and assumptions on the forward estimates from 2023-24 to 2026-27.

A1.1 Introduction

This Appendix presents financial aggregates for the GGS, PNFC sector and NFPS. These aggregates are prepared in line with the revised UPF agreed by the Council on Federal Financial Relations (CFFR) in February 2019.

The objective of the UPF is to facilitate a better understanding of individual government's budget and provide for more meaningful comparisons of each government's financial results and projections.

The format of the aggregates is based on reporting standards set out by the Australian Accounting Standards Board – AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, which adopts a harmonised GFS-GAAP reporting basis.

The UPF financial aggregates:

- allow consistent comparisons between the financial position of Australian governments
- facilitate time series comparisons since they are relatively unaffected by changes in public sector administrative structures
- permit an assessment of how public sector transactions affect the economy by providing data classified by economic type.

A1.2 Uniform Presentation Framework

The NSW Government financial tables in this appendix are prepared under the UPF[1]. Additional disclosures explain matters specific to New South Wales.

Framework

The UPF tables are in line with AASB 1049 which:

- adopts generally accepted accounting principles (GAAP) definitions, including recognition and measurement principles in almost all cases
- amends presentation requirements to encompass a comprehensive result that retains the GAAP classification system but overlays it with the transactions and other economic flows classification system based on GFS
- expands the disclosure requirements to include key fiscal aggregates required by GFS.

Due to differences in reporting classifications, GFS financial aggregates released by the ABS will differ from UPF aggregates. For more information on other differences, see the primary financial statements later in this appendix. For details and amounts of the key 2021-22 convergence differences, refer to *Note 37: Key Fiscal Aggregates and Reconciliations to Government Finance Statistics* in the *2021-22 Report on State Finances*.

[1] The complete Uniform Presentation Framework is available on the Australian Government Treasury website www.treasury.gov.au. Extracts from the manual are included in this appendix to explain key concepts while the glossary to *How to Read the Budget Papers* also includes key UPF terms.

Historical Series

To ensure a consistent historical series of fiscal aggregates, all jurisdictions have agreed to back cast published historical data on a best endeavours basis. For example, historic information in the consolidated operating statements has been recast on the basis of available dissections between GFS transactions and other economic flows.

Fiscal measures

UPF reporting measures evaluate the soundness of a government's fiscal position and the fiscal policy effect on the economy. The fiscal measures in the UPF framework are:

- net operating balance
- net lending/borrowing (fiscal balance)
- net worth
- change in net worth (comprehensive result)
- net debt
- net financial worth
- net financial liabilities
- cash surplus/(deficit).

Definitions of these measures are set out in the glossary in the *How to Read the Budget Papers* guide.

Flow measures (net operating balance, net lending/borrowing and change in net worth) show changes in the fiscal position during the reporting period, reflecting the impact of government decisions and actions, and re-measurement effects during that time. Flows represent the creation, transformation, exchange, transfer, or extinction of economic value.

Stock measures (net worth, net debt, net financial worth and net financial liabilities) highlight a government's fiscal position at a point in time, providing information on the aggregate results of past decisions.

A1.3 Primary Financial Statements

UPF Presentation

Public sector estimates and outcomes are presented on an accrual accounting basis in three AASB 1049 based primary statements: the operating statement, including other economic flows; the balance sheet; and the cash flow statement. AASB 1049 adopts GFS principles where this does not conflict with GAAP. Details of key convergence differences between GFS and GAAP are explained in this appendix. The following statements form the UPF's core reporting requirements.

Operating Statement

The operating statement:

- presents information on transactions (revenue and expenses) and other economic flows (revaluations and adjustments)
- captures the composition of revenues and expenses and the net cost of government activities within a fiscal year
- shows the full cost of resources consumed by the government in achieving its objectives and the extent that these costs are met from various revenue sources
- shows information on capital expenditure and asset sales to derive a net lending/borrowing position.

The operating statement also reports three major fiscal measures:

- net operating balance which is calculated as revenue minus expenses from transactions. New South Wales recognises its budget result as the net operating balance for the general government sector
- total change in net worth (comprehensive result) which starts with the net operating balance and includes other economic flows such as revaluations
- net lending/borrowing (fiscal balance) which starts with the net operating balance and includes net capital expenditure but excludes depreciation, giving the best indicator of a jurisdiction's call on financial markets.

The balance sheet:

- records the value of financial and non-financial assets and liabilities of the State, at the end of each financial year
- shows the resources at the State's disposal and the type and valuation of its liabilities
- reveals the make-up of the State's financial assets, its fixed asset holdings, and the extent of liabilities such as borrowings and unfunded superannuation.

The UPF balance sheet fiscal aggregates include net worth, net financial worth, net financial liabilities and net debt.

Cash Flow Statement

The cash flow statement reveals how a government obtains and expends cash. It shows how government cash inflows and outflows are allocated between various activities, and their net impact on cash held.

This statement requires cash flows to be categorised into:

- operating activities comprising activities linked to collecting taxes, distributing grants, and providing goods and services
- investing activities comprising activities linked to acquiring and disposing financial and non-financial assets
- financing activities comprising activities linked to changing the size and composition of a government's financial structure.

The sign convention within the cash flow statement is that all inflows carry a positive sign and all outflows carry a negative sign (regardless of whether they are gross or net cash flows).

The cash flow statement reports two fiscal measures:

- net increase in cash held which is the sum of net cash flows from all operating, investing and financing activities
- cash surplus/(deficit) which comprises net cash from operating activities, plus sales and less purchases of non-financial assets.

New South Wales uses the AASB 1049 cash result as its headline cash result.

Institutional sectors

Appendix A4 lists entities within the NSW public sector. These NSW-controlled entities have been classified according to their government sector. These sectors are defined in the ABS GFS manual.

A1.4 Uniform Presentation Tables

These tables are set out by institutional sectors showing the order of operating statement, balance sheet and cash flow statement.

In addition to the UPF minimum disclosure requirements, these tables include a historical and forward year time series. The tables for general government sector also include:

- tax revenues by type
- a dissection of grant revenue and expense
- dividend and income tax equivalent income by sector
- total expenses by function (COFOG-A)
- purchases of non-financial assets by function (COFOG-A).

Table A1.1: General government sector operating statement

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward Estimates $m	2025-26 $m	2026-27 $m
Revenue from Transactions						
Taxation	39,007	39,861	44,862	46,474	47,737	49,297
Grants and Subsidies						
- Commonwealth General Purpose	23,298	26,024	26,193	27,246	27,680	28,896
- Commonwealth Specific Purpose Payments	11,100	12,286	12,644	13,306	14,003	14,736
- Commonwealth National Partnership Payments	9,220	5,837	6,279	6,354	5,344	4,076
- Other Commonwealth Payments	475	459	457	498	524	564
- Other Grants and Subsidies	795	967	1,044	912	946	940
Sale of Goods and Services	9,451	9,705	10,603	10,744	10,433	10,591
Interest	262	545	504	434	386	449
Dividend and Income Tax Equivalents from Other Sectors	454	612	752	816	1,116	1,212
Other Dividends and Distributions	2,442	1,467	2,637	3,285	3,684	4,102
Fines, Regulatory Fees and Other	6,982	8,409	6,405	7,238	6,853	6,707
Total Revenue from Transactions	**103,486**	**106,171**	**112,379**	**117,307**	**118,706**	**121,571**
Expenses from Transactions						
Employee	40,207	42,135	43,530	46,024	47,530	49,553
Superannuation						
- Superannuation Interest Cost	858	1,583	1,618	1,554	1,513	1,468
- Other Superannuation	3,736	4,038	4,162	4,349	4,447	4,606
Depreciation and Amortisation	7,101	7,837	8,551	8,829	9,267	9,878
Interest	2,527	4,230	5,501	5,900	6,309	6,978
Other Operating Expense	29,697	28,777	28,738	26,105	25,864	26,065
Grants, Subsidies and Other Transfers	34,689	27,675	28,125	23,704	22,195	21,515
Total Expenses from Transactions	**118,815**	**116,275**	**120,227**	**116,463**	**117,124**	**120,063**
BUDGET RESULT - SURPLUS/(DEFICIT) [Net Operating Balance]	**(15,329)**	**(10,104)**	**(7,847)**	**844**	**1,582**	**1,508**

Table A1.1: General government sector operating statement (cont)

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward Estimates $m	2025-26 $m	2026-27 $m
Other Economic Flows - Included in the Operating Result						
Gain/(Loss) from Other Liabilities	2,862	14	(667)	19	(0)	(0)
Other Net Gains/(Losses)	932	2,215	1,218	1,406	509	958
Share of Earnings/Losses from Equity Investments (excluding Dividends)	273	(13)	(25)	(233)	(122)	(291)
Dividends from Asset Sale Proceeds	85	42	39	40	41	65
Allowance for Impairment of Receivables	(81)	(90)	(42)	(42)	(42)	(42)
Deferred Income Tax from Other Sectors	191	129	(103)	47	181	69
Other	...	...	...	...	...	...
Other Economic Flows - included in Operating Result	**4,261**	**2,297**	**421**	**1,237**	**566**	**758**
Operating Result	**(11,068)**	**(7,807)**	**(7,426)**	**2,082**	**2,148**	**2,267**
Other Economic Flows - Other Comprehensive Income						
Items that will not be Reclassified to Operating Result	**63,769**	**47,184**	**1,931**	**3,744**	**9,957**	**6,234**
Revaluations	19,782	32,754	4,907	1,918	1,979	1,859
Actuarial Gain/(Loss) from Superannuation	15,108	3,230	(1,819)	955	919	882
Net Gain/(Loss) on Financial Assets at Fair Value through Other Comprehensive Income	28,705	10,645	(1,312)	786	6,975	3,407
Deferred Tax Direct to Equity	492	495	136	66	65	68
Other	(317)	60	20	20	19	19
Items that may be Reclassified Subsequently to Operating Result	**959**	**2**	**...**	**...**	**...**	**...**
Net Gain/(Loss) on Financial Instruments at Fair Value	0	0	...	...	...	...
Share of Associate's Other Comprehensive Income/(Loss) that may be Reclassified Subsequently to Operating Result	959	2	...	...	...	...
Other Economic Flows - Other Comprehensive Income	**64,729**	**47,186**	**1,931**	**3,744**	**9,957**	**6,234**
Comprehensive Result - Total Change in Net Worth	**53,661**	**39,379**	**(5,495)**	**5,826**	**12,105**	**8,500**
Key Fiscal Aggregates						
Comprehensive Result - Total Change in Net Worth	**53,661**	**39,379**	**(5,495)**	**5,826**	**12,105**	**8,500**
Less: Net Other Economic Flows	(68,990)	(49,483)	(2,352)	(4,982)	(10,523)	(6,992)
Equals: Budget Result - Net Operating Balance	**(15,329)**	**(10,104)**	**(7,847)**	**844**	**1,582**	**1,508**
Less: Net Acquisition of Non-Financials Assets						
Purchases of Non-Financials Assets[(a)]	18,853	20,882	20,329	21,349	19,633	18,763
Sales of Non-Financial Assets	(476)	(369)	(1,267)	(2,686)	(733)	(563)
Less: Depreciation	(7,101)	(7,837)	(8,551)	(8,829)	(9,267)	(9,878)
Plus: Change in Inventories	(819)	(117)	(50)	(41)	9	(15)
Plus: Other Movements in Non-Financials Assets						
- Assets Acquired Using Leases[(a)]	1,499	37	809	872	528	995
- Assets Acquired Using Service Concession Arrangements under						
- Financial Liability Model[(a)]	248	827	1,089	752	295	161
- Grant of Right to the Operator Model	517	273	441	620	230	...
- Other	(1,098)	31	(1,005)	(1,218)	(934)	(716)
Equals: Total Net Acquisition of Non-Financial Assets	**11,624**	**13,726**	**11,794**	**10,820**	**9,760**	**8,747**
Equals: Net Lending/(Borrowing) [Fiscal Balance]	**(26,953)**	**(23,830)**	**(19,642)**	**(9,975)**	**(8,179)**	**(7,239)**
OTHER FISCAL AGGREGATES						
Capital Expenditure[(a)]	20,600	21,746	22,227	22,973	20,456	19,919

(a) Capital expenditure comprises purchases of non-financial assets plus assets acquired using leases and assets acquired using Service Concession Arrangements under the Financial Liability Model.

Table A1.2: General government sector balance sheet

	June 2022 Actual $m	June 2023 Est. Actual $m	June 2024 Budget $m	June 2025 Forward Estimates $m	June 2026 $m	June 2027 $m
Assets						
Financial Assets						
Cash and Cash Equivalents	3,216	6,344	244	262	271	263
Receivables	12,093	12,161	11,691	12,224	14,772	14,617
Investments, Loans and Placements						
Financial Assets at Fair Value	44,572	48,383	49,393	54,454	61,570	69,567
Other Financial Assets	3,598	2,378	2,533	2,774	2,734	2,347
Advances Paid	1,185	936	995	1,045	983	940
Tax Equivalents Receivable	29	94	61	82	74	92
Deferred Tax Equivalents	2,985	3,607	3,407	3,478	3,550	3,628
Equity						
Investments in Other Public Sector Entities	117,025	127,384	125,876	125,728	132,703	136,110
Investments in Associates	8,805	8,841	8,831	8,598	8,477	8,245
Other	6	15	15	15	15	15
Total Financial Assets	**193,513**	**210,143**	**203,046**	**208,662**	**225,149**	**235,824**
Non-Financial Assets						
Contract Assets	53	77	499	500	501	501
Inventories	1,307	1,088	1,148	1,163	1,188	1,176
Forestry Stock and Other Biological Assets	23	16	16	16	16	16
Assets Classified as Held for Sale	62	151	151	151	151	151
Property, Plant and Equipment						
Land and Buildings	116,737	130,360	134,858	140,070	143,790	146,528
Plant and Equipment	13,530	14,894	15,097	14,949	14,640	14,061
Infrastructure Systems	171,990	204,162	216,252	225,261	233,985	242,534
Right of Use Assets	7,174	6,185	6,174	6,192	5,903	6,055
Intangibles	4,774	5,176	5,472	5,415	5,134	4,858
Other	1,386	2,073	1,906	1,897	1,898	1,899
Total Non-Financial Assets	**317,036**	**364,183**	**381,572**	**395,613**	**407,205**	**417,779**
Total Assets	**510,549**	**574,325**	**584,618**	**604,275**	**632,355**	**653,603**
Liabilities						
Deposits Held	353	327	328	328	327	327
Payables	9,700	9,956	9,876	10,000	10,143	10,159
Contract Liabilities	873	858	848	848	851	854
Borrowings and Derivatives at Fair Value	14	17	17	17	17	17
Borrowings at Amortised Cost	107,441	132,079	144,999	158,770	172,673	186,028
Advances Received	545	492	445	395	356	315
Employee Provisions	23,603	25,402	27,198	28,158	29,326	30,353
Superannuation Provision[(a)]	43,556	40,804	42,686	41,631	40,461	39,183
Tax Equivalents Payable	57	73	0	0	0	0
Deferred Tax Equivalent Provision	50	42	48	48	48	49
Other Provisions	15,355	16,572	16,225	16,179	16,178	16,357
Other	22,282	21,603	21,342	21,469	23,438	22,923
Total Liabilities	**223,828**	**248,224**	**264,011**	**277,843**	**293,818**	**306,566**
NET ASSETS	**286,722**	**326,101**	**320,606**	**326,432**	**338,537**	**347,037**
NET WORTH						
Accumulated Funds	76,924	72,606	63,348	66,371	69,423	72,557
Reserves	209,798	253,495	257,258	260,061	269,114	274,481
TOTAL NET WORTH	**286,722**	**326,101**	**320,606**	**326,432**	**338,537**	**347,037**
OTHER FISCAL AGGREGATES						
Net Debt[(b)]	**55,781**	**74,873**	**92,624**	**100,974**	**107,815**	**113,571**
Net Financial Liabilities[(c)]	**147,340**	**165,465**	**186,841**	**194,909**	**201,372**	**206,852**
Net Financial Worth[(d)]	**(30,315)**	**(38,081)**	**(60,966)**	**(69,181)**	**(68,668)**	**(70,742)**

(a) The Superannuation Provision is reported net of prepaid superannuation contribution assets.
(b) Net debt comprises the sum of deposits held, borrowings and advances received, minus the sum of cash and cash equivalents, investments, loans and placements and advances paid.
(c) Net financial liabilities equals total liabilities less financial assets excluding equity investments in other public sector entities.
(d) Net financial worth equals total financial assets minus total financial liabilities.

Table A1.3: General government sector cash flow statement

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward Estimates $m	2025-26 $m	2026-27 $m
Cash Receipts from Operating Activities						
Taxation	38,275	39,841	44,825	46,438	47,720	49,281
Sales of Goods and Services	9,696	10,629	10,993	11,117	10,762	10,979
Grant and Subsidies Received	45,082	45,234	45,963	48,008	48,576	49,342
Interest	195	464	458	354	310	337
Dividends and Income Tax Equivalents from Other Sectors	536	507	933	741	1,063	1,351
Other	10,957	13,873	11,140	12,062	11,340	11,326
Total Cash Receipts from Operating Activities	**104,742**	**110,549**	**114,312**	**118,719**	**119,771**	**122,616**
Cash Payments from Operating Activities						
Employee Related	(38,405)	(40,035)	(42,569)	(45,220)	(46,539)	(48,728)
Superannuation	(3,521)	(5,128)	(5,717)	(6,003)	(6,211)	(6,470)
Payments for Goods and Services	(26,614)	(27,512)	(27,966)	(25,319)	(25,499)	(25,497)
Grants and Subsidies	(33,039)	(26,433)	(26,838)	(22,190)	(20,975)	(20,475)
Interest	(2,543)	(3,163)	(4,356)	(4,485)	(4,875)	(5,637)
Other	(5,554)	(8,689)	(6,770)	(6,230)	(6,028)	(6,115)
Total Cash Payments from Operating Activities	**(109,677)**	**(110,969)**	**(114,210)**	**(109,447)**	**(110,127)**	**(112,920)**
Net Cash Flows from Operating Activities	**(4,935)**	**(420)**	**102**	**9,273**	**9,644**	**9,696**
Cash Flows from Investments in Non-Financial Assets						
Proceeds from Sale of Non-Financial Assets	493	280	1,895	2,705	757	664
Purchases of Non-Financial Assets	(19,881)	(21,731)	(18,845)	(21,018)	(19,496)	(18,681)
Net Cash Flows from Investments in Non-Financial Assets	**(19,387)**	**(21,451)**	**(16,950)**	**(18,313)**	**(18,739)**	**(18,017)**
Cash Flows from Investments in Financial Assets for Policy Purposes						
Receipts	10,794	190	192	227	242	718
Payments	(2,436)	(127)	(362)	(143)	(42)	(46)
Net Cash Flows from Investments in Financial Assets for Policy Purposes	**8,358**	**63**	**(170)**	**83**	**201**	**673**
Cash Flows from Investments in Financial Assets for Liquidity Purposes						
Proceeds from Sale of Investments	3,158	4,860	2,372	3,861	2,802	1,894
Purchase of Investments	(3,807)	(3,295)	(223)	(5,616)	(5,765)	(5,582)
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	**(650)**	**1,565**	**2,149**	**(1,756)**	**(2,963)**	**(3,688)**
Net Cash Flows from Investing Activities	**(11,679)**	**(19,824)**	**(14,971)**	**(19,985)**	**(21,501)**	**(21,032)**
Cash Flows from Financing Activities						
Advances (Net)	(109)	(78)	(55)	(78)	(164)	(68)
Proceeds from Borrowings	27,011	28,457	12,174	12,317	14,144	13,800
Repayment of Borrowings	(10,921)	(4,983)	(3,350)	(1,510)	(2,115)	(2,407)
Deposits Received (Net)	70	(26)	...	...	...	...
Other (Net)	(0)	0	(0)	(0)	(0)	0
Net Cash Flows from Financing Activities	**16,051**	**23,370**	**8,769**	**10,729**	**11,864**	**11,325**
Net Increase/(Decrease) in Cash Held	**(563)**	**3,126**	**(6,100)**	**16**	**7**	**(11)**
Derivation of Cash Result						
Net Cash Flows from Operating Activities	(4,935)	(420)	102	9,273	9,644	9,696
Net Cash Flows from Investments in Non-Financial Assets	(19,387)	(21,451)	(16,950)	(18,313)	(18,739)	(18,017)
Cash Surplus/(Deficit)	**(24,322)**	**(21,871)**	**(16,848)**	**(9,040)**	**(9,095)**	**(8,321)**

Table A1.4: General government sector taxes

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m
Taxes on Employers' Payroll and Labour Force	**9,297**	**11,850**	**12,804**
Taxes on Property			
Land Taxes	4,838	5,999	6,948
Other	164	169	190
Total Taxes on Property	**5,002**	**6,168**	**7,139**
Taxes on the Provision of Goods and Services			
Excises and Levies	...	...	...
Taxes on Gambling	2,431	3,374	3,421
Taxes on Insurance	3,215	3,525	4,078
Stamp Duties on Financial and Capital Transactions	14,680	10,036	12,127
Total Taxes on the Provision of Goods and Services	**20,326**	**16,935**	**19,626**
Taxes on Use of Goods and Performance of Activities			
Motor Vehicle Taxes	3,508	3,858	4,251
Franchise Taxes	...	...	0
Other	874	1,050	1,043
Total Taxes on Use of Goods and Performance of Activities	**4,382**	**4,908**	**5,293**
Total Taxation Revenue	**39,007**	**39,861**	**44,862**

Table A1.5: General government sector grant revenue and expense[(a)]

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m
Current Grants and Subsidies			
Current Grants from the Commonwealth[(a)]			
General Purpose Grants	23,298	26,024	26,193
Specific Purpose Payments	11,100	12,286	12,644
National Partnership Payments	7,326	3,230	2,439
Other Commonwealth Payments	475	449	457
Total	**42,198**	**41,988**	**41,733**
Other Grants and Subsidies	770	952	971
Total Current Grants and Subsidies Revenue	**42,968**	**42,939**	**42,704**
Capital Grants and Subsidies			
Capital Grants from the Commonwealth[(a)]			
General Purpose Payments	...	...	...
Specific Purpose Payments	...	...	...
National Partnership Payments	1,894	2,607	3,840
Other Commonwealth Payments	0	10	...
Total	**1,894**	**2,617**	**3,840**
Other Grants and Subsidies	25	16	72
Total Capital Grants and Subsidies Revenue	**1,919**	**2,633**	**3,912**
Total Grants and Subsidies Revenue	**44,887**	**45,572**	**46,617**
Current Grants, Subsidies and Transfer Payments Expense to:			
State/Territory Government	17	10	0
Local Government[(a)]	2,360	3,122	2,817
Private and Not-for-Profit Sector[(a)]	22,220	12,937	13,102
Other Sectors of Government	8,046	8,530	7,784
Total Current Grants, Subsidies and Transfer Payments Expense	**32,643**	**24,599**	**23,703**
Capital Grants, Subsidies and Transfer Payments to:			
State/Territory Government	0	0	0
Local Government[(a)]	347	315	1,695
Private and Not-for-Profit Sector[(a)]	449	396	1,019
Other Sectors of Government	1,250	2,365	1,708
Total Capital Grants, Subsidies and Transfer Payments Expense	**2,046**	**3,076**	**4,422**
Total Grants and Subsidies Expense	**34,689**	**27,675**	**28,125**
Transfer Receipts and Payments from the Commonwealth Government on-passed by New South Wales to Third Parties			
Transfer Receipts			
Current Transfer Receipts for Specific Purposes	6,241	6,748	6,306
Total Receipts	**6,241**	**6,748**	**6,306**
Current Transfer Payments to:			
Local Government	1,078	1,188	951
Private and Not-For-Profit Sector	5,163	5,560	5,354
Capital Transfer Payments to:			
Local Government	...	...	...
Private and Not-For-Profit Sector	...	...	...
Total Payments	**6,241**	**6,748**	**6,306**

(a) Grant revenue and expense above exclude the transfer payments from the Australian Government that New South Wales passes on to third parties. They are not recorded as New South Wales revenue and expense as the State has no control over the amounts that it passes on.

Table A1.6: General government sector dividend and income tax equivalent income

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m
Dividend and Income Tax Revenue from the PNFC Sector	317	399	404
Dividend and Income Tax Revenue from the PFC Sector	137	213	347
Other Dividend Income	2,442	1,467	2,637
Total Dividend and Income Tax Equivalent Income	**2,896**	**2,079**	**3,389**

Table A1.7: General government sector expenses by function

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m
General public services[(a)]	23,215	12,764	12,598
Defence	...	...	...
Public Order and Safety	9,883	11,051	10,794
Economic Affairs	5,165	6,138	6,874
Environmental Protection	2,005	2,436	2,012
Housing and Community Amenities	2,376	2,255	3,287
Health	29,433	29,002	30,528
Recreation, Culture and Religion	1,647	1,691	1,761
Education	20,079	21,924	21,664
Social Protection	8,923	9,317	10,893
Transport	16,089	19,698	19,815
Total Expenses	**118,815**	**116,275**	**120,227**

(a) 2023-24 Budget includes $130m to the Treasurer for expenditure related to the Government's response to address a natural disaster or the impacts of a natural disaster in the Northern Rivers or Central West regions. There is an appropriation to the Treasurer of $20 million to integrity agencies for the Budget Year.

Table A1.8: General government sector capital expenditure by function

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m
General public services[(a)]	1,477	(203)	1,546
Defence	...	...	...
Public order and safety	556	711	899
Economic affairs	498	600	1,529
Environmental protection	23	17	24
Housing and community amenities	599	513	489
Health	1,905	2,340	2,515
Recreation, culture and religion	363	208	175
Education	1,976	2,656	2,149
Social protection	196	115	362
Transport	13,008	14,790	12,539
Total Capital Expenditure	**20,600**	**21,746**	**22,227**

(a) 2023-24 Budget includes $20m to the Treasurer for expenditure related to the Government's response to address a natural disaster or the impacts of a natural disaster in the Northern Rivers or Central West regions. 2022-23 estimated actual includes a $844m reduction in capital expenditure due to the remeasurement of right of use assets that occurred during the year.

Table A1.9: Public non-financial corporation sector operating statement

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
	Actual	Est. Actual	Budget	Forward Estimates		
	$m	$m	$m	$m	$m	$m
Revenue from Transactions						
Grants and Subsidies						
- Other Commonwealth Payments	6	6	4	2	1	...
- Other Grants and Subsidies	5,082	7,394	5,954	5,525	4,982	5,160
Sale of Goods and Services	6,870	7,989	8,475	9,052	9,882	10,331
Interest	30	144	112	79	62	62
Other Dividends and Distributions	23	21	21	21	21	21
Fines, Regulatory Fees and Other	1,425	639	657	1,067	1,380	1,628
Total Revenue from Transactions	**13,435**	**16,195**	**15,224**	**15,747**	**16,328**	**17,201**
Expenses from Transactions						
Employee	2,471	2,606	2,689	2,696	2,755	2,787
Personnel Services Expense	467	285	331	339	350	358
Superannuation						
- Superannuation Interest Cost	33	38	49	46	43	41
- Other Superannuation	220	262	256	257	264	267
Depreciation and Amortisation	2,634	2,832	3,105	3,233	3,457	3,632
Interest	939	1,043	1,250	1,398	1,558	1,743
Income Tax Expense	116	159	285	248	309	521
Other Operating Expense	5,360	6,019	6,203	6,398	6,633	6,709
Grants, Subsidies and Other Transfers	95	76	74	66	66	67
Total Expenses from Transactions	**12,335**	**13,321**	**14,241**	**14,681**	**15,435**	**16,125**
Transactions from Discontinuing Operations	...	...	...	...	...	...
NET OPERATING BALANCE - SURPLUS/(DEFICIT) AFTER TAX	**1,100**	**2,874**	**982**	**1,066**	**893**	**1,076**

Table A1.9: Public non-financial corporation sector operating statement (cont)

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m
Other Economic Flows - Included in the Operating Result						
Gain/(Loss) from Other Liabilities	92	0	...	...	...	...
Other Net Gains/(Losses)	(261)	(32)	(205)	3	(115)	60
Allowance for Impairment of Receivables	(10)	0	(3)	(4)	(4)	(4)
Deferred Income Tax	(29)	(84)	103	(47)	(181)	(69)
Other Economic Flows - included in Operating Result	**(207)**	**(115)**	**(105)**	**(48)**	**(299)**	**(13)**
Operating Result	**892**	**2,758**	**878**	**1,019**	**593**	**1,064**
Other Economic Flows - Other Comprehensive Income						
Items that will not be Reclassified to Operating Result	**12,570**	**5,769**	**(15)**	**2,108**	**2,216**	**2,321**
Revaluations	12,313	6,028	479	2,151	2,266	2,380
Actuarial Gain/(Loss) from Superannuation	854	215	(116)	23	16	9
Share of Associate's Other Comprehensive Income/(Loss) that may be Reclassified Subsequently to Operating Result	...	...	...	...	...	...
Deferred Tax Direct to Equity	(492)	(495)	(136)	(66)	(65)	(68)
Other	(105)	20	(243)	0	0	(0)
Items that may be Reclassified Subsequently to Operating Result	**7**	**(9)**	**(0)**	**...**	**...**	**...**
Net Gain/(Loss) on Financial Instruments at Fair Value	7	(9)	(0)	...	...	...
Other	...	...	...	...	...	...
Other Economic Flows - Other Comprehensive Income	**12,578**	**5,760**	**(15)**	**2,108**	**2,216**	**2,321**
Comprehensive Result - Before Transactions with Owners in their capacity as Owners	**13,470**	**8,518**	**862**	**3,127**	**2,810**	**3,384**
Dividends Distributed	(286)	(333)	(323)	(404)	(629)	(519)
Net Equity Injections	2,542	(287)	(196)	(933)	...	...
Total Change in Net Worth	**15,726**	**7,898**	**343**	**1,790**	**2,181**	**2,866**
Key Fiscal Aggregates						
Comprehensive Result - Before Transactions with Owners in their capacity as Owners	**13,470**	**8,518**	**862**	**3,127**	**2,810**	**3,384**
Less: Net Other Economic Flows	(12,370)	(5,644)	120	(2,060)	(1,917)	(2,308)
Equals: Budget Result - Net Operating Balance	**1,100**	**2,874**	**982**	**1,066**	**893**	**1,076**
Less: Net Acquisition of Non-Financials Assets						
Purchases of Non-Financials Assets[(a)]	5,165	5,537	7,573	8,224	7,825	7,051
Sales of Non-Financial Assets	(544)	(293)	(211)	(423)	(386)	(316)
Less: Depreciation	(2,634)	(2,832)	(3,105)	(3,233)	(3,457)	(3,632)
Plus: Change in Inventories	3	(70)	393	(91)	407	73
Plus: Other Movements in Non-Financials Assets						
- Assets Acquired Using Leases[(a)]	50	63	65	87	61	73
- Assets Acquired Using Service Concession Arrangements under						
- Financial Liability Model[(a)]	...	...	...	...	...	...
- Grant of Right to the Operator Model	...	...	...	...	...	...
- Other	1,150	411	440	427	439	496
Equals: Total Net Acquisition of Non-Financial Assets	**3,190**	**2,817**	**5,155**	**4,991**	**4,890**	**3,745**
Equals: Net Lending/(Borrowing) [Fiscal Balance]	**(2,090)**	**57**	**(4,173)**	**(3,925)**	**(3,997)**	**(2,669)**
OTHER FISCAL AGGREGATES						
Capital Expenditure[(a)]	5,215	5,600	7,638	8,311	7,887	7,124
Dividends Accrued[(b)]	286	333	323	404	629	519

(a) Capital expenditure comprises purchases of non-financial assets plus assets acquired using leases and assets acquired using Service Concession Arrangements under the Financial Liability Model.

(b) Net borrowing for the PNFC sector excludes the impact of dividends accrued, and so may not fully reflect the sector's call on the financial markets.

Table A1.10: Public non-financial corporation sector balance sheet

	June 2022 Actual $m	June 2023 Est. Actual $m	June 2024 Budget $m	June 2025 $m	June 2026 Forward Estimates $m	June 2027 $m
Assets						
Financial Assets						
Cash and Cash Equivalents	3,066	4,134	2,497	1,613	556	279
Receivables	1,256	1,485	1,702	1,707	1,913	2,029
Investments, Loans and Placements						
Financial Assets at Fair Value	473	571	519	519	519	519
Other Financial Assets	612	785	767	752	705	723
Advances Paid	21	31	22	26	...	...
Tax Equivalents Receivable	45	73	...	...	...	0
Deferred Tax Equivalents	49	42	48	48	48	49
Equity						
Other	...	...	...	...	...	...
Total Financial Assets	**5,524**	**7,121**	**5,556**	**4,666**	**3,741**	**3,600**
Non-Financial Assets						
Contract Assets	9	12	14	...	...	...
Inventories	701	634	1,028	937	1,344	1,417
Forestry Stock and Other Biological Assets	624	626	626	626	626	626
Assets Classified as Held for Sale	26	9	6	6	6	6
Investment Properties	611	611	606	606	606	606
Property, Plant and Equipment						
Land and Buildings	81,594	85,968	85,914	86,958	88,652	90,127
Plant and Equipment	3,950	4,633	5,106	5,802	6,365	6,842
Infrastructure Systems	48,311	51,971	56,110	60,901	65,548	69,924
Right of Use Assets	2,615	2,483	4,015	3,850	3,655	3,472
Intangibles	895	958	1,241	1,389	1,574	1,686
Other	651	585	410	415	416	319
Total Non-Financial Assets	**139,987**	**148,491**	**155,076**	**161,490**	**168,791**	**175,025**
Total Assets	**145,511**	**155,613**	**160,632**	**166,156**	**172,532**	**178,625**
Liabilities						
Deposits Held	27	35	35	35	35	35
Payables	2,409	2,388	2,484	2,634	2,903	3,011
Contract Liabilities	132	143	92	95	88	89
Liabilities Directly Associated with Assets Held for Sale	...	...	...	...	...	...
Borrowings and Derivatives at Fair Value	1	3	3	3	3	3
Borrowings at Amortised Cost	30,332	31,905	36,907	40,391	44,099	47,293
Advances Received	312	297	282	267	250	232
Employee Provisions	1,213	1,262	1,285	1,303	1,329	1,356
Superannuation Provision[(a)]	1,426	1,232	1,278	1,208	1,139	1,073
Tax Equivalents Payable	8	83	47	67	57	74
Deferred Tax Equivalent Provision	2,984	3,607	3,407	3,478	3,550	3,628
Other Provisions	632	710	619	696	918	805
Other	326	342	243	240	239	239
Total Liabilities	**39,802**	**42,006**	**46,682**	**50,417**	**54,612**	**57,839**
NET ASSETS	**105,709**	**113,606**	**113,950**	**115,739**	**117,921**	**120,786**
NET WORTH						
Accumulated Funds	52,761	55,509	55,809	55,636	55,773	56,424
Reserves	52,948	58,098	58,141	60,104	62,147	64,362
TOTAL NET WORTH	**105,709**	**113,606**	**113,950**	**115,739**	**117,921**	**120,786**
OTHER FISCAL AGGREGATES						
Net Debt[(b)]	**26,499**	**26,719**	**33,422**	**37,785**	**42,608**	**46,042**
Net Financial Liabilities[(c)]	**34,278**	**34,885**	**41,126**	**45,751**	**50,870**	**54,239**
Net Financial Worth[(d)]	**(34,278)**	**(34,885)**	**(41,126)**	**(45,751)**	**(50,870)**	**(54,239)**

(a) The Superannuation Provision is reported net of prepaid superannuation contribution assets.
(b) Net debt comprises the sum of deposits held, borrowings and advances received, minus the sum of cash and cash equivalents, investments, loans and placements and advances paid.
(c) Net financial liabilities equal total liabilities less financial assets excluding equity investments in other public sector entities.
(d) Net financial worth equals total financial assets minus total financial liabilities.

Table A1.11: Public non-financial corporation sector cash flow statement

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward Estimates $m	2025-26 Forward Estimates $m	2026-27 Forward Estimates $m
Cash Receipts from Operating Activities						
Sales of Goods and Services	7,012	8,003	8,575	9,398	10,001	10,935
Grant and Subsidies	5,132	7,393	5,949	5,513	4,979	5,156
Interest	9	118	90	55	36	35
Other	1,423	1,717	1,261	1,838	2,114	2,324
Total Cash Receipts from Operating Activities	**13,576**	**17,231**	**15,876**	**16,804**	**17,130**	**18,449**
Cash Payments from Operating Activities						
Employee Related	(2,605)	(2,739)	(2,881)	(2,848)	(2,901)	(2,935)
Personnel Services	(467)	(285)	(331)	(339)	(350)	(358)
Superannuation	(233)	(278)	(373)	(349)	(359)	(364)
Payments for Goods and Services	(5,324)	(5,759)	(6,281)	(6,406)	(7,166)	(7,211)
Grants and Subsidies	(85)	(70)	(74)	(66)	(66)	(67)
Interest	(870)	(948)	(1,230)	(1,316)	(1,470)	(1,652)
Income Tax Equivalents Paid	...	...	...	...	...	...
Distributions Paid	(39)	(69)	(480)	(270)	(492)	(564)
Other	(915)	(1,435)	(1,303)	(1,162)	(996)	(1,120)
Total Cash Payments from Operating Activities	**(10,539)**	**(11,584)**	**(12,954)**	**(12,757)**	**(13,800)**	**(14,271)**
Net Cash Flows from Operating Activities	**3,037**	**5,647**	**2,922**	**4,047**	**3,330**	**4,179**
Cash Flows from Investments in Non-Financial Assets						
Proceeds from Sale of Non-Financial Assets	508	292	211	423	386	316
Purchases of Non-Financial Assets	(4,934)	(5,485)	(7,614)	(7,913)	(7,514)	(7,039)
Net Cash Flows from Investments in Non-Financial Assets	**(4,427)**	**(5,193)**	**(7,403)**	**(7,490)**	**(7,128)**	**(6,724)**
Cash Flows from Investments in Financial Assets for Policy Purposes						
Receipts	0	0	15	0	21	0
Payments	(30)	(10)	(6)	(4)	0	0
Net Cash Flows from Investments in Financial Assets for Policy Purposes	**(30)**	**(10)**	**9**	**(4)**	**21**	**...**
Cash Flows from Investments in Financial Assets for Liquidity Purposes						
Proceeds from Sale of Investments	4	7	59	16	52	21
Purchase of Investments	(102)	(137)	...	...	...	...
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	**(97)**	**(131)**	**59**	**16**	**52**	**21**
Net Cash Flows from Investing Activities	**(4,554)**	**(5,334)**	**(7,335)**	**(7,478)**	**(7,055)**	**(6,703)**
Cash Flows from Financing Activities						
Advances (Net)	2,152	(31)	(31)	(30)	(31)	(33)
Proceeds from Borrowings	1,309	1,783	3,628	3,596	3,833	4,181
Repayment of Borrowings	(573)	(631)	(533)	(696)	(729)	(1,271)
Dividends Paid	(343)	(286)	(333)	(323)	(404)	(629)
Deposits Received (Net)	(0)	9	(0)	...	...	...
Other (Net)	(105)	(37)	(6)	(0)	(0)	(0)
Net Cash Flows from Financing Activities	**2,441**	**807**	**2,725**	**2,547**	**2,668**	**2,248**
Net Increase/(Decrease) in Cash Held	**924**	**1,120**	**(1,689)**	**(884)**	**(1,058)**	**(276)**
Derivation of Cash Result						
Net Cash Flows from Operating Activities	3,037	5,647	2,922	4,047	3,330	4,179
Net Cash Flows from Investments in Non-Financial Assets	(4,427)	(5,193)	(7,403)	(7,490)	(7,128)	(6,724)
Dividends Paid	(343)	(286)	(333)	(323)	(404)	(629)
Cash Surplus/(Deficit)	**(1,732)**	**167**	**(4,815)**	**(3,766)**	**(4,202)**	**(3,174)**

Table A1.12: Non-financial public sector operating statement

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward Estimates $m	2025-26 $m	2026-27 $m
Revenue from Transactions						
Taxation	38,499	39,313	44,236	45,775	46,997	48,515
Grants and Subsidies						
- Commonwealth General Purpose	23,298	26,024	26,193	27,246	27,680	28,896
- Commonwealth Specific Purpose Payments	11,100	12,286	12,644	13,306	14,003	14,736
- Commonwealth National Partnership Payments	9,220	5,837	6,279	6,354	5,344	4,076
- Other Commonwealth Payments	480	465	461	500	525	564
- Other Grants and Subsidies	735	774	859	727	751	739
Sale of Goods and Services	12,620	14,569	15,365	16,537	17,504	18,179
Interest	224	525	493	419	354	409
Dividend and Income Tax Equivalents from Other Sectors	137	162	183	204	219	236
Other Dividends and Distributions	2,465	1,488	2,658	3,306	3,705	4,123
Fines, Regulatory Fees and Other	7,419	8,905	7,010	8,264	8,190	8,292
Total Revenue from Transactions	**106,197**	**110,348**	**116,381**	**122,639**	**125,272**	**128,765**
Expenses from Transactions						
Employee	42,673	44,730	46,172	48,679	50,258	52,322
Superannuation						
- Superannuation Interest Cost	891	1,621	1,666	1,599	1,556	1,509
- Other Superannuation	3,955	4,299	4,415	4,602	4,709	4,872
Depreciation and Amortisation	9,712	10,646	11,639	12,044	12,706	13,494
Interest	3,398	5,110	6,628	7,204	7,772	8,618
Other Operating Expense	31,179	31,231	30,834	28,788	29,183	29,477
Grants, Subsidies and Other Transfers	28,723	20,223	22,173	18,173	17,189	16,330
Total Expenses from Transactions	**120,531**	**117,860**	**123,528**	**121,090**	**123,372**	**126,621**
Transactions from Discontinuing Operations	...	...	...	...	...	...
NET OPERATING BALANCE - SURPLUS/(DEFICIT)	**(14,334)**	**(7,513)**	**(7,146)**	**1,550**	**1,900**	**2,144**

Table A1.12: Non-financial public sector operating statement (cont)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
	Actual	Est. Actual	Budget	Forward Estimates		
	$m	$m	$m	$m	$m	$m
Other Economic Flows - Included in the Operating Result						
Gain/(Loss) from Other Liabilities	2,955	15	(667)	19	(0)	(0)
Other Net Gains/(Losses)	665	2,185	1,014	1,409	394	1,019
Share of Earnings/Losses from Equity Investments (excluding Dividends)	273	(13)	(25)	(233)	(122)	(291)
Dividends from Asset Sale Proceeds	0	(0)	...	...	...	...
Allowance for Impairment of Receivables	(91)	(89)	(45)	(46)	(46)	(46)
Deferred Income Tax from Other Sectors	(0)	0	(0)	0	0	0
Dividends from Asset Sales and Surplus Funds	...	...	...	...	...	...
Discontinuing Operations - Other Economic Flows	...	...	...	...	...	...
Other Economic Flows - included in Operating Result	**3,801**	**2,096**	**277**	**1,150**	**226**	**681**
Operating Result	**(10,533)**	**(5,416)**	**(6,869)**	**2,699**	**2,126**	**2,825**
Other Economic Flows - Other Comprehensive Income						
Items that will not be Reclassified to Operating Result	**63,225**	**44,803**	**1,374**	**3,127**	**9,979**	**5,676**
Revaluations	32,095	38,782	5,386	4,069	4,244	4,239
Actuarial Gain/(Loss) from Superannuation	15,962	3,445	(1,935)	978	934	890
Net Gain/(Loss) on Financial Assets at Fair Value through Other Comprehensive Income	15,434	2,490	(1,858)	(1,944)	4,777	524
Deferred Tax Direct to Equity	...	0	(0)	0	(0)	0
Other	(266)	86	(219)	24	23	23
Items that may be Reclassified Subsequently to Operating Result	**967**	**(7)**	**(0)**	**...**	**...**	**...**
Net Gain/(Loss) on Available for Sale Financial Assets	...	...	...	...	...	...
Net Gain/(Loss) on Financial Instruments at Fair Value	7	(9)	(0)	...	...	...
Share of Associate's Other Comprehensive Income/(Loss) that may be Reclassified Subsequently to Operating Result	959	2	...	...	...	...
Other Economic Flows - Other Comprehensive Income	**64,191**	**44,796**	**1,374**	**3,127**	**9,979**	**5,676**
Total Change in Net Worth	**53,659**	**39,379**	**(5,495)**	**5,826**	**12,105**	**8,500**
Key Fiscal Aggregates						
Total Change in Net Worth	**53,659**	**39,379**	**(5,495)**	**5,826**	**12,105**	**8,500**
Less: Net Other Economic Flows	(67,992)	(46,892)	(1,651)	(4,276)	(10,205)	(6,357)
Equals: Budget Result - Net Operating Balance	**(14,334)**	**(7,513)**	**(7,146)**	**1,550**	**1,900**	**2,144**
Less: Net Acquisition of Non-Financials Assets						
Purchases of Non-Financials Assets[(b)]	24,018	26,419	27,902	29,572	27,458	25,815
Sales of Non-Financial Assets	(1,021)	(661)	(1,477)	(3,107)	(1,118)	(877)
Less: Depreciation	(9,712)	(10,646)	(11,639)	(12,044)	(12,706)	(13,494)
Plus: Change in Inventories	(816)	(187)	343	(132)	416	58
Plus: Other Movements in Non-Financials Assets						
- Assets Acquired Using Leases[(b)]	1,554	95	875	959	589	1,067
- Assets Acquired Using Service Concession Arrangements under						
- Financial Liability Model[(b)]	248	827	1,089	752	295	161
- Grant of Right to the Operator Model	517	273	441	620	230	...
- Other	83	453	(568)	(793)	(497)	(222)
Equals: Total Net Acquisition of Non-Financial Assets	**14,872**	**16,575**	**16,965**	**15,828**	**14,667**	**12,508**
Equals: Net Lending/(Borrowing) [Fiscal Balance][(a)]	**(29,206)**	**(24,087)**	**(24,112)**	**(14,278)**	**(12,767)**	**(10,364)**
OTHER FISCAL AGGREGATES						
Capital Expenditure[(b)]	25,820	27,341	29,865	31,284	28,342	27,043

(a) Net borrowing for the NFPS sector excludes the impact of dividends accrued, and so may not fully reflect the sector's call on the financial markets.

(b) Capital expenditure comprises purchases of non-financial assets plus assets acquired using leases and assets acquired using Service Concession Arrangements under the Financial Liability Model.

Table A1.13: Non-financial public sector balance sheet

	June 2022 Actual $m	June 2023 Est. Actual $m	June 2024 Budget $m	June 2025 Forward Estimates $m	June 2026 $m	June 2027 $m
Assets						
Financial Assets						
Cash and Cash Equivalents	6,291	10,490	2,754	1,888	840	555
Receivables	12,155	12,437	12,309	12,698	15,191	15,227
Investments, Loans and Placements						
Financial Assets at Fair Value	45,048	48,954	49,912	54,974	62,089	70,086
Other Financial Assets	3,717	2,569	2,633	2,675	2,378	2,490
Advances Paid	894	671	736	805	733	708
Tax Equivalents Receivable	10	11	14	15	16	18
Deferred Tax Equivalents	(0)	(0)	(0)	(0)	(0)	(0)
Equity						
Investments in Other Public Sector Entities	11,351	13,840	11,983	10,039	14,816	15,339
Investments in Associates	8,805	8,841	8,831	8,598	8,477	8,245
Other	6	15	15	15	15	15
Total Financial Assets	**88,275**	**97,829**	**89,187**	**91,707**	**104,554**	**112,683**
Non-Financial Assets						
Contract Assets	62	90	513	500	500	501
Inventories	2,008	1,722	2,175	2,100	2,532	2,593
Forestry Stock and Other Biological Assets	646	642	642	642	642	642
Assets Classified as Held for Sale	88	161	157	157	157	157
Investment Properties	611	611	606	606	606	606
Property, Plant and Equipment						
Land and Buildings	198,331	216,328	220,772	227,029	232,441	236,654
Plant and Equipment	17,530	19,575	20,251	20,799	21,053	20,951
Infrastructure Systems	220,314	256,133	272,362	286,162	299,533	312,458
Right of Use Assets	9,532	8,434	9,973	9,843	9,376	9,361
Intangibles	5,669	6,134	6,713	6,804	6,707	6,544
Other	1,990	2,645	2,313	2,310	2,311	2,215
Total Non-Financial Assets	**456,782**	**512,475**	**536,476**	**556,949**	**575,859**	**592,683**
Total Assets	**545,058**	**610,304**	**625,663**	**648,657**	**680,414**	**705,367**
Liabilities						
Deposits Held	380	362	363	363	362	362
Payables	11,155	11,459	11,581	11,787	12,162	12,251
Contract Liabilities	996	989	938	942	937	941
Borrowings and Derivatives at Fair Value	14	20	20	20	20	20
Borrowings at Amortised Cost	137,224	163,336	181,184	198,254	215,656	232,687
Advances Received	545	492	445	395	356	315
Employee Provisions	24,805	26,652	28,471	29,448	30,643	31,696
Superannuation Provision[(a)]	44,982	42,036	43,964	42,839	41,600	40,256
Deferred Tax Equivalent Provision	0	(0)	0	0	0	0
Other Provisions	15,680	16,947	16,519	16,469	16,465	16,640
Other	22,555	21,909	21,572	21,707	23,675	23,160
Total Liabilities	**258,336**	**284,203**	**305,057**	**322,224**	**341,877**	**358,329**
NET ASSETS	**286,722**	**326,101**	**320,606**	**326,432**	**338,537**	**347,037**
NET WORTH						
Accumulated Funds	120,220	118,908	110,152	113,942	117,149	120,950
Reserves	166,501	207,193	210,454	212,491	221,388	226,087
TOTAL NET WORTH	**286,722**	**326,101**	**320,606**	**326,432**	**338,537**	**347,037**
OTHER FISCAL AGGREGATES						
Net Debt[(b)]	**82,213**	**101,526**	**125,978**	**138,691**	**150,356**	**159,546**
Net Financial Liabilities[(c)]	**181,411**	**200,214**	**227,853**	**240,556**	**252,138**	**260,985**
Net Financial Worth[(d)]	**(170,061)**	**(186,374)**	**(215,870)**	**(230,517)**	**(237,322)**	**(245,646)**

(a) The Superannuation Provision is reported net of prepaid superannuation contribution assets.
(b) Net debt comprises the sum of deposits held, borrowings and advances received, minus the sum of cash and cash equivalents, investments, loans and placements and advances paid.
(c) Net financial liabilities equal total liabilities less financial assets excluding equity investments in other public sector entities.
(d) Net financial worth equals total financial assets minus total liabilities.

Table A1.14: Non-financial public sector cash flow statement

	2021-22 Actual $m	2022-23 Est. Actual $m	2023-24 Budget $m	2024-25 Forward Estimates $m	2025-26 $m	2026-27 $m
Cash Receipts from Operating Activities						
Taxation	37,804	39,311	44,253	45,814	47,024	48,538
Sales of Goods and Services	12,889	15,413	15,820	17,278	17,979	19,188
Grant and Subsidies	45,036	45,051	45,780	47,822	48,379	49,138
Interest	152	434	441	331	266	284
Dividends and Income Tax Equivalents	134	148	159	188	208	223
Other	12,223	15,581	12,294	13,874	13,427	13,623
Total Cash Receipts from Operating Activities	**108,237**	**115,938**	**118,747**	**125,306**	**127,283**	**130,993**
Cash Payments from Operating Activities						
Employee Related	(40,862)	(42,584)	(45,227)	(47,858)	(49,241)	(51,470)
Superannuation	(3,754)	(5,406)	(6,088)	(6,349)	(6,569)	(6,834)
Payments for Goods and Services	(27,991)	(29,868)	(30,371)	(28,225)	(29,572)	(29,625)
Grants and Subsidies	(27,930)	(19,066)	(20,886)	(16,659)	(15,969)	(15,290)
Interest	(3,360)	(3,963)	(5,479)	(5,722)	(6,265)	(7,201)
Other	(6,574)	(10,161)	(8,041)	(7,460)	(7,057)	(7,263)
Total Cash Payments from Operating Activities	**(110,472)**	**(111,048)**	**(116,092)**	**(112,273)**	**(114,673)**	**(117,683)**
Net Cash Flows from Operating Activities	**(2,235)**	**4,890**	**2,655**	**13,033**	**12,611**	**13,310**
Cash Flows from Investments in Non-Financial Assets						
Proceeds from Sale of Non-Financial Assets	1,002	572	2,105	3,126	1,141	978
Purchases of Non-Financial Assets	(24,890)	(27,157)	(26,389)	(28,925)	(27,009)	(25,718)
Net Cash Flows from Investments in Non-Financial Assets	**(23,889)**	**(26,586)**	**(24,284)**	**(25,800)**	**(25,867)**	**(24,741)**
Cash Flows from Investments in Financial Assets for Policy Purposes						
Receipts	10,558	117	97	89	124	91
Payments	(162)	(137)	(368)	(147)	(42)	(46)
Net Cash Flows from Investments in Financial Assets for Policy Purposes	**10,396**	**(21)**	**(271)**	**(58)**	**82**	**46**
Cash Flows from Investments in Financial Assets for Liquidity Purposes						
Proceeds from Sale of Investments	3,151	4,860	2,429	3,874	2,851	1,913
Purchase of Investments	(3,909)	(3,432)	(223)	(5,616)	(5,765)	(5,582)
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	**(758)**	**1,428**	**2,206**	**(1,742)**	**(2,914)**	**(3,669)**
Net Cash Flows from Investing Activities	**(14,251)**	**(25,178)**	**(22,348)**	**(27,600)**	**(28,699)**	**(28,364)**
Cash Flows from Financing Activities						
Advances (Net)	(109)	(78)	(16)	(10)	(97)	461
Proceeds from Borrowings	28,320	30,240	15,802	15,906	17,951	17,500
Repayment of Borrowings	(11,481)	(5,608)	(3,881)	(2,196)	(2,816)	(3,195)
Dividends Paid	...	...	...	...	...	...
Deposits Received (Net)	70	(17)	(0)	...	...	...
Other (Net)	55	0	(0)	(0)	0	(0)
Net Cash Flows from Financing Activities	**16,855**	**24,537**	**11,905**	**13,700**	**15,037**	**14,767**
Net Increase/(Decrease) in Cash Held	**370**	**4,250**	**(7,788)**	**(867)**	**(1,051)**	**(287)**
Derivation of Cash Result						
Net Cash Flows from Operating Activities	(2,235)	4,890	2,655	13,033	12,611	13,310
Net Cash Flows from Investments in Non-Financial Assets	(23,889)	(26,586)	(24,284)	(25,800)	(25,867)	(24,741)
Dividends Paid	...	...	...	...	...	...
Cash Surplus/(Deficit)	**(26,123)**	**(21,695)**	**(21,629)**	**(12,767)**	**(13,256)**	**(11,431)**

A2. TAX EXPENDITURE AND CONCESSIONAL CHARGES STATEMENT

Favourable tax treatment or lower fees or service charges may be granted to certain individuals, groups, or organisations to support policy objectives. This tax expenditure and concessional charges statement recognises that such special treatment is economically equivalent to increasing expenses and has the same effect on the budget result.

Tax expenditure estimates measure the additional tax that would have been payable if 'benchmark' (or standard) tax structures had been applied to all taxpayers and economic behaviour had remained unchanged. Tax expenditures arise from deviations from the benchmarks and include specific tax exemptions, allowances and deductions, reduced tax rates, deferral of tax liabilities and tax credits.

Concessional charges are included for government agencies that provide goods and services to certain users at a lower fee or charge than to the wider community, in pursuit of economic or social policy goals, such as reducing the cost of living. The provision of these concessions may be supported directly from the Budget or indirectly through a reduction in agency obligations to make dividends or other payments, or a reduction in agency retained earnings. These concessions have a budget cost, regardless of whether they are the subject of a specific intra-government transfer.

Judgement is required in delineating the 'concessional' and 'structural' features of a particular tax or service delivery scheme. The approach adopted is to treat the general application of a tiered tax schedule or charging regime as a structural element of the benchmark, rather than a concession to those paying less than the highest marginal rate of tax. For example, providing lower public transport fares for all children is included in the benchmark rather than as a concession. However, subsidised travel for eligible school children and senior citizens is treated as a concession. Provisions to prevent double taxation or to otherwise support the conceptual structure of a tax, rather than provide a benefit to a particular group of taxpayers, are generally excluded.

Caution should be exercised when using these estimates. They may not be comparable to estimates in other jurisdictions, which may use different definitions of the 'structural' and 'concessional' elements of taxes and charges. Similarly, changes to the benchmark definition and the classification of concessions may limit the comparability of some estimates to those in earlier Budgets. Importantly, the estimates do not measure the amount of revenue that could be expected if the relevant concessional treatment were abolished, nor do they provide a reliable indication of the economic costs and benefits. This is because the concessions themselves influence behaviour patterns and levels of activity, which could be quite different in their absence.

Overview of the estimates

Tax expenditure and concessional charges are listed in the following pages and, where possible, an estimate of the costs associated with each of the major items is provided to assist comparison with the budgetary cost of direct outlays.

In 2023-24, total tax expenditures and concessions provided by the NSW Government are expected to amount to $13.3 billion, equivalent to 11.9 per cent of total New South Wales revenue.

A2.1 Tax expenditures

Table A2.1 provides a summary of the total value of major tax expenditures (those valued at $1 million or greater) for each of the main tax revenue sources. The estimates are for the financial years 2021-22 to 2023-24, except for land tax, which uses calendar years 2022 to 2024. The total value of major quantifiable tax expenditures is an estimated $10.5 billion or 26.5 per cent of taxation revenue in 2023-24.

Table A2.1: Major tax expenditures by type

	2021-22		2022-23		2023-24	
Tax	Tax Exp. $m	Tax Exp. as % of tax revenue collected	Tax Exp. $m	Tax Exp. as % of tax revenue collected	Tax Exp. $m	Tax Exp. as % of tax revenue collected
Transfer Duty	1,044	7.3	893	9.2	1,790[(a)]	15.3
General and Life Insurance Duty	1,196	90.7	1,313	89.6	1,417	90.9
Payroll Tax	3,295	36.3	3,568	30.6	3,828	30.3
Land Tax	1,255	25.9	1,445	24.1	1,632	23.4
Taxes on Motor Vehicles	581	22.6	625	22.5	655	21.1
Gambling and Betting Taxes	732	30.1	1,043	30.9	1,045	30.5
Parking Space Levy	82	80.4	93	97.9	100	98.0
Total	**8,185**	**23.6**	**8,980**	**25.6**	**10,467**	**26.5**

(a) Changes in the treatment of transfer duty exemptions and concessions related to corporate reconstructions have resulted in increased transfer duty tax expenditure in 2023-24. See section A2.3 for further details.

Changes to the estimates

The estimates in Table A2.1 include policy changes since the 2022-23 Budget.

The New South Wales Government announced the closure to new entrants of First Home Buyer Choice (FHBC) effective from 1 July 2023. FHBC was available temporarily from 16 January 2023 until 30 June 2023, with retrospective applications to opt-in and receive a refund of transfer duty for property purchases between 11 November 2022 and 15 January 2023. The new First Home Buyers Assistance Scheme (FHBAS) was established from 1 July 2023 for purchases of new or existing homes to provide a duty exemption for purchases up to $800,000, and concessional duty for purchases between $800,000 and $1 million.

The NSW Government introduced a new tolling relief scheme effective from 1 July 2023. This replaced the previous Motor Vehicle Registration Relief Scheme which was effective from 1 July 2022 to 30 June 2023. The previous tolling relief rebate scheme allowed eligible customers with a minimum spend of $375 every quarter to receive a maximum rebate up to the value of $750 for the financial year. For the 2023-24 financial year, eligible customers who spend more than $402 on tolls every quarter can claim a 40 per cent rebate up to the value of $802 for the financial year.

Payroll tax exemptions, that were included as part of a subprogram of the Future Economy Fund in the 2022-23 Budget, have been removed. The subprogram was estimated to provide $50 million in payroll tax exemptions over the four years to 2026-27.

From 1 January 2024 the stamp duty exemption for certain electric vehicles and hydrogen fuel cell vehicles will cease.

Transport Asset Holding Entity of NSW (TAHE) was granted a state tax exemption until 30 June 2024 by way of regulation for land owned by or leased to TAHE and used primarily for railway purposes. The 2023-24 Budget includes a decision to make the land tax exemption permanent.

From 1 July 2023, the 90 per cent public land holder duty concession has been removed, as announced in the 2022-23 Half-Yearly Review.

The 2023-24 Budget replaces the full exemption for duty on corporate reconstruction transactions with a concession that charges 10 per cent of duty otherwise payable, that is a 90 per cent concession, commencing 1 February 2024.

A2.2 Concessions

Table A2.2 classifies, by function, the major concessions provided by the NSW Government. The total value of major concessions, which accrue primarily to pensioners, older Australians, and school students, is estimated at $2.9 billion in 2023-24.

Table A2.2: Concessions by function

Function	2021-22 $m	2022-23 $m	2023-24 $m
Public Order and Safety	13	16	20
Education	646	747	796
Health	457	319	331
Transport	551	832	1,155
Housing and Community	451	526	550
Economic Affairs	14	10	9
Recreation, Culture and Religion	5	7	8
Environmental Protection	14	10	10
Total	**2,151**	**2,467**	**2,879**

The following sections provide a breakdown by taxation and policy function line. Tax expenditure measures and concessions that have an impact over $1 million are itemised in a table. Those with an impact of less than $1 million are then summarised.

A2.3 Transfer duty (including landholder duty)

The benchmark tax base includes all transfers of dutiable property as defined in Chapter 2 of the *Duties Act 1997*, including New South Wales land, land use entitlements, transferable floor space, and partnership interests. Indirect acquisition of land under Chapter 4 of the *Duties Act 1997* (landholder duty) is also included.

The benchmark tax structure comprises a tiered rate scale with marginal tax rates varying from 1.25 to 5.5 per cent over six steps. A premium marginal rate of 7 per cent applies for residential property valued above $3.5 million.

Surcharge purchaser duty applies to purchases of residential land by foreign persons at a rate of 8 per cent.

First Home Buyer Choice (FHBC), which commenced on 16 January 2023, was closed to new entrants from 1 July 2023. FHBC offered first home buyers the choice of paying an annual property tax instead of transfer duty for dwellings purchased up to $1.5 million. The First Home Buyer Assistance Scheme (FHBAS) was expanded on 1 July 2023, making first home buyers of new or existing homes eligible for duty exemptions for purchases up to $800,000, and concessional duty for purchases between $800,000 and $1 million. Purchasers of vacant land intended for the building of a new home are eligible for a transfer duty exemption for land valued up to $350,000 and a concessional rate of duty for land valued between $350,000 and $450,000.

The *Duties Act 1997* includes a number of exemptions designed to exclude the application of duty (apart from a nominal charge) to transactions where:

- duty has already been applied to an associated legal instrument or
- the change in legal ownership does not produce a change in beneficial ownership.

Exemptions that fall under the first of these two categories are not included as a tax expenditure, as exemptions of this nature are designed to avoid the double taxation that could occur if the exemption were not provided. Exemptions that fall under the second of these two categories are also not included, as they are designed to support the underlying structure of transfer duty, rather than to provide a benefit to a particular group of taxpayers. Examples of this second category include exemptions for changes in trustees, and historical exemptions (now a 90 per cent concession) for the rearranging of assets within subsidiaries of the same corporate group.

Table A2.3: Transfer duty – major tax expenditures

	2021-22 $m	2022-23 $m	2023-24 $m
Charitable/non-profit organisations/clubs			
An exemption is granted for transactions of charitable or benevolent organisations, as set out in Section 275 of the *Duties Act 1997*.	55	71	67
Government			
Councils and county councils The transfer of property to a council or county council is exempt under the *Local Government Act 1993*.	20	27	28
Individuals/families			
First Home Buyer Assistance Scheme (FHBAS) From 1 July 2023 benefits under FHBAS were expanded to provide first home buyers with an exemption from duty for the purchase of a new or existing home up to a value of $800,000, with concessional rates for homes up to $1 million. Purchases of vacant land for homebuilding are exempt from duty up to a value of $350,000, with concessional duty up to $450,000.	540	391	680
Transfer of residences between spouses or de facto partners An exemption is granted, subject to the property being their principal place of residence and jointly held after transfer.	56	58	51
Transfers of matrimonial property consequent upon divorce An exemption is provided for transfers of property in the break-up of marriage, de facto or domestic relationships under the *Family Law Act 1975 (Cwlth)*.	159	136	139
Purchases by tenants of Housing NSW and Aboriginal Housing Office An exemption is provided for purchases of a principal place of residence.	1	...	1
Business			
Public landholder duty Prior to 1 July 2023, duty charged on the acquisition of 90 per cent or more of the shares or units of a public landholder was 10 per cent of the duty that would have been charged on the direct acquisition of the landholder's assets. This concession was removed from 1 July 2023.	119[a]	100[a]	...
Corporate reconstructions Corporate reconstruction transactions are exempt from transfer duty. From 1 February 2024, duty charged will be 10 per cent of the duty that would otherwise be payable in the absence of the exemption.	...[b]	...[b]	750

Table A2.3: Transfer duty – major tax expenditures (cont.)

	2021-22 $m	2022-23 $m	2023-24 $m
Rural			
Intergenerational rural transfers An exemption is granted for transfers of rural land used for primary production between generations, or between siblings, to facilitate younger family members taking over family farms.	88	105	72
Interest in a primary producer Acquisition of an interest in a primary producer that is not 'land rich'.	6	5	2

(a) Annual figures subject to large variation based on the number of transactions and individual values.
(b) Historical figures are 0, because prior to 2023-24 exemption of these transactions was considered to be part of the underlying structure of transfer duty.

Transfer duty – other major tax expenditures (> $1 million)[1]

- Only nominal duty is charged on transfers of property to a beneficiary entitled to it under the will of a deceased person.
- For 'off the plan' purchases by owner occupiers, duty may be deferred until completion of the sale or 12 months after the contract, whichever occurs first.

Transfer duty – minor tax expenditures (< $1 million)

The following are exempt from transfer duty:

- approved equity release schemes for aged homeowners
- certain purchases of manufactured relocatable homes (caravans)
- certain transfers of property granted in other legislation
- call option assignments, subject to certain conditions
- transfer of a liquor licence in certain circumstances under the *Liquor Act 2007*
- transfer of property related to a joint government enterprise that has the function of allocating funds for water savings projects
- transfers where public hospitals are the liable party
- transfer of properties gifted to a special disability trust
- instruments executed by or on behalf of a council or county council under the *Local Government Act 1993*, not connected with a trading undertaking
- transfers for the purpose of amalgamation or de-amalgamation of clubs under the *Registered Clubs Act 1976*
- instruments executed by or on behalf of agencies within the meaning of the Convention on the Privileges and Immunities of the Specialised Agencies approved by the General Assembly of the United Nations in 1947
- transfers between associations of employees or employers registered under the *Workplace Relations Act 1996* (Cwlth) for the purpose of amalgamation
- transfer of property to the New South Wales Aboriginal Land Council or Local Aboriginal Land Councils

[1] Items listed under the 'other major tax expenditures' headings are those where the value of the tax expenditure is estimated to be more than $1 million in at least one year, but there is insufficient data available on which to base a reliable estimate.

- transfers of property between licensed insurers, and between the State Insurance Regulatory Authority (SIRA) and licensed insurers, under the *Workers Compensation Act 1987*.

Concessional duty is charged in relation to:

- acquisitions in unit trust schemes, private companies, or listed companies with land holdings in New South Wales of $2 million or more, where the acquisition is for the purpose of securing financial accommodation
- buy-back arrangements of widely held unit trust schemes for the purpose of re-issuing or reoffering the units for sale, subject to certain criteria
- amalgamations of certain Western Lands leases under the *Western Lands Act 1901* where transfer duty has been paid on the transfer of other such leases in the previous three years.

The following are exempt from surcharge purchaser duty:

- holders of subclass 410 (retirement) and 405 (investor retirement) visas from 1 July 2019
- Australian-based developers subject to satisfying requirements relating to the construction and sale of new homes on the acquired land
- developers of Build to Rent properties subject to satisfying requirements relating to the construction of such properties, from 1 July 2020
- citizens of New Zealand, Finland, Germany, India, Japan, Norway, South Africa, and Switzerland due to inconsistency with international tax treaties entered into by the Australian Government with these nations.

A2.4 General insurance duty

The benchmark tax base for general insurance is all premiums paid for insurance policies. General insurance does not include life insurance or life insurance riders. The benchmark tax rate is 9 per cent of the premium paid.

Table A2.4: General insurance duty – major tax expenditures

	2021-22 $m	2022-23 $m	2023-24 $m
Business			
Exemption for workers compensation premiums.	327	371	427
Marine and cargo insurance An exemption is provided for marine insurance covering hulls of commercial ships and cargo carried by land, sea, or air.	10	11	11
Small business exemptions An insurance duty exemption is provided to small businesses for commercial vehicles, commercial aviation, professional indemnity, and product and public liability.	80	85	90
Individuals/families			
Concessional rates for Type B general insurance, as identified in Section 233 of the *Duties Act 1997* A concessional rate of 5 per cent is applied to certain categories of general insurance, including motor vehicle (excluding compulsory third party), aviation, disability income, occupational indemnity and hospital and ancillary health benefits (where not covered by private health insurers).	337	363	384

Table A2.4: General insurance duty – major tax expenditures (cont.)

	2021-22 $m	2022-23 $m	2023-24 $m
Compulsory third party motor vehicle insurance An exemption is provided for third party motor vehicle personal injury insurance (green slip), as per the *Motor Accidents Act 1988* and the *Motor Accidents Compensation Act 1999*.	192	199	203

General insurance duty – minor tax expenditures (< $1 million)

The following are exempt from insurance duty:

- insurance by non-profit organisations with the main aim being a charitable, benevolent, philanthropic, or patriotic purpose
- crop and livestock insurance taken out from 1 January 2018
- societies or institutions whose resources are used wholly or predominantly for the relief of poverty, the promotion of education, or any purpose directly or indirectly connected with defence or the amelioration of the condition of past or present members of the naval, military or air forces of the Australian Government or their dependants or any other patriotic objectives
- insurance by the New South Wales Aboriginal Land Council or Local Aboriginal Land Councils
- insurance covering mortgages or pools of mortgages acquired for issuing mortgage-backed securities
- separate policies covering loss by fire of tools, implements of work or labour used by any working mechanic, artificer, handcrafter, or labourer
- redundancy insurance in respect of a housing loan that does not exceed $124,000
- reinsurance.

A2.5 Life insurance duty

For temporary or term life insurance policies, life insurance riders, and trauma or disability insurance policies, the benchmark tax base is the first year's premium on the policies and the benchmark rate is 5 per cent. For group term insurance policies, duty of 5 per cent of the premium payable in any succeeding year in respect of any additional life covered by the policy is also charged.

The benchmark tax base for all other life insurance policies is the total sum insured. The benchmark tax rate is $1 on the first $2,000 and 20 cents for every additional $200 or part thereof.

Table A2.5: Life insurance duty – major tax expenditures

	2021-22 $m	2022-23 $m	2023-24 $m
Individuals/families			
Superannuation An exemption is granted to all group superannuation investment policies that benefit more than one member.	221	251	267
Annuities An exemption is granted to annuities.	29	33	35

A2.6 Motor vehicle stamp duty

The benchmark tax base is the value of all purchases and transfers of motor vehicles. The benchmark tax rate for passenger vehicles is $3 per $100, or part thereof, for vehicles valued up to $44,999, and $1,350 plus $5 per $100, or part thereof, of the vehicle's value over $45,000 for vehicles valued at $45,000 or more.

Table A2.6: Motor vehicle stamp duty – major tax expenditures

	2021-22 $m	2022-23 $m	2023-24 $m
Business			
New demonstrator motor vehicle An exemption is granted to licensed motor dealers and wholesalers under the *Motor Dealers Act 1974.*	63	78	82
Individuals/families			
Caravans and camper trailers An exemption is provided for transfers of registration of caravans and camper trailers.	51	62	66
Transfers on divorce or breakdown of a de facto relationship An exemption is granted for the transfer of registration to one of the parties to a divorce or separation in a de facto relationship.	4	3	4
Transfer of ownership of a deceased registered owner An exemption is granted for the transfer of registration to a nominated legal personal representative or to the person beneficially entitled to the vehicle in the estate.	11	12	13
Electric and hydrogen vehicles An exemption is available for certain electric vehicles and hydrogen fuel cell vehicles from 1 September 2021.[(a)]	9	39	37
(a) This exemption will be removed from 1 January 2024.			
Government/public amenities			
Local councils An exemption is granted for the transfer of registration into the name of a local council, not for a trading undertaking.	8	9	10
Ambulances An exemption is granted for motor vehicles specially constructed and solely used for the ambulance work of carrying sick and injured persons.	...	1	1
Charitable Organisations			
Charitable institutions An exemption is granted to non-profit organisations that have a charitable, benevolent, patriotic, or philanthropic purpose.	5	6	6
Pensioners/concession card holders/disadvantaged			
War veterans and impaired members of the Defence Force An exemption is granted to DVA pensioners who meet certain pension or disability criteria.	2	2	2

Motor vehicle stamp duty – minor tax expenditures (< $1 million)

The following are exempt from motor vehicle stamp duty:

- applications to register a heavy vehicle trailer, not previously registered under the Australian Government or another Australian jurisdiction
- applications to register a heavy vehicle trailer, previously registered in the name of the applicant under the Australian Government or another Australian jurisdiction
- vehicles specially constructed for mine rescue work
- vehicles weighing less than 250 kg used for transporting invalids
- vehicles registered by a Livestock Health and Pest Authority (now administered by Local Land Services), established under the *Rural Lands Protection Act 1998*
- vehicles registered by the New South Wales Aboriginal Land Council or Local Aboriginal Land Councils
- motor vehicles registered conditionally under the *Road Transport Act 2013.*

A concessional rate of duty applies to vehicles modified for use by disabled persons.

A2.7 Payroll tax

The payroll tax benchmark is aggregate annual gross remuneration in excess of $1.2 million paid by a single or group taxpayer. The benchmark tax rate was temporarily reduced from 5.45 per cent to 4.85 per cent for all NSW businesses in 2020-21 and 2021-22. From 1 July 2022 the rate reverted back to 5.45 per cent.

Table A2.7: Payroll tax – major tax expenditures

	2021-22 $m	2022-23 $m	2023-24 $m
Business			
Payroll tax waiver for small to medium sized businesses Payroll tax customers whose total grouped Australian wages for the 2021-22 financial year were $10 million or less and had a 30 per cent decline in turnover as a result of the COVID-19 public health orders during the Delta outbreak, had their annual tax liability for 2021-22 reduced by 50 per cent.	410	...	...
Jobs Plus Payroll tax relief is available to eligible businesses for up to four years for every new job created where a business has created at least 30 net new jobs in metropolitan NSW or 20 net new jobs in non-metropolitan NSW.	...	13	23
Apprentices A full exemption/rebate is provided for wages paid to approved apprentices under the *Apprenticeship and Traineeship Act 2001* and those employed by approved non-profit group training organisations.	56	61	65
Trainees A full exemption/rebate is provided for wages paid to approved new trainees under the *Apprenticeship and Traineeship Act 2001* and those employed by approved non-profit group training organisations.	41	44	47
Maternity Leave An exemption is granted for maternity leave payments for a period of up to 14 weeks, or its equivalent at a reduced rate of pay.	35	44	47
Redundancy payments An exemption is provided for the Australian Government tax-free part of a genuine redundancy or approved early retirement scheme payment.	4	5	6

Table A2.7: Payroll tax – major tax expenditures (cont.)

	2021-22 $m	2022-23 $m	2023-24 $m
Aged care employers Exemptions are provided to eligible aged care employers for bonus wages paid to eligible employees from the Australian Government's aged care payment schemes.	2	1	...
Charitable/non-profit organisations/clubs			
Charitable institutions An exemption is granted to non-profit charitable, benevolent, patriotic, or philanthropic organisations for wages paid to employees engaged exclusively in the normal work of these institutions.* *Change in calculation methodology compared with 2022-23 Tax Expenditure and Concessional Charges Statement.	1,394	1,726	1,847
Not-for-profit private hospitals An exemption is granted to non-profit private hospitals for wages paid to persons engaged exclusively in work of a kind ordinarily performed by a hospital.	19	23	25
Government/public amenities			
Public hospitals, Local Health Districts and Ambulance Service of NSW An exemption is granted for wages paid to persons engaged exclusively in the normal work of these organisations.	771	950	1,012
Local councils An exemption is granted to councils, county councils and their wholly owned subsidiaries, except for wages paid in connection with certain activities, such as the supply of electricity, gas, water or sewerage services, or the conduct of parking stations, hostels, or coal mines. A full list of exclusions can be found in the *Payroll Tax Act 2007*.	233	287	307
Schools and colleges An exemption is granted to not-for-profit schools and colleges (other than technical schools, technical colleges or those carried on by or on behalf of the State of NSW) which provide education at or below, but not above, the secondary level of education.	266	335	363
Religious institutions An exemption is granted for wages paid to persons engaged exclusively in work of a kind ordinarily performed by religious bodies.	65	80	86

Payroll tax – minor tax expenditures (< $1 million)

The following are exempt from payroll tax:

- wages paid to an employee who is on leave from employment by reason of service in the Defence Force
- wages paid to persons employed under the Community Development Employment Project administered by Aboriginal and Torres Strait Islander Corporations
- wages paid by the Australian-American Fulbright Commission
- wages paid by the Commonwealth War Graves Commission
- wages paid to members of the official staff by a consular or other nondiplomatic representative of another country or by a Trade Commissioner in Australia representing any other part of the Commonwealth of Nations

- wages paid for a joint government enterprise that has the function of allocating funds for water saving projects
- wages paid by the Governor of a State
- wages paid to employees while the employees are providing volunteer assistance to the State Emergency Services or Rural Fire Brigades (but not in respect of wages paid or payable as recreation leave, annual leave, long service leave or sick leave)
- adoption leave payments for a period of up to 14 weeks, or its equivalent at a reduced rate of pay
- paternity leave payments for a period of up to 14 weeks, or its equivalent at a reduced rate of pay.

A2.8 Land tax

The benchmark tax base is the average of the last three years unimproved land value of all land owned, on 31 December of the previous year, that is above the indexed threshold for that year (as defined in the *Land Tax Management Act 1956*). This excludes land used:

- for owner-occupied residences
- by the Australian Government
- by the NSW Government.

The benchmark tax rate for the 2023 land tax year is $100 plus 1.6 per cent of the land value between the thresholds of $969,000 and $5,925,000, and $79,396 plus 2 per cent of land value thereafter. Surcharge land tax applies to residential land owned by foreign persons at the rate of 4 per cent per year, from 2023. The benchmark tax base for surcharge land tax excludes certain commercial residential property.

Table A2.8: Land tax – major tax expenditures

	2022 $m	2023 $m	2024 $m
Business			
Racing clubs An exemption is granted for land owned by or held in trust for any club for promoting or controlling horse racing, trotting, or greyhound racing used mainly for their meetings.	17	20	23
Employer and employee organisations An exemption is granted for land owned by or held in trust for employer and employee organisations for that part not used for a commercial activity open to members of the public.	5	6	7
Co-operatives An exemption is granted for land owned by a co-operative under the Co-operatives National Law (NSW) that has its objects listed in the *Co-operation Act 1923*.	19	22	25
Childcare centres and schools An exemption is granted for land used as a residential childcare centre licensed under the *Children and Young Persons (Care and Protection) Act 1998* or a school registered under the *Education Act 1990*.	8	10	11

Table A2.8: Land tax – major tax expenditures (cont.)

	2022 $m	2023 $m	2024 $m
Government/public amenities			
Cemeteries and crematoriums An exemption is provided for land owned by or in trust for use as a cemetery or crematorium.	29	35	39
Public and private hospitals An exemption is provided for land owned by or in trust for public or private hospitals (including nursing homes) and Local Health Districts.	37	44	50
Individuals/families			
Early payment discount A discount is available where the full amount of land tax is paid within 30 days of issue of the notice of assessment in the land tax year. From the 2023 land tax year, the discount for early payment of land tax was reduced from 1.5 per cent to 0.5 per cent.	46	14	16
Pensioners/concession card holders/disadvantaged			
Retirement villages An exemption is granted for land used as retirement villages, and residential parks predominantly occupied by retired persons.	213	252	284
Boarding houses for low-income persons An exemption is granted for land used for boarding houses for which the rent charged is less than the amount prescribed by the guidelines.	14	16	18
Low-cost rental accommodation An exemption is provided for low-cost rental accommodation within a 5km radius of 1 Martin Place, Sydney.	1	2	2
Religious institutions			
Religious societies An exemption is provided for land owned by or in trust for a religious society carried on solely for religious, charitable, or educational purposes.	27	31	35
Rural			
Land used for primary production An exemption is granted for land used for primary production. To qualify, land must be used for primary production for the purpose of profit on a continuous or repetitive basis.	839	993	1,122

Land tax – other major tax expenditures (> $1 million)

The following are exempt from land tax:

- land owned by or in trust for any club or body of persons which is used primarily for the purpose of a game or sport and not for the pecuniary profit of the members
- buildings (or part thereof) occupied by a society, club or association and not carried on for pecuniary profit of members
- land owned by or in trust for an entity which is used solely for charitable or educational purposes and not for the pecuniary profit of members
- land owned by a society registered under the Friendly Societies (New South Wales) Code
- land used for the Sydney Light Rail
- public gardens, recreation grounds or reserves

- land owned and used by a local council
- public authorities representing the Crown
- New South Wales State and Local Aboriginal Land Councils
- fire brigades, ambulances, or mines rescue stations
- religious societies' places of worship and residences of clergy, ministers, or orders of the society
- land used to hold agricultural shows, which is owned by, or held in trust for, a society established for the purpose of holding, promoting, and funding such shows
- land owned by or leased to the Transport Asset Holding Entity and used primarily for railway purposes.

A concession in the form of a 50 per cent reduction in land value for land tax purposes is available to eligible Build to Rent properties.

The following are exempt from surcharge land tax:

- Australian based developers subject to satisfying requirements relating to the construction and sale of new homes on the acquired land
- developers of Build to Rent properties subject to satisfying requirements relating to the construction of such properties, from 1 July 2020
- holders of subclass 410 (retirement) and 405 (investor retirement) visas
- citizens of New Zealand, Finland, Germany, India, Japan, Norway, South Africa, and Switzerland due to inconsistency with international tax treaties entered into by the Australian Government with these nations.

Land tax – minor tax expenditures (< $1 million)

The following are exempt from land tax:

- Primary Products Marketing Boards, Local Land Services and Agricultural Industry Service committees
- community land development
- land subject to a conservation agreement in perpetuity under the *National Parks and Wildlife Act 1974* or a trust registered under the *Nature Conservation Trust Act 2001*
- land owned, held in trust, or leased by the Nature Conservation Trust of NSW, or land subject to a permanent conservation or trust agreement
- land that is the subject of a BioBanking agreement
- land owned by a joint government enterprise that has the function of allocating funds for water saving projects
- land used solely as a police station
- land owned by RSL (New South Wales Branch), being Anzac House.

A concession is provided for unoccupied flood-liable land.

A2.9 Vehicle weight tax

The benchmark tax base is all vehicles (except Australian Government vehicles) intended for on-road use. The benchmark tax rates, which vary by vehicle type, weight, usage, and other factors, are updated annually by the NSW Government.

From 1 January 2023, charges for cars, station wagons and trucks up to 4.5 tonnes Gross Vehicle Mass are based on a 12-step graduated weight scale, ranging from:

- $233 (0 – 975 kg) to $1,301 (4,325 - 4,500 kgs) for private use vehicles
- $379 (0 – 975 kg) to $2,462 (4,325 - 4,500 kgs) for business use vehicles.

From 1 January 2023, charges for trailers and caravans up to 4.5 tonnes Gross Vehicle Mass are based on a 12-step graduated weight scale, ranging from:

- $0 (0 – 254 kg) to $1,301 (4,325 - 4,500 kgs) for private use vehicles
- $113 (0 – 254 kg) to $2,169 (4,325 - 4,500 kgs) for business use vehicles.

Table A2.9: Vehicle weight tax – major tax expenditures

	2021-22 $m	2022-23 $m	2023-24 $m
Business			
General purpose plant			
Concessions are provided for machines that cannot carry any load other than tools and accessories necessary for the operation of the vehicle.	35	40	42
Other			
Concessions provided under Part 4, section 16 and 17 of the *Motor Vehicles Taxation Act 1988* including vehicles specially constructed for the work of conveying sick or injured persons or to carry out mine rescue, and agricultural vehicles that do not travel on a road.	2	2	2
Government/public amenities			
Roadwork equipment			
An exemption is granted for any motor vehicle, plough, bulldozer, mechanical scoop or shovel, road grader, road roller or similar machinery owned by a local council that is used for the purposes of road repair, maintenance or construction, removal of garbage or night soil, bushfire fighting or civil defence work, or for any roller, lawn mower or similar machinery used solely or principally for the rolling or maintenance of tennis courts, cricket pitches, lawns or pathways.	5	6	6
Australian Government vehicles			
Any vehicle leased to an Australian Government Authority is exempt from tax under Section 16, Part 3, (2) (d) of *Commonwealth Vehicles (Registration and Exemption from Taxation) Act 1997* (Cth).	1	1	1
Pensioners/concession card holders/disadvantaged			
Selected social security recipients			
An exemption is granted for any motor vehicle used substantially for non-business purposes owned by holders of Pensioner Concession Cards, Department of Veterans' Affairs (DVA) Totally and Permanently Incapacitated Cards or DVA Gold War Widows Cards.	332	334	353
Rural			
Primary producers			
Primary producer concessions include, for motor vehicles not greater than 4.5 tonnes of gross vehicle mass, private rates rather than business rates for cars and station wagons and 55 per cent of business rates for trucks, tractors, and trailers.	53	29	30

Vehicle weight tax – minor tax expenditures (< $1 million)

The following are exempt from vehicle weight tax:

- motor vehicles (not government owned) used principally as an ambulance
- motor vehicles (not government owned) used by the State Emergency Service
- motor vehicles on which a trader's plate is being used in accordance with the *Road Transport (Vehicle Registration) Act 1997* or the regulations under that Act
- motor vehicles owned by Aboriginal Land Councils
- motor vehicles of consular employees and trade missions.

Concessions are provided as follows:

- a concessional rate of 55 per cent of business rates (or 30 per cent if outside the Sydney metropolitan area, Newcastle, or Wollongong districts) is applied to any motor vehicle that is used solely or principally as a tow truck with a crane and hook
- a concessional rate of 88 per cent is provided for mobile cranes used for private use
- a concessional rate of tax is applied to any motor vehicle that is owned by a Livestock Health and Pest Authority (now administered by Local Land Services) and is used solely for carrying out the functions of the board
- a rebate of $100 for vehicle registration is given to first- and second-year apprentices registered with the New South Wales Department of Education.

A2.10 Gambling and betting taxes

The benchmark for gaming machines in hotels and registered clubs is the rates of taxation applying to hotels, which vary based on a progressive rate scale depending on the level of annual profits from gaming machines.

Since the New South Wales point of consumption tax was introduced on 1 January 2019, the totalizator licensee is entitled to offset their betting tax and tax parity liabilities against their point of consumption tax liability. This measure is not included as a tax expenditure as it is designed to avoid double taxation on bets made by New South Wales residents.

Table A2.10: Gambling and betting taxes – major tax expenditures

	2021-22 $m	2022-23 $m	2023-24 $m
Charitable/non-profit organisations/clubs			
Club gaming machines			
Poker machines installed in clubs registered under the *Registered Clubs Act 1976* are taxed at lower rates than poker machines installed in hotels.	732	1,043	1,045

Gambling and betting taxes – minor tax expenditures (< $1 million)

A full tax rebate is provided to racing clubs operating non-TAB Ltd pools.

A2.11 Parking space levy

The benchmark is the number of off-street parking spaces in Category 1 areas (City of Sydney, North Sydney, and Milsons Point business districts) or Category 2 areas (Chatswood, Parramatta, St Leonards, and Bondi Junction business districts).

The benchmark levy is indexed annually to movements in the Sydney CPI, over the year to the previous March quarter. For 2023-24, the benchmark levy is $2,800 per space in Category 1 areas and $1,000 per space in Category 2 areas.

Table A2.11: Parking space levy – major tax expenditures

	2021-22 $m	2022-23 $m	2023-24 $m
Business			
General exemptions and concessions for Category 1 and 2 areas An exemption is granted for certain parking spaces for bicycles and motor cycles, residents of the same or adjoining premises, use under the mobility parking scheme, loading and unloading of goods or passengers, cranes and other plant, overnight parking of emergency service vehicles, private vehicles parked on land owned by councils, religious organisations or bodies, charities or benevolent institutions, persons providing services on a casual basis, unused casual parking or unleased tenant parking.	71	82	88
Additional exempt parking spaces in Category 2 areas An exemption is granted for spaces for customers attached to retail outlets, hotels, motels, clubs, restaurants, medical centres, car hire and sales, repair and wash establishments and funeral parlours.	11	11	12

A2.12 Detailed estimates of concessions

Details of concessions by function are shown below for major concessions worth $1 million or more.

Table A2.12: Public order and safety – major concessions

	2021-22 $m	2022-23 $m	2023-24 $m
Pensioners/concession card holders/disadvantaged			
Court interpreting and translation services Multicultural NSW provides translation and interpreting services in NSW courts.	5	7	8
Court and tribunal fee concessions Court and tribunal fees may be reduced or waived, subject to guidelines issued by the Attorney General, in circumstances where a person's capacity to pay may otherwise limit his or her access to justice.	3	3	3
Government/public amenities			
Concessions for NSW State Hallmark Events The NSW Police Force does not charge for all additional police costs associated with crowd control and traffic management services for designated 'NSW State Hallmark Events' such as Australia Day, Vivid Festival, and Tamworth Music Festival.	5	6	9

Public order and safety – minor concessions (< $1 million)

- The New South Wales Police Force does not charge for additional policing services for minor sporting events and agricultural shows in Regional New South Wales, or for some or all the additional policing services provided to non-commercial events run by charities and not-for-profit organisations who meet criteria established in State Government policy on user charges.

Table A2.13: Education – major concessions

	2021-22 $m	2022-23 $m	2023-24 $m
Students			
School Student Transport Scheme The School Student Transport Scheme provides subsidised travel to and from school for eligible students on government and private bus, rail and ferry services, long-distance coaches and in private vehicles where no public transport services exist.	516	534	631
Pensioners/concession card holders/disadvantaged			
Smart and Skilled – Vocational Education and Training (VET) concessions and exemptions Fee concessions are available to Australian Government welfare beneficiaries, people with a disability, and their dependents and partners, undertaking Certificate IV and below qualifications. Fee exemptions are available to students with a disability, as well as their dependents and partners, for their first qualification in a calendar year. Fee exemptions are also available to Aboriginal students.	75	91	108
Smart and Skilled – VET concessions and exemptions			
Skilling for Recovery – Additional full qualifications fee free training places.	20	9	2
Skilling for Recovery – Additional fee gap on existing full qualification training places.	35	24	9
NSW Fee Free – Existing fee free full qualification and part qualification.	...	89	46

Table A2.14: Health – major concessions

	2021-22 $m	2022-23 $m	2023-24 $m
Pensioners/concession card holders/disadvantaged			
Ambulance service for concessional patients Free ambulance transport is provided to holders of Pensioner, Health Care, or Department of Veterans' Affairs concession cards.	220	221	242
Ambulance service provided for bushfire and flood-affected communities under Section 33, State *Emergency and Rescue Management Act 1989* Free ambulance transport is provided to bushfire and flood-affected communities.	15	2	5
Ambulance service for COVID affected patients From March 2020, free ambulance treatment and/or transport for suspected COVID or COVID vaccination reactions.	25	7	8
Ambulance service for corrective services Free ambulance transport is provided for patients being transferred to or from a correctional institution.	1	1	1

Table A2.14: Health – major concessions (cont.)

	2021-22 $m	2022-23 $m	2023-24 $m
Ambulance service for police custody Free ambulance transport is provided for patients in police custody.	3	3	3
Ambulance service provided under Section 20, *Mental Health Act 2007* Free ambulance transport is provided to patients experiencing mental illness.	5	5	6
Ambulance service provided under Section 22, *Mental Health Act 2007*, Free ambulance transport is provided to patients experiencing mental illness.	6	5	5
Ambulance service provided for sexual/ domestic assault Free ambulance transport is provided to patients who are treated and/or transported as a result of domestic or sexual assault.	2	1	2
Outpatient Pharmaceutical Scheme for S100 Concessional Public Patients Concessions provided to concessional patients up to the safety threshold.	2	2	2
Outpatient Pharmaceutical Scheme for S100 General Public Patients Concessions provided to general patients up to the safety threshold.	9	9	9
Outpatient Pharmaceuticals Scheme for Concessional Patients Pharmaceuticals provided to concessional patients at a discounted price or free of charge once the safety threshold is reached.	11	11	11
Concessional car parking fees at NSW public hospitals Car parking concessions are provided to certain categories of patients, and their carers, which recognise regular or long-term hospitalisation and treatment.	14	15	16
Rapid Antigen Testing Concessional Access Program Free Rapid Antigen Tests (RAT) are available to eligible Australian Government Concession card holders. This commenced on 24 January 2022 and ends on 31 July 2022. The program allows eligible concession card holders to access up to 20 RATs over this period (no more than 5 per month).	129	19	...
Life Support Rebate Assistance is provided for households that use electricity to run equipment to sustain life.	9	11	13
Medical Energy Rebate Assistance is provided for households that use air conditioning to assist with a medically diagnosed inability to manage body temperature.	2	2	3
NSW Spectacles Program Vision Australia provides free optical appliances to the most disadvantaged and vulnerable of NSW residents who, in the absence of a subsidy, might otherwise forego necessary vision aids due to financial and other challenges.	4	5	5

Table A2.15: Transport – major concessions

	2021-22 $m	2022-23 $m	2023-24 $m
Pensioners/concession card holders/disadvantaged			
Public transport concessions Pensioners, seniors, welfare beneficiaries and students travel for less than full fare on bus, rail, taxi, and ferry services.	202	389	396
Driver's licence fee exemption Transport for NSW provide a driver's licence fee exemption to holders of Pensioner Concession Cards, DVA Totally and Permanently Incapacitated Cards and DVA Gold War Widows Cards, subject to income and disability rate thresholds, where the vehicle owned by the licence holder is used substantially for social and domestic purposes.	25	25	45
Taxi Transport Subsidy Scheme To provide transport support for NSW residents who cannot use public transport because of a severe and permanent disability.	41	42	40
Australian Government Home Support Program, Community Transport Program and NSW Health's Non-Government Organisations Grants Program Transport for NSW provides funding to community transport operators to provide services under three government programs. The Commonwealth Home Support Program provides funding for older eligible individuals and is aimed at supporting individuals in staying independent and in their own home for longer. The Community Transport Program assists individuals who are transport disadvantaged owing to physical, social, cultural and/or impacted by geographic factors. Transport for NSW also administers contract management of NSW Health's Non-Government Organisations Grants Program (on behalf of NSW Health) to support the provision of non-emergency health-related transport programs that enhance access to health care by catering for the travel needs of people who are transport-disadvantaged.	88	91	96
Selected social security recipients – registration fees An exemption is granted to holders of Pensioner Concession Cards, DVA Totally and Permanently Incapacitated Cards and DVA Gold War Widows Cards (subject to income and disability pension rate thresholds) for a single vehicle used primarily for social or domestic purposes.	60	58	61
Motorist Relief			
Toll Relief Program Toll Relief provides motorists who spend $402 or more on eligible tolls in the 2023-24 financial year ($375 or more in 2022-23 financial year) a 40 per cent rebate upon claim. Toll spend must be accumulated on NSW toll roads, with a NSW tolling account.	...	67	274
Weekly Toll Cap and Truck Multiplier Relief Two year toll relief program commencing 1 January 2024 for private motorists and truck drivers, with the introduction of a $60 weekly cap and a one third toll rebate for heavy vehicles using the M5 and M8 tunnels.	...	...	148
Motor Vehicle Tax – Low Emission Vehicles Transport for NSW provides owners of vehicles with low emissions a concession on motor vehicle tax.	5	7	10

Table A2.15: Transport – major concessions (cont.)

	2021-22 $m	2022-23 $m	2023-24 $m
Other			
Fair Go for Safe Drivers – Discounted Licence Renewal Drivers with a NSW full licence (driver, rider, and heavy vehicle) for at least five years with no demerit points or relevant offences may be eligible for an automatic 50 per cent discount on licence renewal.	24	25	24
Opal Card Travel Cap The Opal Weekly Travel Cap was reduced by approximately 20 per cent to $50 per week for adults and $25 per week for child/youth and concession travel from 1 July 2019 for all train, bus, ferry, and light rail customers. The Cap continues to benefit approximately 55,000 commuters with savings up to $686 a year. All other Opal benefits already in place have remained.	8	20	24
Large Towed Recreational Vehicle Toll Rebate Drivers towing privately registered caravans, boats, and horse floats with a total combined length (car and towed vehicle) greater than 12.5 metres, or more than 2.8 metres high, are eligible for cheaper tolls on Sydney's motorways. The rebate is the difference between the Class B and the Class A toll and is available for private vehicles only. It makes the cost of travelling on a toll road with these types of vehicles the same as travelling in a regular car. The rebate is capped at eight tolled trips per monthly billing period.	...	1	1
Regional Transportation Users			
Regional Seniors Travel Card Eligible seniors living in regional areas of New South Wales can receive a $250 prepaid card for travel-related expenses. It can be used to purchase pre-booked NSW TrainLink train and coach services, fuel and taxi services. The card is intended to reduce travel costs for eligible seniors living outside major cities who typically have longer distances to travel and fewer transport options.	98	102	36
Regional Apprentice and University Travel Card Two-year pilot (commencing January 2023) of a $250 per annum pre-paid debit card for university students and apprentices in regional New South Wales, constrained for use only on travel costs (e.g., fuel, taxis, public transport and government services through Service NSW).	...	5	...

Transport – minor concessions (< $1 million)

- Transport for New South Wales offers a concession on private mooring licences to holders of Pensioner Concession Cards and Repatriation Health Cards.
- A motor vehicle registration fee exemption is provided for Mobile Disability Conveyance.
- The Driver Knowledge Test is free for some learner drivers - New South Wales State Emergency Service, New South Wales Rural Fire Service and New South Wales Volunteer Rescue Association volunteers/personnel, participants in the Driver Licensing Access Program and drivers undertaking the test within a Correction Centre or Juvenile Justice Centre.
- Driving Tests - Pensioners are able to sit driving tests for free.
- Motorcycle Operator Skill Test - Pensioners are able to sit their motorcycle operator skills test for free.
- Pensioners and other concession card holders get free Mobility Parking Scheme permits (if they also have a mobility disability).

- New South Wales Photo Cards are free for pensioners and senior card holders
- 1000 free places for the Safer Drivers Course are available each year for learner drivers from disadvantaged backgrounds. Combines theory and practical courses for eligible drivers under 25 years old. The course includes 20 hours of logbook credit on completion.

Table A2.16: Housing and Community – major concessions

	2021-22 $m	2022-23 $m	2023-24 $m
Charitable/non-profit organisations/clubs			
Crown land rent concessions Rent concessions to various Crown land tenure holders in circumstances where individuals or organisations experience difficulty making payments by the due date, and in circumstances to recognise the level of community benefit provided by groups and organisations.	15	16	12
Exempt properties water rate concession Funding is provided to Sydney Water Corporation and Hunter Water Corporation for discounted charges to owners of properties used for non-profit provision of community services and amenities (principally councils, religious bodies, and charities):			
• Sydney Water Corporation	18	16	16
• Hunter Water Corporation	2	2	2
• Essential Water Corporation	1	1	1
Pensioners/concession card holders/disadvantaged			
Low Income Household Rebate Energy bill rebates are available to customers who hold eligible concession cards.	166	219	225
Pensioner water rate concession Funding is provided to Sydney Water Corporation and Hunter Water Corporation to provide Pensioner Concession Card holders, who are direct customers, with concessions for their water and sewerage charges.			
• Sydney Water pensioners receive a 100 per cent discount on the fixed quarterly water service charge, an 86 per cent discount on the fixed quarterly wastewater (sewerage) service charge, and a 50 per cent discount on the fixed quarterly stormwater service charge.	114	116	123
• Hunter Water pensioners receive concessions on water, sewerage, and stormwater service charges.	15	16	17
Local council rates concession Local council rates are reduced for holders of Pensioner Concession Cards.	75	72	79
Individuals/families			
Energy Accounts Payment Assistance Energy bill rebates are available to assist people experiencing a short-term financial crisis or emergency to pay their electricity or gas bill.	14	22	23
Family Energy Rebate Energy bill rebates are available to families with dependent children who have received the Family Tax Benefit.	2	5	8
Gas Rebate A rebate is provided to eligible households to assist with gas bills.	22	31	31

Table A2.16: Housing and Community – major concessions (cont.)

	2021-22 $m	2022-23 $m	2023-24 $m
Hardship and Low-Income Schemes Funding is provided to Sydney Water Corporation and Hunter Water Corporation to provide concessions to customers in financial hardship.	2	2	2
Seniors Energy Rebate Assistance for independent retirees who hold a valid Commonwealth Seniors Health Card to help with the cost of living.	5	9	11

Housing and Community – minor concessions (< $1 million)

- Rent rebates are provided on Crown Land tenures issued to registered clubs and not-for-profit organisations.
- Department of Planning and Environment fund a partial discount on Essential Water Corporation charges to owners of properties used for non-profit provision of community services and amenities including councils, religious bodies and charities.
- Hunter Water Corporation provide assistance to customers experiencing financial hardship through registered community welfare agencies.
- Hunter Water Corporation provide concessions for costs incurred for facilitating concessions involved in administering the schemes relevant to housing and community initiatives.
- Essential Energy provides concessions on water, sewerage, and drainage charges to eligible customers.

Table A2.17: Economic affairs – major concessions

	2021-22 $m	2022-23 $m	2023-24 $m
Pensioners/concession card holders			
Fishing licence concession Fishing licence concessions are provided to eligible persons.	9	9	9
Business			
Sydney Startup Hub rental subsidy Rental discounts to Sydney Startup Hub tenants who meet subsidy criteria.* *In 2022-23 the Jobs for NSW Fund funded subsidies for July-September only.	5	1	...

Table A2.18: Recreation, culture, and religion – major concessions

	2021-22 $m	2022-23 $m	2023-24 $m
Seniors/children/disadvantaged/special groups			
Recreational vessel registration and boat driving licence Transport for NSW provides a 50 per cent concession on recreational vessel registration and recreational boating licences to holders of Pensioner Concession Cards and Repatriation Health Cards.	2	3	4
Museum of Applied Arts and Sciences The Museum of Applied Arts and Sciences provides free general admission into the Ultimo Powerhouse.	2	3	3
Discounted entry to zoological parks The Taronga Conservation Society Australia provides discounted entry to its zoological parks (including Taronga Zoo in Sydney and the Taronga Western Plains Zoo in Dubbo) for concession card holders, tertiary education students and school students.	1	1	1

Recreation, culture, and religion – minor concessions (< $1 million)

- A 10 per cent discount is provided to Friends of the Library (members) at the State Library of NSW shop and cafe. If the Friend has been a member for 10 years, this increases to a 20 per cent discount at the shop.
- A loan fee waiver applies to NSW public libraries who borrow collection material from the State Library of NSW, and discretionary discounts and waivers are provided for digital images.
- The Sydney Living Museum offers concessional admission charges to the unemployed, children, pensioners, healthcare card holders, Veteran's Affairs cardholders, seniors, and students.
- The Sydney Opera House provides concessional charges on guided tours for children, pensioners, seniors, students, and school group tours. Concession tickets are available to many Sydney Opera House productions for Australian pensioners/seniors, full-time students, and children.
- The Sydney Opera House provides a supported venue hire rate to select charitable organisations, community groups or arts organisations that the Sydney Opera House supports or has an existing relationship with, on a case-by-case basis.
- The Sydney Opera House, through the Access Program, provides accessible performances and programs for people with disabilities, including free tailored excursions and tours, performing arts workshops and supported music programs.

Table A2.19: Environmental protection – major concessions

	2021-22 $m	2022-23 $m	2023-24 $m
Seniors/children/disadvantaged/special groups			
Entry fee to national parks Holders of Pensioner Concession Cards, seniors, volunteers, and community groups receive free or discounted entry to national parks.	14	10	10

A3. VARIATION DETAILS OF APPROPRIATIONS DURING 2022-23

Each year, an Appropriation Act, and an Appropriation (Parliament) Act, are passed in the NSW Parliament which appropriate out of the Consolidated Fund sums to Ministers, and the Legislature, for the services of the Government for that annual reporting period.

In certain circumstances, the *Government Sector Finance Act 2018* (GSF Act) enables the sum of appropriated money to be varied to meet the service objectives of the Government.

Where there is a variation to appropriations, the GSF Act requires the details of these payment variations to be included in the Budget Papers for the next annual reporting year.

As per the reporting requirements of the GSF Act, the following tables provide the variation details of annual appropriations during the 2022-23 reporting period.

Table A3.1: Details of appropriations affected by transfer of functions between Ministers or GSF agencies during 2022-23

	Sec. 4.9 GSF Act Amount $'000
Attorney General	
Net appropriation transfer from Department of Communities and Justice	(883,990)
Total - Attorney General	**(883,990)**
Minister for Planning and Public Spaces	
Net appropriation transfer to Department of Planning and Environment	1,480,231
Total – Minister for Planning and Public Spaces	**1,480,231**
Minister for Customer Service and Digital Government	
Net appropriation transfer to Department of Customer Service	296,588
Total- Minister for Customer Service and Digital Government	**296,588**
Minister for Health	
Net appropriation transfer to Ministry of Health	8,300
Total - Minister for Health	**8,300**
Minister for Jobs and Tourism	
Net appropriation transfer from Department of Enterprise, Investment and Trade	(415,356)
Total - Minister for Jobs and Tourism	**(415,356)**
Minister for Regional New South Wales	
Net appropriation transfer from Department of Regional New South Wales	(190,000)
Total - Minister for Regional New South Wales	**(190,000)**
Minister for Transport	
Net appropriation transfer from Department of Transport	(134,775)
Total – Minister for Transport	**(134,775)**
Premier	
Net appropriation transfer to Department of Premier and Cabinet	10,132
Total – Premier	**10,132**
Treasurer	
Net appropriation transfer to Treasury	81,779
Net appropriation transfer from Administered Items	(252,909)
Total – Treasurer	**(171,130)**
TOTAL - SECTION 4.9 GSF ACT	**...**

Table A3.2: Variation details of annual appropriations for Commonwealth Grants during 2022-23

	Sec. 4.11 GSF Act Amount $'000
Attorney General	
Department of Communities and Justice	
Commonwealth Funding Adjustment	12,472
Total Department of Communities and Justice	**12,472**
Total - Attorney General	**12,472**
Deputy Premier, Minister for Education and Early Learning	
Department of Education	
Commonwealth Funding Adjustment	161,871
Total Department of Education	**161,871**
Total - Deputy Premier, Minister for Education and Early Learning	**161,871**
Minister for Planning and Public Spaces	
Department of Planning and Environment	
Commonwealth Funding Adjustment	(66,332)
Total Department of Planning and Environment	**(66,332)**
Total – Minister for Planning and Public Spaces	**(66,332)**
Minister for Health	
Ministry of Health	
Commonwealth Funding Adjustment	8,506
Total Ministry of Health	**8,506**
Total - Minister for Health	**8,506**
Minister for Regional New South Wales	
Department of Regional New South Wales	
Commonwealth Funding Adjustment	5,379
Total Regional New South Wales	**5,379**
Total - Minister for Regional New South Wales	**5,379**
Minister for Transport	
Department of Transport	
Commonwealth Funding Adjustment	(4,935)
Total Department of Transport	**(4,935)**
Total - Minister for Transport	**(4,935)**
Treasurer	
Treasury	
Commonwealth Funding Adjustment	165,444
Total Treasury	**165,444**
Commonwealth transfer payments	
Commonwealth funding adjustment	1,551,000
Total Commonwealth transfer payments	**1,551,000**
Total – Treasurer	**1,716,444**
TOTAL - SECTION 4.11 GSF ACT	**1,833,405**

A4. CLASSIFICATION OF AGENCIES

The financial activities of all governments are measured using the government finance statistics (GFS) framework.[1] All entities controlled by governments are classified into sectors according to the nature of their activities and funding arrangements.

For financial reporting and policy framework purposes, NSW Treasury classifies each NSW Government entity under one of three sectors:

- general government sector
- public non-financial corporations
- public financial corporations.

Together, these sectors make up the total state sector. This is not a GFS term, but it is used to describe the scope of all government activities representing the total state.

The nature of each sector as it relates to NSW Government entities is as follows:

General government sector	The general government sector represents the scope of the Budget. Agencies in this sector generally operate under the Financial Management Framework and carry out policy, regulatory and service delivery functions. This sector includes agencies such as the Ministry of Health, Department of Education, NSW Police Force, Rental Bond Board and Independent Pricing and Regulatory Tribunal. 'General government sector' is defined under GFS as the institutional sector comprising all government units and non-profit institutions controlled by the Government.
Public non-financial corporations sector	Agencies in this sector are either commercial or non-commercial. Commercial enterprises generally operate under the Commercial Policy Framework, which aims to replicate disciplines and incentives that drive the efficient commercial practices of private sector businesses. They deliver services to a customer base from which they receive their income. They generally pay dividends and tax-equivalent payments to the general government sector. These agencies include State-owned Corporations such as Sydney Water and Hunter Water Corporations. Non-commercial enterprises address important social objectives and levy charges for services to client groups on a subsidised basis. This includes the New South Wales Land and Housing Corporation, which receives substantial grants from the general government sector to provide these services. 'Public non-financial corporations sector' is defined under GFS as resident government controlled corporations and quasi-corporations mainly engaged in the production of market goods and/or non-financial services.
Public financial corporations sector	These agencies are involved in financial services and generally operate under the Commercial Policy Framework. They include the New South Wales Treasury Corporation and Insurance and Care NSW. 'Public financial corporations sector' is defined under GFS as resident government controlled operations and quasi-corporations mainly engaged in financial intermediation or provision of auxiliary financial services.

[1] Australian Bureau of Statistics, *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2015* Cat No. 5514.0, ABS, Canberra.

The following table lists all entities considered material for the whole-of-government purposes which are controlled by the NSW Government and the GFS sectors under which they are classified. In addition, budget estimates shown in this budget paper include an estimate of the impact of small entities controlled by the NSW Government and not considered material for the whole-of-government purposes.

Table A4.1: Classification of agencies by sector

Material Agencies	General government sector	Public non-financial corporations sector	Public financial corporations sector
Aboriginal Housing Office	•		
Alpha Distribution Ministerial Holding Corporation	•		
Art Gallery of New South Wales	•		
Audit Office of New South Wales	•		
Australian Museum	•		
Biodiversity Conservation Trust of NSW	•		
Building Insurers' Guarantee Corporation[(a)]	•		
Centennial Park and Moore Park Trust	•		
Crown Solicitor's Office	•		
Department of Communities and Justice	•		
Department of Customer Service	•		
Department of Education	•		
Department of Enterprise, Investment and Trade	•		
Department of Planning and Environment	•		
Department of Regional NSW	•		
Destination NSW	•		
Electricity Assets Ministerial Holding Corporation	•		
Electricity Retained Interest Corporation - Ausgrid	•		
Electricity Retained Interest Corporation - Endeavour Energy	•		
Electricity Transmission Ministerial Holding Corporation	•		
Environment Protection Authority	•		
Environmental Trust	•		
Epsilon Distribution Ministerial Holding Corporation	•		
Essential Energy		•	
Fire and Rescue NSW	•		
First Australian Mortgage Acceptance Corporation (FANMAC) Trusts			•
Forestry Corporation of New South Wales		•	
Greater Cities Commission	•		
Greater Sydney Parklands Trust[(b)]	•		
Health Care Complaints Commission	•		
Historic Houses Trust of New South Wales[(c)]	•		
Home Purchase Assistance Fund	•		
Hunter and Central Coast Development Corporation	•		
Hunter Water Corporation		•	
Independent Commission Against Corruption	•		
Independent Liquor and Gaming Authority	•		
Independent Pricing and Regulatory Tribunal	•		
Information and Privacy Commission	•		

Material Agencies	General government sector	Public non-financial corporations sector	Public financial corporations sector
Infrastructure NSW	•		
Insurance and Care NSW			•
Judicial Commission of New South Wales	•		
Landcom		•	
Lands Administration Ministerial Corporation	•		
Law Enforcement Conduct Commission	•		
Legal Aid Commission of New South Wales	•		
Liability Management Ministerial Corporation	•		
Lifetime Care and Support Authority of New South Wales			•
Local Land Services	•		
Long Service Corporation	•		
Luna Park Reserve Trust	•		
Mental Health Commission of New South Wales	•		
Ministry of Health	•		
Multicultural NSW	•		
Museum of Applied Arts and Sciences	•		
Museums of History NSW[(d)]	•		
Natural Resources Commission	•		
New South Wales Crime Commission	•		
New South Wales Electoral Commission	•		
New South Wales Government Telecommunications Authority	•		
New South Wales Land and Housing Corporation		•	
New South Wales Rural Assistance Authority	•		
New South Wales Treasury Corporation			•
Newcastle Port Corporation		•	
Northern Rivers Reconstruction Corporation	•		
NSW Education Standards Authority	•		
NSW Food Authority	•		
NSW Independent Casino Commission[(e)]	•		
NSW Police Force	•		
NSW Reconstruction Authority[(f)]	•		
NSW Rural Fire Service	•		
NSW Self Insurance Corporation	•		
NSW Trains		•	
NSW Trustee and Guardian	•		
Office of Sport	•		
Office of the Children's Guardian	•		
Office of the Director of Public Prosecutions	•		
Office of the Independent Planning Commission	•		
Office of the Independent Review Officer	•		
Office of the NSW State Emergency Service	•		
Office of Transport Safety Investigations	•		
Ombudsman's Office	•		
Parliamentary Counsel's Office	•		

Material Agencies	General government sector	Public non-financial corporations sector	Public financial corporations sector
Place Management NSW		•	
Planning Ministerial Corporation	•		
Port Botany Lessor Ministerial Holding Corporation	•		
Port Kembla Lessor Ministerial Holding Corporation	•		
Port of Newcastle Lessor Ministerial Holding Corporation	•		
Ports Assets Ministerial Holding Corporation	•		
Premier's Department[(g)]	•		
Property NSW	•		
Public Service Commission	•		
Regional Growth NSW Development Corporation	•		
Rental Bond Board	•		
Resilience NSW[(h)]	•		
Roads Retained Interest Pty Ltd[(i)]	•		
Royal Botanic Gardens and Domain Trust	•		
Service NSW	•		
State Insurance Regulatory Authority	•		
State Library of New South Wales	•		
State Records Authority NSW[(j)]	•		
State Sporting Venues Authority		•	
State Transit Authority of New South Wales[(k)]		•	
Sydney Ferries		•	
Sydney Metro	•		
Sydney Olympic Park Authority	•		
Sydney Opera House Trust		•	
Sydney Trains		•	
Sydney Water Corporation		•	
TAFE Commission	•		
Teacher Housing Authority of New South Wales		•	
The Cabinet Office[(l)]	•		
The Legislature	•		
The Treasury[(m)]	•		
Transport Asset Holding Entity of New South Wales		•	
Transport for NSW	•		
Venues NSW		•	
Waste Assets Management Corporation		•	
Water Administration Ministerial Corporation	•		
Water NSW		•	
Western Parkland City Authority	•		
Western Sydney Parklands Trust	•		
Workers' Compensation (Dust Diseases) Authority	•		
Zoological Parks Board of New South Wales		•	

(a) Legislation is being prepared to dissolve the Building Insurers' Guarantee Corporation during 2023-24.
(b) The Greater Sydney Parklands Trust was established on 1 July 2022.
(c) Historic Houses Trust of New South Wales was abolished and functions transferred to Museums of History NSW on 31 December 2022.
(d) Museums of History NSW was established on 31 December 2022.
(e) NSW Independent Casino Commission was established on 5 September 2022.
(f) Functions of the NSW Reconstruction Authority transferred from Resilience NSW on 16 December 2022.
(g) Premier's Department was renamed from Department of Premier and Cabinet on 1 July 2023.
(h) Resilience NSW was abolished and functions transferred to NSW Reconstruction Authority on 16 December 2022.
(i) Roads Retained Interest Pty Ltd was deregistered on 5 October 2022 following the sale of the remaining 49 per cent interest in WestConnex to Sydney Transport Partners Consortium.
(j) State Records Authority NSW was renamed from State Archives and Records Authority of New South Wales on 31 December 2022.
(k) State Transit Authority of New South Wales ceased operations on 3 April 2022 but will continue to exist as a legal entity until dissolved by Parliament.
(l) The Cabinet Office was established on 1 July 2023.
(m) The convention of presenting the Crown Finance Entity as an agency has ceased. Items recorded within Crown Finance Entity are now presented as Administered Items of NSW Treasury.

A5. MEASURES STATEMENT

This Appendix lists new policy measures since the 2023 Pre-election Budget Update. It categorises new measures by portfolio, with whole of government measures detailed in the final table. This appendix is not exhaustive, and it does not include non-discretionary adjustments for existing programs and projects, known as Parameter and Technical Adjustments.

Further detail on policy measures can be found in:

- Budget Paper No. 1 *Budget Statement*: Chapter 1 - Budget Overview, Chapter 4 – Revenue and Chapter 5 - Expenditure
- Budget Paper No. 3 *Infrastructure Statement*.

Table A5.1: New policy measures since the 2023 Pre-election Budget Update

	2022-23 $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m	Five year Total $m
Grand Total						
Expense	**2,713.7**	**4,851.1**	**1,601.3**	**1,036.2**	**(1,039.9)**	**9,162.4**
Revenue	**580.7**	**321.8**	**157.7**	**768.0**	**254.4**	**2,082.6**
Capital	**(407.7)**	**(247.6)**	**(204.9)**	**(1,362.4)**	**(755.5)**	**(2,978.0)**

(a) the aggregates in this table take into account the net impact of both additional expenses and savings.

	2022-23 $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m	Five year Total $m
The Cabinet Office, all new measures						
Expense	**0.0**	**63.4**	**89.5**	**6.4**	**5.1**	**164.6**
Revenue	**0.0**	**(5.9)**	**33.8**	**0.0**	**0.0**	**27.9**
Capital	**0.0**	**7.1**	**5.0**	**2.2**	**1.1**	**15.3**

Material Measures

- Funding to establish a Special Commission of Inquiry into health funding
- Additional funding for the Special Commission of Inquiry into LGBTIQ hate crimes
- Additional funding for the delivery of the 2024 Local Government elections
- Phase 1 re-baseline of the NSW Electoral Commission funding model to ensure its financial sustainability over the long term
- Funding to modernise the NSW Electoral Commission’s election systems prior to the 2027 NSW State Election
- Additional funding to ensure key online statutory services are available to political parties, elected members, candidates, major donors and other participants ahead of future elections
- Increased funding for the Independent Commission Against Corruption. This funding is for the workforce, processes and technology required to manage an increasing volume and complexity of complaints and investigations.

	2022-23 $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m	Five year Total $m
Customer Service, all new measures						
Expense	**0.0**	**145.1**	**344.9**	**235.6**	**71.5**	**797.1**
Revenue	**0.0**	**3.6**	**8.8**	**9.4**	**10.6**	**32.4**
Capital	**0.0**	**5.1**	**0.0**	**0.0**	**0.0**	**5.1**

Material Measures

- Funding to maintain cyber risk management activities and critical baseline security measures to protect the ongoing integrity and security of NSW Government and NSW citizens data
- A new means-tested Active and Creative Kids voucher program to commence from February 2024
- Establish the NSW Building Commission, a single body to oversee the regulation, licensing and oversight of the building construction industry to support high quality housing and protect home buyers
- Establish the NSW Business Bureau to improve small business engagement with government regulation, procurement tendering and grants application processes, as well as engage with overseas markets
- Critical funding to Service NSW to address unfunded activities
- Departmental and agency contributions to whole of Government savings measures, including reductions in advertising, consultant, travel, legal, senior executive and labour hire expenses
- CPI-indexation of regulated fees for NSW Births, Deaths and Marriages services
- A reduction in Revenue NSW’s administration expenditure from the closure of First Home Buyer Choice to new applicants
- A reduction to Revenue NSW’s administrative budget
- A reduction in budget for Corporate Service Units.

	2022-23 $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m	Five year Total $m
Education, all new measures						
Expense	**0.0**	**113.0**	**638.0**	**826.2**	**72.7**	**1,650.0**
Revenue	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Capital	**(2.5)**	**50.1**	**155.1**	**342.6**	**483.7**	**1,029.0**

Material Measures

- Restructuring the pay scale for teachers, making NSW teacher salaries among the most competitive in the country
- The establishment of an ongoing, targeted literacy and numeracy tutoring program.
- Build a new primary school near Sydney Olympic Park (Carter St Precinct)
- Building new high schools in the following areas:
  - Gledswood Hills / Gregory Hills
  - Melrose Park
  - Medowie in Port Stephens
  - Googong
  - Leppington / Denham Court
  - Schofields / Tallawong
  - Jordan Springs
- Upgrade infrastructure for Randwick Boys and Randwick Girls High Schools
- Investing in additional school counsellors in public schools across the State
- Expansion of Jerrabomberra High School to cater for up to 1,000 students
- Hiring an additional 1,000 apprentices and trainees across the NSW Government by 2026
- TAFE to maintain and replace critical assets required to effectively deliver campus services at appropriate levels for student and staff safety
- Funding to support the product development and delivery of key TAFE training packages
- Education funding uplift, in line with the NSW Government’s commitment to supporting National School Reform Agreement reforms
- Expanding preschool access for families by building 100 new government preschools co-located with primary schools in the first term of government. Every new primary school project will include a co-located preschool
- Provide funding to build or upgrade preschools on Catholic and Independent school grounds in high need areas
- The Department of Education will reduce teachers' administrative work by five hours per week, through a strategy to remove, reallocate, and reduce the administrative workload within schools
- Funding boost for the NSW Community Languages Schools Program
- Departmental and agency contributions to whole of Government savings measures, including reductions in advertising, consultant, travel, legal, senior executive and labour hire expenses
- Re-prioritisation of program spend in the skills portfolio
- Administrative savings within the Department of Education
- Redirection of “Local Schools, Local Decisions” discretionary funds
- Reduction of spend currently supporting 200 contractors and consultants
- Removal of the duplicative digital learning, communication and change management platforms.

	2022-23 $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m	Five year Total $m
Enterprise, Investment and Trade, all new measures						
Expense	**(6.0)**	**24.3**	**2.9**	**7.4**	**7.9**	**36.6**
Revenue	**0.0**	**19.5**	**10.0**	**0.5**	**1.0**	**30.9**
Capital	**0.0**	**(9.7)**	**(53.6)**	**(132.1)**	**(73.0)**	**(268.4)**

Material Measures

- Providing ongoing funding to the NSW Independent Casino Commission. This will be funded by accessing revenue generated from the Casino Supervisory Levy
- Reprioritisation of the Future Economy Fund to fund 1,000 new apprenticeships
- Funding to secure events including Sydney Gay and Lesbian Mardis Gras, regional events such as the Narooma Oyster Festival and providing certainty to Great Southern Nights and UFC events
- Funding to provide free general admission to some of Australia's premier educational and cultural institutions, the Australian Museum and Museums of History
- Cashless Gaming Reforms, including funding for a Gambling Harm Minimisation Fund
- Plan for NSW Music Scene - funding to support contemporary music and establish Sound NSW
- Reprofiling the Future Economy Fund
- Departmental and agency contributions to whole of Government savings measures, including reductions in advertising, consultant, travel, legal, senior executive and labour hire expenses
- Portfolio savings as a result of the Comprehensive Expenditure Review, including savings within Destination NSW, efficiency savings within cultural institutions and other DEIT agency savings
- Powerhouse Museum Ultimo heritage revitalisation.

	2022-23 $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m	Five year Total $m
Health, all new measures						
Expense	**0.0**	**(200.2)**	**(81.9)**	**159.5**	**134.1**	**11.4**
Revenue	**0.0**	**(4.5)**	**(4.7)**	**(4.8)**	**(5.0)**	**(19.0)**
Capital	**0.0**	**6.0**	**199.2**	**366.5**	**539.3**	**1,111.0**

Material Measures

- Funding to permanently employ 1,112 Full-Time Equivalent (FTE) nurses and midwives, previously funded on a temporary basis
- Fund an additional 500 rural and regional paramedics to address paramedic fatigue and improve wellbeing by reducing excessive overtime currently undertaken across regional and rural New South Wales
- Funding to recruit an additional 1,200 nurses and midwives to implement Safe Staffing Levels (SSLs) in NSW public hospitals, which is intended to deliver better outcomes and experiences for patients
- Expand and upgrade Fairfield Hospital to deliver inpatient services including the addition of medical sub specialties, increase the capacity of the emergency department, enhance outpatient services and community based services.
- Expand and upgrade Canterbury Hospital
- Expand the scope of the new Rouse Hill Hospital to deliver essential health services required to meet the needs of Sydney's fast-growing north-west
- Boost take home pay through salary packaging arrangements for more than 50,000 health workers
- Expand the Blacktown and Mount Druitt Hospitals to increase bed capacity
- Boost the NSW Health workforce by attracting and retaining more skilled frontline workers, by providing study subsidies to 12,000 healthcare students over the next five years. New students will receive scholarships of $4,000 per year, while existing students will receive one-off payments of $8,000
- Enable safe and equitable access to voluntary assisted dying for eligible people in New South Wales, including particular focus on equitable access for regional and remote populations
- Additional funding for Royal Prince Alfred Hospital
- Permanently employ 48 FTE staff across the Sexual Assault Nurse Examiners (SANE) and medical and forensic workforce to address acute staff shortages and fill critical gaps in healthcare services for victims of sexual assault across NSW
- Boost funding for Women's Health Centres under the Women's Health Program, which provide a range of health, mental health and social support services for around tens of thousands of women throughout New South Wales every year
- Respond to the Commonwealth Government's decision to include opioid dependence treatment medicines in the Section 100 Highly Specialised Drugs Program
- Deliver specialist mental health Disaster Recovery Clinicians across disaster affected communities in New South Wales. These positions will provide support to communities at all stages of a disaster; including planning, preparation, response, and recovery
- Agency savings as a result of the Comprehensive Expenditure Review, including:
  - Establish a state-wide Savings Leadership Program to drive the planning and delivery of procurement savings,
  - Consolidate corporate and business services and ensure shared services are considered in future infrastructure investment decisions, and
  - Establish a single state-wide operating and business model for the planning, coordination and delivery of ICT services across the New South Wales health system.

	2022-23 $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m	Five year Total $m
The Legislature, all new measures						
Expense	**0.0**	**5.0**	**4.0**	**3.0**	**3.0**	**15.0**
Revenue	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Capital	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Material Measures

- Implementation of the Independent Broderick Review of Bullying, Sexual Harassment and Sexual Misconduct in NSW Parliamentary Workplaces.

	2022-23 $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m	Five year Total $m
Planning and Environment, all new measures						
Expense	**64.5**	**352.6**	**106.5**	**20.0**	**(21.7)**	**521.8**
Revenue	**0.0**	**(17.7)**	**(13.1)**	**(17.9)**	**(17.9)**	**(66.6)**
Capital	**0.0**	**154.0**	**106.0**	**91.8**	**74.1**	**426.0**

This table includes departmental and agency contributions to whole-of-government savings measures.

Material Measures

- Delivering biodiversity conservation statutory functions, including biodiversity credit market services, wildlife licensing, land use compliance and other core statutory commitments to support biodiversity in New South Wales together with a critical digital upgrade for the Biodiversity Offset Scheme
- Provide for the continuation of the Lord Howe Island marine freight service and upgrade of its waste management facility to meet essential community needs and biosecurity and regulatory standards for the World Heritage listed site
- Continue to provide culturally appropriate service coordination, support and capacity building for Aboriginal and Torres Strait Islander people and families experiencing vulnerability through the Services Our Way program
- Continue delivering biodiversity offsets in Western Sydney through the Cumberland Plain Conservation Plan
- Construct koala-friendly crossings across Appin Road to ensure the sustainability of koalas in South-Western Sydney
- Transfer identified publicly owned lands, between Appin and Long Point, to the National Parks and Wildlife Service to establish a Georges River Koala National Park
- Deliver critical replacement and renewal of existing visitor infrastructure across national parks in New South Wales
- Additional funding for critical maintenance of the Property NSW asset portfolio
- Assess and establish the Great Koala National Park on the Mid-North Coast to preserve large tracts of koala habitat
- Funding for Landcom to deliver build-to-rent pilot projects on the South Coast and in the Northern Rivers
- Additional funding for critical maintenance of State-owned social homes
- Additional funding for the Disaster Relief Account for natural disaster assistance measures
- Funding to enable the NSW Reconstruction Authority to ensure NSW is prepared for anticipated larger and more destructive disasters
- Deliver new Aboriginal housing through the Commonwealth funded Social Housing Accelerator Agreement, in partnership with community housing providers
- Deliver the Commonwealth funded Northern Rivers Recovery and Resilience Program, which aims to improve flood resilience in the Northern Rivers region through tranches of projects to mitigate the impact of disasters identified by the Commonwealth Scientific and Industrial Research Organisation
- Departmental and agency contributions to whole of Government savings measures, including reductions in advertising, consultant, travel, legal, senior executive and labour hire expenses
- Not proceeding with the construction of the new Dungowan Dam
- Reduce land transfer costs in Planning Ministerial Corporation
- Savings associated with a restructuring of the Greater Cities Commission and Western Parkland City Authority to reduce overlap and duplication between planning agencies
- Administrative savings in the Department of Planning and Environment.

	2022-23 $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m	Five year Total $m
Premier's Department, all new measures						
Expense	**0.0**	**59.3**	**15.4**	**12.8**	**12.1**	**99.6**
Revenue	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Capital	**0.0**	**1.0**	**0.0**	**0.0**	**0.0**	**1.0**

Material Measures

- Funding for the Local Small Commitments Allocation to provide grants of $400,000 in 2023-24 for fair distribution in each of the 93 New South Wales electorates
- Funding for a twelve month consultation with Aboriginal communities on Treaty
- Additional funding for the Stolen Generations Keeping Places program
- Departmental and agency contributions to whole of Government savings measures, including reductions in advertising, consultant, travel, legal, senior executive and labour hire expenses.

	2022-23 $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m	Five year Total $m
Regional NSW, all new measures						
Expense	**425.0**	**(173.4)**	**(94.7)**	**(23.0)**	**(69.6)**	**64.3**
Revenue	**0.0**	**24.0**	**19.9**	**2.4**	**0.0**	**46.3**
Capital	**0.0**	**(0.2)**	**(63.4)**	**(76.2)**	**(23.5)**	**(163.3)**

Material Measures

- The NSW Sheep and Goat Electronic Identification Program introduces a mandatory sheep and goat tagging system to provide traceability in the event of a biosecurity risk or disease outbreak
- Emergency management responses under the *Biosecurity Act 2015* to address outbreaks of Varroa Mites, Red Imported Fire Ants, and White Spot Disease
- Additional funding for grants to Primary Producers and Rural Landholders to provide recovery assistance in response to recent flooding events
- Funding for the repair of essential public assets and additional clean-up assistance in the Northern Rivers following the February-March 2022 flood event
- Funding for the Regional Development Trust Fund to invest in the future needs of regional communities, including modernising the *Regional Development Act 2004* and governance arrangements associated with the Trust Fund
- Funding to support Landcare groups across New South Wales to address environmental degradation and to improve and sustain agricultural productivity
- Additional funding to transform Parkes into a national freight and logistics hub, with an additional $50 million from the Snowy Hydro Legacy Fund for water infrastructure, and to unlock key strategic land for development
- Departmental and agency contributions to whole of Government savings measures, including reductions in advertising, consultant, travel and legal expenses
- Reduction in operating costs for the Department of Regional NSW
- The Regional Growth Fund redirected to fund other Government priorities and election commitments
- Savings applied to uncommitted funds from the Regional Investment Attraction Program, Critical Minerals Activation Fund and the Coal Innovation Fund.

	2022-23 $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m	Five year Total $m
Communities and Justice, all new measures						
Expense	**(9.3)**	**497.2**	**96.9**	**57.9**	**(20.8)**	**621.8**
Revenue	**0.0**	**1.6**	**1.2**	**(4.6)**	**3.9**	**2.1**
Capital	**0.0**	**1.2**	**9.4**	**5.2**	**3.7**	**19.5**

Material Measures

- Multicultural Capital Partnership Fund to deliver community infrastructure projects, partnering with multicultural organisations
- Additional funding for Out of Home Care in 2023-24 to provide permanency services and post-care support for the most vulnerable children and young people in NSW
- Commonwealth Social Housing Accelerator Agreement to deliver additional social housing dwellings across New South Wales
- Critical Police radio network infrastructure for improved technology and connectivity across the south, southwest and far west regions of New South Wales
- Improved police infrastructure, facilities, technology and equipment to respond appropriately to crime and ensure community safety
- Enhancing the Forensic Analytical Science Service delivered by NSW Health, to allow Police officers timely access to DNA analysis to support criminal investigations
- Funding for the Level the Playing Field Grant Program to increase female participation in sports at the grass roots level
- Reprioritisation of unallocated funds related to the Centre of Excellence program
- Departmental and agency contributions to whole of Government savings measures, including reductions in advertising, consultant, travel, legal, senior executive and labour hire expenses
- Reduction of operating costs across the Department of Communities and Justice.

	2022-23 $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m	Five year Total $m
Transport and Infrastructure, all new measures						
Expense	**2,123.7**	**1,626.6**	**(255.8)**	**(727.2)**	**(1,237.3)**	**1,530.0**
Revenue	**(330.6)**	**(204.6)**	**(1,022.2)**	**(684.0)**	**(410.8)**	**(2,652.2)**
Capital	**0.0**	**209.9**	**(800.6)**	**(1,149.0)**	**(1,068.8)**	**(2,808.5)**

Material Measures

- Additional funding for State and local council road restoration works, due to the impact of natural disasters
- Providing additional funding and combining the existing Transport Access Program with the existing Commuter Car Parking Program to deliver accessibility and safety upgrades and commuter car park projects, including
  - Upgrading Moss Vale Station to improve accessibility for customers
  - Installing device charging stations in non-ticketed areas at 15 stations across the Sydney rail network
- Establishing a new $390 million Regional Emergency Road Repair Fund over the next two years to improve roads in regional NSW
- A $60 weekly toll cap for private motorists from 1 January 2024, to ease the cost of living
- A 33 per cent reduction in the truck toll multiplier on the M5 East and M8 to ease the financial burden on the freight industry and return local streets to communities
- Doubling funding for active transport infrastructure, through the establishment of the Active Transport Fund
- Measures arising from updates to the Transport Asset Holding Entity's (TAHE) operating model:
  - Adjustment for conversion of equity injections to TAHE to grants from Transport for NSW
  - Adjustment to funding sources for TAHE from Consolidated Fund to cash
  - Redistribution of Access and License Fees from TAHE to Sydney Trains and NSW Trains
  - Increase in grant expenditure provided to TAHE to compensate for interest revenue foregone due to the utilisation of TAHE's cash balances
- Additional funding and reprofiling adjustments for Sydney Metro City and Southwest
- Establishing the Urban Roads Fund to build major roads in metropolitan areas, improvements to key corridors in Heathcote and Riverstone, and smaller road projects for local communities. This includes upgrading Pitt Town Bypass to provide a more direct route for through traffic and reduce the volume of heavy vehicles passing through residential areas
- Establishing the Regional Roads Fund to build new roads and restore damaged roads in rural and regional areas, upgrade timber bridges, duplicate roadways and upgrade key routes to improve driver safety
- Returning Freshwater-class ferries to the Circular Quay-Manly route
- Departmental and agency contributions to whole of Government savings measures, including reductions in advertising, consultant, travel, legal, senior executive and labour hire expenses
- Savings through a reduction in the number of senior executives within Transport for NSW in non-frontline roles
- Deferring the existing road reclassification program to fund the new Regional Emergency Road Repair Fund
- Reprioritising the Metropolitan Roads Package towards other Government priorities
- Projects not proceeding or deferred as identified in the Strategic Infrastructure Review:
  - Faster Rail Sydney to Canberra
  - Faster Rail Sydney to Newcastle
  - Faster Rail Sydney to Central West
  - Inland Rail Grade Separation Program
  - Faster Rail Sydney to Bomaderry
- Projects deferred as identified in the Strategic Infrastructure Review:
  - Great Western Highway Upgrade Program
  - New Line Road Upgrade, from Old Northern Road to Castle Hill Road
  - Mona Vale Road Upgrade, from McCarrs Creek Road to Powder Works Road
- Portfolio specific revenue indexation adjustments including for tolls and opal fares
- Other portfolio specific savings measures

	2022-23 $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m	Five year Total $m
Treasury, all new measures						
Expense	**314.0**	**1,448.2**	**93.2**	**(67.5)**	**(157.3)**	**1,630.5**
Revenue	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Capital	**0.0**	**138.0**	**666.0**	**0.0**	**0.0**	**804.0**

Material Measures

- Energy Bill Relief payments are co-funded by the Australian and NSW Governments, and are targeted and temporary payments to help ease the rising cost of electricity bills:
  - Eligible low-income households, pensioners, self-funded retirees, families and carers will receive a one-off $500 bill relief payment towards their electricity bills
  - Eligible small businesses using less than 100 megawatt hours of electricity per year will receive a one-off $650 bill relief payment towards their electricity bills
- Additional capital expenditure for the Transmission Acceleration Facility to address cost and schedule risks associated with the Central-West Orana Development Project and maintain critical path for the delivery of the Electricity Infrastructure Roadmap
- Additional funding to the energy affordability package:
  - An increase to existing energy rebates values in 2024-25, including:
    - Increasing the Low-Income Household Rebate and Medical Energy Rebate to $350
    - Increasing the Seniors Energy Rebate to $250
    - Family Energy Rebate with the full rate increased to $250 and partial rate to $30
    - Life Support Rebate by increasing the value for each equipment type up to $1,639
- Departmental and agency contributions to whole of Government savings measures, including reductions in advertising, consultant, travel, legal, senior executive and labour hire expenses.

	2022-23 $m	2023-24 Budget $m	2024-25 $m	2025-26 Forward Estimates $m	2026-27 $m	Five year Total $m
Whole of Government, all new measures						
Expense	**(198.2)**	**890.1**	**642.4**	**525.1**	**160.3**	**2,019.8**
Revenue	**911.3**	**505.9**	**1,124.0**	**1,467.1**	**672.6**	**4,680.9**
Capital	**(405.2)**	**(810.1)**	**(427.9)**	**(813.5)**	**(692.1)**	**(3,148.8)**

Material Measures

- Establishing the Essential Services Fund
- Freezing pay for two years for senior executives and Members of Parliament ahead of allocation to agencies
- Funding which is being centrally held for Northern Rivers Disaster Relief
- Funding for the Electric Vehicle Strategy Review
- Release of centrally held funds for:
  - Digital Restart Fund
  - Restart NSW fund
  - WestInvest
  - Snowy Hydro Legacy Fund
- Not proceeding with the new Dungowan Dam
- Increased coal royalty rates
- Expansion of the First Home Buyer Assistance Scheme and closing off access to the First Home Buyers Choice Scheme
- Revenue integrity and tax compliance measures
- Removal of stamp duty exemptions and rebates for the purchase of electric vehicles
- Corrections to the operation of the land tax thresholds system
- Revisions to the casino duty tax rates previously announced in December 2022
- Health departmental contributions to whole of Government savings measures, including reductions in advertising, consultant, travel, legal, senior executive and labour hire expenses
- A downward adjustment to projections for redundancies (Government-wide measure)
- Reallocations and offsetting measures related to early childhood:
  - 100 government preschools
  - 50 new and expanded preschools at non-government schools
  - Universal preschool re-profiling
- Temporary suspension of contributions into the NSW Generations Fund.

B. FISCAL RISKS AND BUDGET SENSITIVITIES

The preparation of the 2023-24 Budget is informed by a range of forecasts and assumptions that are inherently uncertain. This Appendix provides insight into potential fiscal risks and budget sensitivities that cannot be determined with sufficient certainty to be incorporated into the Budget.

The Appendix does not consider the policy risks associated with future extensions or changes to financial decisions made by the New South Wales Government or the Australian Government.

B.1 Operating statement risks and sensitivities

State taxation revenue

The state of the economy affects the level of tax collected. Changes in a range of macroeconomic drivers – from property sales volumes and prices to employment levels and wage growth – can lead to major changes in the level of tax collected, increasing or decreasing government revenues accordingly.

NSW Treasury's own forecast assumptions for key macroeconomic variables across the budget and forward estimates (as set out in Table B.1 below) are used to inform the revenue forecasts.

The forecasts prepared for the Budget are based on the latest available information. These forecasts are predictions about the future and the actual results may change as unknown events unfold. The extent of the variation will depend on the weighting accorded to each macroeconomic variable when forecasting the tax in question. Table B.1 summarises these weightings.

Table B.1: Forecasting revenue – What weighting is given to different variables

	Forecast weightings						
	GST	Payroll tax	Transfer duty	Mineral royalties	Land tax	Gambling taxes	Motor vehicle taxes
Employment	Medium	High	N/A	N/A	N/A	Medium	High
Wages	Medium	High	N/A	N/A	N/A	Medium	Medium
Consumption	High	N/A	N/A	N/A	N/A	High	Medium
Dwelling investment	High	N/A	Medium	N/A	N/A	N/A	N/A
Dwelling prices	Low	N/A	High	N/A	High	N/A	Medium
Population growth	High	Low	Medium	N/A	Low	Low	Low
AUD exchange rate	N/A	N/A	N/A	High	N/A	N/A	N/A
Energy demand	N/A	N/A	N/A	Low	N/A	N/A	N/A

(a) High, medium and low provide only a broad indication of the model weighting for illustration.
(b) N/A here indicates only that the factor is not directly included as a variable in the relevant forecasting model and does not signify that there is no relationship between the respective variable and the tax.

The main driver of payroll tax is total employee compensation, which in turn is a function of both wage and employment levels. Strong demand in the labour market and rising wages have boosted payroll tax receipts compared to the forecast at the 2023 Pre-election Budget Update.

A strong labour market has been central to the economic recovery following the COVID pandemic and has contributed significantly to recent upgrades to payroll tax revenue. However, a slowdown in economic activity will likely weigh on the demand for labour and employment growth is expected to slow materially and remain subdued over the forward estimates.

Payroll tax revenues are therefore forecast by applying growth rates, anticipated in Treasury's forecasts for NSW Average Compensation of Employees and NSW employment, to underlying payroll tax levels. Table B.2 denotes the sensitivity of forecast payroll tax to a one percentage point increase in each of these variables respectively.

Table B.2: Revenue sensitivities – Payroll tax

Factors affecting payroll tax	2023-24 Budget $m	2024-25 Forward estimates $m	2025-26 $m	2026-27 $m	Sensitivity
Average compensation of employees	133	137	145	152	Single percentage point increase in factor
Employment	136	141	149	156	

Transfer duty revenue forecasts rely on the performance of the housing market, including both the volume of residential property sales and the average transacted price. Transfer duty revenues are expected to increase in 2023-24 as property owners who had delayed the decision to transact re-enter the market. If the residential property market performs better than is currently expected, this would add to the State's budget result.

Table B.3 denotes the sensitivity of forecast transfer duty to a one percentage point increase in residential transacted prices and volumes respectively.

Table B.3: Revenue sensitivities – Transfer duty

Factors affecting transfer duty	2023-24 Budget $m	2024-25 Forward estimates $m	2025-26 $m	2026-27 $m	Sensitivity
Residential prices (average transacted price)	112	113	113	116	Single percentage point increase in factor
Residential transaction volumes	97	97	97	99	

Other state taxes are typically less volatile than those mentioned above, and they generally correlate to changes in the broader NSW economy. For example, revenue from motor vehicle taxes, gambling taxes and other stamp duties typically rise and fall with consumption patterns across the State.

The High Court will soon decide the constitutional validity of the Victorian electric vehicle road user charge (EV RUC) in the case of *Vanderstock and Anor v the State of Victoria*. The outcome is uncertain and could have broad-ranging implications for the Australian and state tax base. The plaintiffs argue that the Victorian EV RUC is unconstitutional on the grounds that it is an excise and therefore invalid under section 90 of the Constitution, which reserves this power for the Australian Government. If the plaintiffs succeed, it is possible that the equivalent NSW EV RUC could also be deemed unconstitutional. While the NSW EV RUC is not expected to commence until 1 July 2027, the revenue at risk is expected to be $180 million in 2027-28 and $1.7 billion annually in the long term.

The decision could also have broader impacts to the NSW tax base if the High Court extends the kinds of taxes prohibited by section 90 of the Constitution to include consumption taxes. Such a decision might impact the constitutionality of other state-imposed taxes that could be categorised as a consumption tax.

GST and other Australian Government payments

GST is collected by the Australian Government and then apportioned to the states. Three main factors determine how much GST New South Wales receives over coming years:

- how much is collected in total across the nation (called the pool size)
- New South Wales' population as a proportion of the national population (called the population share)
- what portion of the pool is allocated to New South Wales (called the relativity).

None of these components are fixed.

Table B.4 illustrates the sensitivity of forecast GST distribution to New South Wales to a one percentage point increase in taxable consumption and dwelling investment (the main drivers of the GST pool size), and NSW population share (in absolute terms).

Table B.4: Revenue sensitivities – GST

Factors affecting GST	2023-24 Budget $m	2024-25 Forward estimates $m	2025-26 $m	2026-27 $m	Sensitivity
Taxable consumption	119	124	128	135	Single percentage point increase in factor
Dwelling investment	35	36	37	39	
Population share	841	871	898	941	

The Commonwealth Grants Commission (CGC) uses a formula to determine each state's relativity (measure of relative fiscal capacity), which then drives how much GST each state receives. Under this formula, the following events can lead to a changed share to New South Wales:

- changes to New South Wales' own-source revenue, relative to other states
- a change in the CGC's assessment of how much expenditure New South Wales needs, compared to other states, to deliver an average standard of service and associated infrastructure
- a change to National Agreement and National Partnership payments relative to other states.

The CGC assesses states' GST needs based on the average spending and revenue policies of all states. The averages vary over time due to underlying changes in state policies as well as updated or new data. As such, projections of NSW's relativities are subject to a high degree of uncertainty. The forecasts in this Budget take into account expected National Agreement and National Partnership Payments and anticipated infrastructure project delivery. Actual results can vary from forecasts if there are new, renegotiated or ceased programs and infrastructure projects over the forward estimates period.

Royalties

A large share of royalties revenue is generated from thermal and coking coal exports, which means that the amount of royalties collected are sensitive to changes in:

- coal production volumes – an increase in coal volumes increases the quantity of coal that royalties are charged on, hence increasing royalties revenue
- coal prices – an increase in US dollar coal prices increases the value of coal sold to domestic and international customers, also increasing royalties revenue
- exchange rates – an appreciation of the Australian-US exchange rate reduces the Australian dollar value of coal exports because coal exports are typically transacted in US dollars.

Table B.5 denotes the sensitivity of forecast royalties revenue to a one percentage point increase in coal prices, coal production volumes and the Australian-US exchange rate.

Table B.5: Revenue sensitivities – Coal royalties

Factors affecting royalties revenue	2023-24 Budget $m	2024-25 Forward estimates $m	2025-26 $m	2026-27 $m	Sensitivity
Coal prices	25	25	22	20	Single percentage point increase in factor
Coal volumes	30	26	23	21	
Exchange rate ($A vs $US)	(30)	(26)	(23)	(21)	

General expense risks[1]

Some expense risks are largely within the Government's control and can be actively managed, whereas other risks are primarily outside of its control. For example, impacts associated with existing government policy, employee expenses or the reprofiling of expenses can be more actively managed. Expenses linked to Australian Government payments, inflation, interest rate changes or natural disasters are largely exogenous risks.

The State's largest operating expense is employee related expenses, which includes salaries, wages, superannuation expenses and employment on-costs. Employee related expenses are impacted by factors including new enterprise bargaining agreements, public sector wages policy and the workforce size. Changes in these parameters can impact the budget result.

As the Government shifts to a more consultative interest-based bargaining arrangement, it is possible that the final budget outcome for 2023-24 deviates from current projections. The published budget contains the impact of the Government's current offer to employees. Under the Government's interest-based bargaining approach, the final profile of this measure may change to reflect an agreed outcome. It is also possible that the projection beyond 2023-24 varies in future releases. The Essential Services Fund has been created to support higher wages that may arise as a result of service improvements as part of a new interest-based bargaining system.

Health and education services represent a significant proportion of public sector expenses in New South Wales. The State receives Australian Government payments for these services. Any decrease in these payments or heightened demand for these services can worsen the budget result.

Agency budgets are prepared with consideration to the Government's forecast of inflation at the time of Budget. Once agency budgets are finalised for the 2023-24 year (Budget Paper No. 2 *Agency Financial Statements*), the Government does not subsequently adjust them if inflation comes in higher than forecast. This is consistent with the principle that once Parliament passes the Appropriation Bill, that forms a legal upper limit on how much the Consolidated Fund can be drawn down in that financial year. There are very limited circumstances in which exigencies of Government can be approved by the Treasurer and Governor for urgent and unforeseen expenses in 2023-24.

Should events unfold in the coming months which lead to a further upward revision of inflation at the next budget, that would flow through to a higher projection for expenses in years after 2023-24. At the same time, should events unfold over the next twelve months and the Government believes it would be appropriate to revise down its inflation forecasts relative to what is in this Budget, that would lead to a reduction in projected expenses.

[1] The Budget includes allowances for Parameter and Technical Adjustment and anticipated timing changes. See Chapter 5 Expenditure for more information.

Table B.6: Expense sensitivities

Factors affecting expenses	2023-24 Budget $m	2024-25 Forward estimates $m	2025-26 $m	2026-27 $m	Sensitivity
Expenses					Single percentage point increase in factor
Employee Expenses (excl super)	(435.3)	(460.2)	(475.3)	(495.5)	
Government services demand growth					
Health and education expenses	(509.1)	(513.4)	(529.4)	(539.2)	

Other expense risks that could impact the budget result include:

- higher than budgeted maintenance, depreciation and operating costs associated with the Government's infrastructure program (see below for infrastructure related risks)
- unforeseen legal expenses or costs associated with litigation, including native title claims
- expenses relating to continuation of programs where funding may cease across the forward estimates and require further government consideration
- changes to parameters that influence the liabilities and associated expenses for superannuation, long service leave, other employee provisions and insurance provisions (see below for further balance sheet risks and sensitivities)
- possible additional risks and pressures present within agency budgets, for example increased energy costs
- reimbursement or compensation may be required for Forestry Corporation NSW should any improvements to protection measures be required to ensure that koala hubs in the Great Koala National Park (GKNP) are protected from forestry operations until the GKNP is established.

Investment revenue and borrowing costs

Investment Revenue

Financial markets generally performed well during 2022-23, despite persisting uncertainty around inflation globally and monetary policy tightening. This positive performance in turn drove solid investment return outcomes for State funds. Although it is early in the current financial year, investment returns have been somewhat mixed during 2023-24 so far.

Financial markets remain volatile however, as the ongoing uncertainty about the global economic outlook, including inflation, impacts asset values. NSW Treasury works closely with TCorp to manage risk and navigate through the current volatile interest rate environment.

Investment returns may be above or below estimates which would impact revenue. Adopting the Attribution Managed Investment Trust regime for most government investment funds can help reduce investment revenue volatility impacts on the budget result by smoothing fund distributions over time.

The large size of the State's investments means that a one percentage point movement in assumed investment return rates has a material impact on the Government's budget result.

Borrowing Costs

The Government's interest expenses are partially a function of the interest rates it must pay on its new and refinanced borrowings. While the vast majority of the Government's existing debt portfolio is fixed-rate debt (and hence, not affected by movements in interest rates), it will be adversely affected by rising interest rates.

A one percentage point movement in interest rates would change interest expenses on borrowings and interest revenue on any invested cash, with offsetting impacts on the budget result.

Table B.7: Financial markets and interest rates sensitivities

Financial markets and interest rate sensitivities	2023-24 Budget $m	2024-25 Forward estimates $m	2025-26 $m	2026-27 $m	Sensitivity
Investment revenue[(a)]	199.0	274.4	345.2	433.3	Single percentage point increase in factor
Interest revenue[(b)]	2.4	2.6	2.7	2.6	
Interest expenses[(b)]	(227.2)	(366.7)	(540.3)	(738.6)	

(a) A single percentage point increase in the expected investment rate of return (NIFF, SAHF, NGF and SHLF only).
(b) A single percentage point increase in interest rates.

B.2 Balance sheet risks and sensitivities

Risks to the State's balance sheet include unanticipated changes:

- to the value of existing assets and liabilities (those already on the balance sheet)
- from the potential recognition of contingent assets and liabilities (those not shown on the balance sheet as the accounting recognition criteria are not yet met).

The risks and performance of funds are monitored closely, with risk appetites and investment strategies reviewed annually to ensure they remain appropriate.

Liabilities for defined benefit superannuation and long service leave are estimated with reference to a range of factors, including but not limited to assumed rates of investment returns, salary growth, inflation and discount rates.

The State also faces potential obligations that are non-quantifiable, but which can be broadly grouped into commercial transactions and other contingent liabilities. For example, the Government provided limited general warranties to purchasers and lessees under several energy transactions and retained responsibility for remediation costs associated with pre-existing contamination at several power station sites.

Investments

The State has several investment funds managed by TCorp, including the NSW Generations Fund (NGF), the NSW Infrastructure Future Fund (NIFF), the Social and Affordable Housing Fund (SAHF), the Snowy Hydro Legacy Fund (SHLF), and the Treasury Managed Fund (TMF). Under current governance arrangements, NSW Treasury recommends the risk appetite and/or investment strategy to Treasury's Asset and Liability Committee (ALCO) for endorsement. ALCO then recommends the risk appetite and investment strategy to the Treasury Secretary (as the Treasurer's delegate), or the Treasurer, as required.

These funds have varying levels of exposure to growth assets (assets with higher levels of risk). The NIFF, for instance, has a relatively small allocation to equities (at around 15 per cent) and keeps most of its portfolio in liquid investments such as cash and bonds, which are defensive assets, so it can meet the State's short to medium-term infrastructure expenditure. On the other hand, the NGF has a high allocation of growth assets because of its long-term investment horizon, with about 40 per cent of its portfolio invested in Australian and internationally listed shares. This is in line with its strategic policy objective of helping ease the debt burden on the State's future generations.

The Government recently announced it is reviewing the way in which its investment funds are managed, with a view to doing so more efficiently.

Under the *NSW Generations Funds Act 2018*, funds in the NGF can only be directed towards the repayment of State debt. Fitch and Moody's recognise the balance of the NGF Debt Retirement Fund as an offset to the State's debt metrics, while S&P Global reduce the offset amount in line with 50 per cent of the NGF equity holdings. Accordingly, market volatility that impacts the balance of the NGF carries additional risks to the State's debt metrics. NSW Treasury manages this risk through the NGF's investment strategy (the mix of assets it is invested in) which remains aligned to a long-term investment horizon. The NGF is invested in a diverse range of assets including domestic and international equities, bonds, property and infrastructure.

During this period of ongoing increased uncertainty, NSW Treasury continues to work alongside TCorp to closely monitor and manage the risk exposures of the State's investment funds.

Superannuation and long service leave liabilities

Forecast liabilities for superannuation and long service leave are based on a wide range of parameters. These include assumptions around salary growth, inflation, investment returns and discount rates. A change in any of these parameters may affect the valuation of the liabilities for superannuation and long service leave. The long service leave liability is also subject to variations in the rate of employee retention.

Table B.8: Superannuation liabilities sensitivities[(a)]

Factors affecting superannuation liabilities[(b)]	2023-24 Budget $m	2024-25 Forward estimates $m	2025-26 $m	2026-27 $m	Sensitivity
Change in public sector wages and salaries	60	100	150	200	Single percentage point increase in factor
Change in Sydney CPI	620	1,230	1,800	2,530	
Change in investment return	(300)	(640)	(1,010)	(1,400)	
Change in discount rate	(7,100)				
Change in public sector wages and salaries	(60)	(100)	(140)	(190)	Single percentage point decrease in factor
Change in Sydney CPI	(620)	(1,220)	(1,770)	(2,490)	
Change in investment return	300	630	990	1,350	
Change in discount rate	7,900				

(a) A positive number in the table indicates an increase in the size of the liabilities, and vice versa. For example, a single percentage increase in public sector wages increases net liabilities, which weakens the financial position.
(b) For producing superannuation liabilities sensitivities, *AASB 119 Employee Benefits* is used.

Any change in the growth of public sector salaries will affect the superannuation entitlements of those employees in a defined benefit scheme that are still in the workforce. A decrease in Consumer Price Index (CPI) will lower the benefit payments to all members as their pension is indexed by the Sydney CPI. An increase in the investment return on superannuation assets will increase the funding level of the superannuation liability and improve the budget result. For further information on the unfunded superannuation liability, refer to Chapter 6 Managing the State's Assets and Liabilities.

Insurance risks

Insurance risks are managed through the State's self-insurance schemes (and commercial reinsurance), the largest being the TMF. There are increasing pressures on the State's insurance liabilities, driven by rising costs and claims relating to psychological injury, medical discharge, medical malpractice, historic sexual abuse, cyber, flood damage and other emerging risks. There is a significant risk that these pressures will result in higher than currently estimated costs.

Infrastructure related risks

The State's infrastructure plan is estimated to be $116.5 billion over the four years to 2026-27, after including an allowance for the observed tendency for capital expenditure to slip each year. Total capital expenditure varies as individual projects progress through their delivery lifecycle and encounter unanticipated delays. Uncertainty around international supply chains, geopolitical instability, the availability of expert labour and specialised capital equipment, as well as the increasing complexity of the projects can all impact the cost and delivery timeframes for infrastructure projects.

The Government actively manages the cost and delivery timeframe of projects to minimise any potential disruptions (see Budget Paper No. 3 *Infrastructure Statement* for more information).

B.3 Specific fiscal risks

Lagged impacts of high interest rates

The Reserve Bank of Australia (RBA) has tightened monetary policy aggressively in response to the rapid build-up of inflationary pressures both domestically and abroad. The economy may prove to be more susceptible to these higher interest rates than is currently assumed. This is especially the case given the large number of fixed rate mortgages that are set to revert to higher variable rates over the remainder of 2023. This could see a sharper decline in both household consumption and business activity, and with it a larger rise in unemployment, than is currently expected. This risk would be amplified if housing affordability pressures saw a renewed decline in the housing market.

High interest rates are a significant constraint on the global economy, although economic activity remained somewhat resilient in the June quarter of 2023. A post-COVID recovery in the services sector has been a major factor supporting the global economy, while non-service sector economies have shown clear signs of slowing. With central banks likely to continue the fight against inflation and the recovery in services activity largely run its course, the outlook for global growth is relatively subdued.

Uncertainty over the path of inflation back to central bank targets

Global inflation has been easing recently but remains high. Lower food and energy prices, along with significant improvements in global supply chains, have contributed to this recent trend. However, measures of core inflation have been slow to respond and remain uncomfortably above central bank targets in many countries. In July, the International Monetary Fund revised up their forecasts for underlying inflation. High levels of inflation could prompt global central banks to raise rates further, which would threaten global growth and with it demand for NSW exports, such as coal.

Domestically, increased wages growth combined with weak productivity could mean inflation is higher for longer than expected. This is especially the case should high inflation become entrenched in the wage and price setting behaviours of households and businesses, convincing the RBA to raise rates further. Higher interest rates would not only potentially impact revenue but will also directly impact the government interest expenses.

Other global risks

The outlook for China is particularly important to the NSW economy. The Chinese post-COVID recovery appears to be weakening. This reflects ongoing weakness in the real estate sector, weighing on investment and subdued foreign demand. Uncertainty over the outlook for Chinese growth could unsettle commodity markets and impact prices or demand for key NSW exports.

Geopolitical risks remain elevated, especially given Russia's continued invasion of Ukraine. A further escalation of activities could again disrupt commodity markets and supply chains, negatively impacting global and domestic economic activity. That said, it could support coal prices at elevated levels.

Extreme weather events and impacts of climate change

Over the last few years, New South Wales has faced a significant number of natural disasters ranging from drought, bushfires, and floods. Climate-driven natural hazards are expected to become more frequent and intense. New South Wales' 2021-22 Intergenerational Report has estimated that the total expected economic costs associated with natural disasters are projected to increase to between $15.8 billion and $17.2 billion (real 2019-20 dollars) per year by 2061, up from $5.1 billion in 2020-21.

More broadly, the RBA has noted the heightened uncertainty around how the climate will change and how this will impact the economy and financial system. Governments are also exposed to the increasing risk of climate change litigation in Australia and globally. In August 2023, proposed settlement terms in the court case of *Kathleen O'Donnell v. Commonwealth of Australia* (filed in July 2020), revealed that the Australian Government is expected to publish a statement acknowledging the uncertainty about whether the fiscal impacts of climate change may affect the value of government securities.

C. CONTINGENT ASSETS AND LIABILITIES

The NSW Government monitors and reports on its contingent assets and liabilities to assess the potential impact on the State's financial position. Unlike assets and liabilities that are recognised on the general government balance sheet, contingent assets and liabilities are uncertain and depend on a particular event occurring before being realised (see Box C.1 for technical definitions of contingent assets and liabilities). For a number of the general government's contingent liabilities, an equal and offsetting contingent asset may also exist.

If, at some point, a contingent asset or liability meets the criteria for balance sheet recognition, the asset or liability will be recorded on the balance sheet and will cease to be considered contingent. The recognition of a contingent asset or liability on the State's balance sheet may have a significant impact on the State's finances. By identifying and, where possible, quantifying these contingent assets and liabilities, the NSW Government can take proactive measures to effectively manage its risks and financial obligations before they materialise.

Box C.1: Accounting definition of contingent assets and liabilities

Accounting standard AASB 137 Provisions, Contingent Liabilities and Contingent Assets (AASB 137) defines:

A contingent asset as:

- a *possible asset* that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or *more uncertain future events not wholly within the control of the entity*. A contingent asset is only disclosed if an inflow of economic benefits is probable.

A contingent liability as:

- a *possible obligation* that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more *uncertain future events not wholly within the control of the entity* or
- a *present obligation* that arises from past events but is not recognised because:
  - it is *not probable* that an outflow of resources embodying economic benefits will be required to settle the obligation or
  - the amount of the obligation *cannot be measured* with sufficient reliability.

Contingent assets and liabilities are classified as either:

- quantifiable, where their financial value is known or can be reliably estimated or
- non-quantifiable, where their financial value cannot be reliably determined.

This Appendix provides analysis on both categories.

C.1 Contingent assets

In accordance with AASB 137, the general government's contingent assets are disclosed when their realisation is deemed probable. This means the uncertain future event which they are contingent upon is more likely than not to occur. A contingent asset will be recognised as an asset on the balance sheet if it either materialises or becomes virtually certain to result in an inflow of economic benefits.

Table C.1 lists the general government sector's quantifiable contingent assets as at 30 June 2023 (and for comparison, 30 April 2022).

Table C.1: General government quantifiable contingent assets

As at:	General Government Sector 30 April 2022 $m	 30 June 2023 $m
Aboriginal Housing Office[(a)]	2	0
Industry, Skills and Regional Development[(b)]	0	0
Service NSW[(c)]	0	103
	2	**103**

(a) As part of the Housing Aboriginal Communities Program, there were properties the Aboriginal Housing Office did not have definitive control over. They have since been recognised, as full control has been established.

(b) A contingent asset with an estimated value of $231 million was disclosed in the 2022-23 Budget Paper No.1 due to a reporting error. In recognition of this error and there being no new contingent assets to report, values of $0 have been stated as at 30 April 2022 and 30 June 2023.

(c) Service NSW is seeking the recovery of funds relating to various COVID support measures that were paid out through fraud or error with an estimated value of $93 million and pending bank recalls undergoing further investigations estimated at $10 million.

Table C.2 lists the general government sector's non-quantifiable contingent assets as at 30 June 2023.

Table C.2: General government non-quantifiable contingent assets

Contingent Asset	Nature of the contingent asset
Eastern Creek Alternative Waste Treatment Plant	The Crown in right of the State of New South Wales is the beneficiary of a guarantee, which fully offsets the corresponding contingent liability. The contingent asset will be recognised if the guarantee is executed.
HIH Insurance Recoveries	Potential proceeds from the liquidation of HIH Insurance.
Land Acquisition Reimbursements	The State will seek reimbursement of various land acquisition costs through the Special Infrastructure Contribution levy and development contributions. The funds will take several years to raise.
Insurance claims	The State has submitted various insurance claims due to losses that have occurred. This includes claims related to the COVID pandemic, damage to physical assets caused by bushfires and floods, and workers' compensation.
Litigation claims	The State has commenced various legal actions in the normal course of business. The type and amount of compensation is dependent on the outcome of the legal processes.
Smart and Skilled payments	Potential Smart and Skilled payments arising from historical data submissions.
Sale of Macquarie Generation	Various recovery receivables, claims and proceedings were transferred to the State during the electricity generator sale.
Sale of Vales Point Power Station	Land would be returned to the State by the exercise of an option under the hand-back deed by the counterparty.
Transactions related to Port Botany, Enfield, Port Kembla and Port of Newcastle	Long-term leases of land and fixtures which give rise to the following contingent assets: • If the leases are terminated, the State will regain possession of the port's land and chattels. • The State holds a bank guarantee from the lessee to cover any environmental liabilities and obligations that the lessee breaches and fails to remedy, thereby offsetting the State's contingent liability.
Unspent Grant Monies	The State may be entitled to receive refunds of unspent grant monies from grantees. These refunds may occur in circumstances such as withdrawals from grant programs by grantees or where grantees are unable to achieve milestones within acceptable timeframes.

C.2 Contingent liabilities

Table C.3 lists the general government sector's quantifiable contingent liabilities as at 30 June 2023 (and for comparison, 30 April 2022).

Table C.3: General government quantifiable contingent liabilities

As at:	General Government Sector 30 April 2022 $m	30 June 2023 $m
Department of Communities and Justice[a] (Claims in respect of compensation and others)	1,177	1,225
Department of Customer Service[b][c]	9	3
Department of Planning and Environment[d]	100	100
Office of the Independent Review Officer[e]	134	135
Planning Ministerial Corporation[f] (Land acquisitions)	177	64
Transport for NSW[g] (Land acquisitions, contractual disputes)	1,582	859
Other Agencies	0	0
	3,179	**2,387**

(a) The Victims' Support Scheme was created on 3 June 2013 through the *Victims' Rights and Support Act 2013*. Additionally, various claims totaling $56.1 million have also been made against the Department, which, if successful, would be met from the NSW Treasury Managed Fund (TMF) and Solvency Fund.

(b) The Torrens Assurance Fund is a statutory compensation scheme designed to compensate people who, through no fault of their own, suffer loss or damage as a result of the operation of the *Real Property Act 1900 (RPA)* operated by the Department of Customer Service.

(c) NSW Fair Trading has commenced a number of prosecutions and civil administration matters. If the claims fail, the Department of Customer Service may be ordered to pay costs not covered by the TMF.

(d) The Department of Planning and Environment has provided support for the obligations of a third party where it may be called upon to settle a debt obligation in the future. This may occur if the borrower is not able to service its debt.

(e) Independent Legal Assistance and Review Service grants are managed and administered by the Office of Independent Review Officer. It allows Approved Lawyers to apply for funding to provide injured eligible workers with legal advice about, and assistance to pursue, workers' compensation rights and entitlements. These contingent liabilities have been estimated using a demand and expenditure forecasting model. Please note this contingent liability existed at 30 April 2022, but was not reported. The estimated amount for the previous reporting period has been provided for comparison.

(f) Land acquisition offers which are dependent on the actions of the landowners to either accept or reject the Corporation's offer. Offers to purchase made by the Corporation lapse if the landowner does not accept the offer.

(g) Transport for NSW has several contractual disputes with an estimated contingent liability of $35 million and an estimated $825 million of contingent liabilities. This is due to a number of compulsory property acquisition matters currently under litigation, where claims differ from the Valuer General's determined amount.

The State faces a range of potential obligations that are non-quantifiable, which have been broadly grouped into the following categories:

- commercial transactions
- other contingent liabilities.

As set out in Table C.4, the general government sector has non-quantifiable contingent liabilities relating to commercial transactions. For example, under several energy transactions, the Government provided limited general warranties to purchasers and lessees. The Government has also provided indemnities for the costs associated with remediating pre-existing contamination at several power station sites where required by an Environmental Authority.

The annual *Report on State Finances* contains other non-quantifiable contingent liabilities that may not be disclosed in the budget.

Table C.4: Commercial transaction-related non-quantifiable contingent liabilities

Transactions	Nature of the contingent liabilities
Transactions related to Delta Electricity's Western Assets, Eraring Energy, Vales Point Power Station, Colongra Power Station, Macquarie Generation and Green State Power	Various contingent liabilities, including: • pre-completion contamination and land remediation liability • general warranties • coal haul road liability • ash dam liability • where the land is returned to the State by the exercise of an option under the hand-back deed, remediation of Vales Point and Site Land • Barnard River Scheme native title indemnity • Deeds of Indemnity for directors and senior management • formal dispute resolution proceedings.
Transactions related to facilities at Port Kembla, Port Botany, Enfield and the Port of Newcastle	The State has indemnified the lessees in respect of pre-existing environmental contamination. The State is also liable to pay limited compensation to financiers if the leases are terminated for any reason.
Transactions related to Sydney Ferries, Eraring and Delta West Power Stations	The State bears the risk of employer's superannuation guarantee contributions being insufficient to fund the defined employee benefits for certain ex-public sector employees. Indemnities have also been provided to the private sector employer in respect of certain losses suffered.
Transactions related to the lease of TransGrid, Ausgrid and Endeavour Energy	General warranties and Deed of Indemnity.

The general government sector also has non-quantifiable contingent liabilities relating to various other matters, as set out below in Table C.5.

Table C.5: Other non-quantifiable contingent liabilities

Contingent liabilities	Nature of the contingent liabilities
Native Title	Contingent liabilities in respect to Native Title, under both the *Native Title Act 1993 (Cth)* and the *Native Title (New South Wales) Act 1994*.
Aboriginal Land claims	Assets in the form of reserved Crown land may be reduced in value from applications made under the *Aboriginal Land Rights Act 1983 (NSW)*.
Stolen Generations Reparations Scheme	The Stolen Generations Reparations Scheme provides ex-gratia payments to living Stolen Generations survivors who were removed by, committed to, or otherwise came into the care of the New South Wales Aborigines Protection or Welfare Boards (under the *Aborigines Protection Act 1909 (NSW)*, up until the Act was repealed on 2 June 1969).
Contaminated land, buildings and infrastructure	A number of Crown land sites, buildings and infrastructure in the State have been assessed as being potentially contaminated and needing remediation. Most are subject to preliminary site investigations or clean up works which might not incur a financial liability.
Other contaminated land	The State has been made aware that soil and water sample tests have potentially elevated readings of perfluorooctane sulfonate and perfluorooctanoic acid at a number of State-owned land sites. The State is insured for any remediation work that may be required. The final remediation costs of the impacted properties remain uncertain.
Other land remediation and rehabilitation works	State agencies and corporations may be obligated to pay for remediation costs associated with the divestment of surplus land, derelict mines, and landfill sites.
Legal claims and litigation	State agencies and corporations are subject to various claims and litigation in the normal course of operations. The quantum of these claims and any associated legal costs and costs orders that may be incurred cannot accurately be determined.
Refunds related to NSW surcharge purchaser duty and surcharge land tax	It has been determined that NSW surcharge provisions are inconsistent with international tax treaties entered into by the Australian Government with certain nations. Refunds may be available to persons from, and entities affiliated with, one of the nations concerned who paid surcharge purchaser duty or surcharge land tax on or after 1 January 2021. The amount of these refunds cannot be reliably determined until the identities of customers who are potentially eligible for refunds are known.
Guarantees, indemnities and warranties	Obligations arising from guarantees, indemnities or warranties provided by the State. These contingent liabilities may become liabilities if the guaranteed event occurs.
Natural Disasters	The State is assessing damages to physical assets caused by bushfires and floods. The full extent of this cannot be estimated at this point of time.
Unclaimed money – Consolidated Fund	The State treats the receipt of unclaimed money to the Consolidated Fund as income. However, claims can be legally lodged to recoup owed moneys for several years after the money is paid into the Fund.
Luna Park Reserve Trust	The State may be liable to reimburse the lessee for the maintenance costs of heritage and infrastructure. The amount involved cannot be accurately determined as the reimbursement is subject to collection of future heritage and infrastructure operating lease income from the lessee.

Contingent liabilities	Nature of the contingent liabilities
Land Acquisition	Claims have been made against the State for compensation for land acquired under the *Land Acquisition (Just Terms Compensation) Act 1991 (NSW)*.
Contracts with private sector parties	The Crown has guaranteed the obligations and performance of various regulatory and statutory authorities with private sector contracts.
Guarantee on local government loans	The Crown provides NSW Treasury Corporation with an indemnity for its loans to local governments.
Other government guarantees	The Crown has provided government guarantees to give financial support and facilitate certain services.

D. HISTORICAL FISCAL INDICATORS

This appendix reports the key fiscal indicators for the general government and non-financial public sectors from 1996-97. Datasets are presented in accordance with Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, consistent with the financial statements presented in Appendix A1 Statement of Finances.

The below tables are contained in this appendix.

Table D.1	General government sector operating statement aggregates
Table D.2	General government sector balance sheet and financing indicators
Table D.3	Non-financial public sector operating statement aggregates
Table D.4	Non-financial public sector balance sheet and financing indicators

Historical data from 2008-09 are consistent with data published in annual outcomes reports and budget papers. As outcomes reports and budget papers prior to 2008-09 were prepared in accordance with Government Finance Statistics, historical data prior to 2008-09 reflect data that have been backcast to be consistent with AASB 1049. The historical series have also been adjusted from 2005-06 to incorporate:

- the retrospective application of amended AASB 119 *Employee Benefits*
- the recognition of a share of assets and liabilities of Law Courts Limited and the Murray-Darling Basin Authority, in accordance with AASB 11 *Joint Arrangements*.

Table D.1: General government sector operating statement aggregates

	Taxation Revenue			Total Revenue			Expenses			Net Operating Balance		Capital Expenditure		Net Lending/ (Borrowing)		GSP[a]
	$m	% of GSP	% Growth	$m	% of GSP	% Growth	$m	% of GSP	% Growth	$m	% of GSP	$m	% of GSP	$m	% of GSP	$m
1996-97[b]	11,724	5.8	n.a.	26,089	12.8	n.a.	25,278	12.4	n.a.	811	0.4	2,607	1.3	(581)	(0.3)	203,428
1997-98	12,897	6.0	10.0	27,335	12.7	4.8	26,017	12.1	2.9	1,317	0.6	2,736	1.3	(420)	(0.2)	214,695
1998-99	14,115	6.2	9.4	28,950	12.8	5.9	27,900	12.3	7.2	1,050	0.5	3,002	1.3	(123)	(0.1)	226,441
1999-00	15,185	6.3	7.6	30,556	12.6	5.5	28,530	11.8	2.3	2,026	0.8	2,733	1.1	1,345	0.6	241,679
2000-01	13,337	5.2	(12.2)	32,091	12.6	5.0	30,584	12.0	7.2	1,507	0.6	2,859	1.1	545	0.2	255,166
2001-02	13,210	5.0	(1.0)	33,843	12.8	5.5	32,263	12.2	5.5	1,580	0.6	3,102	1.2	588	0.2	264,592
2002-03	14,146	5.1	7.1	36,070	12.9	6.6	34,315	12.3	6.4	1,755	0.6	3,349	1.2	464	0.2	279,119
2003-04	15,018	5.0	6.2	37,657	12.5	4.4	36,502	12.2	6.4	1,155	0.4	3,332	1.1	44	0.0	300,102
2004-05	15,300	4.8	1.9	39,085	12.4	3.8	38,844	12.3	6.4	241	0.1	3,343	1.1	(660)	(0.2)	315,881
2005-06	15,902	4.8	3.9	42,652	12.8	9.1	41,472	12.5	6.8	1,180	0.4	3,949	1.2	(317)	(0.1)	332,374
2006-07	17,697	5.0	11.3	44,720	12.7	4.8	44,651	12.6	7.7	69	0.0	4,295	1.2	(1,775)	(0.5)	352,995
2007-08	18,554	4.9	4.8	47,449	12.6	6.1	47,298	12.6	5.9	151	0.0	4,689	1.2	(1,798)	(0.5)	376,630
2008-09	17,885	4.5	(3.6)	49,684	12.6	4.7	51,258	13.0	8.4	(1,574)	(0.4)	5,264	1.3	(3,940)	(1.0)	394,513
2009-10	19,129	4.6	7.0	56,344	13.6	13.4	56,453	13.7	10.1	(109)	(0.0)	7,286	1.8	(3,736)	(0.9)	413,303
2010-11	20,395	4.6	6.6	57,168	12.9	1.5	57,015	12.8	1.0	153	0.0	7,046	1.6	(4,097)	(0.9)	444,477
2011-12	20,660	4.4	1.3	59,003	12.7	3.2	59,604	12.8	4.5	(551)	(0.1)	5,881	1.3	(3,255)	(0.7)	464,772
2012-13	21,980	4.6	6.4	60,130	12.5	1.9	61,891	12.9	3.8	(1,731)	(0.4)	7,872	1.6	(4,138)	(0.9)	479,854
2013-14	24,295	4.9	10.5	66,005	13.3	9.8	64,757	13.1	4.6	1,247	0.3	8,546	1.7	(1,236)	(0.2)	495,303
2014-15	26,067	5.1	7.3	69,617	13.6	5.5	66,736	13.0	3.1	2,881	0.6	9,484	1.8	(126)	(0.0)	513,529
2015-16	29,088	5.4	11.6	74,532	13.8	7.1	69,867	13.0	4.7	4,664	0.9	9,351	1.7	392	0.1	538,513
2016-17	30,789	5.3	5.8	78,139	13.5	4.8	72,551	12.6	3.8	5,724	1.0	10,546	1.8	3,039	0.5	576,716
2017-18	31,326	5.2	1.7	80,672	13.3	3.2	76,248	12.6	5.1	4,425	0.7	12,121	2.0	(2,580)	(0.4)	604,400
2018-19	31,026	5.0	(1.0)	81,655	13.1	1.2	80,450	12.9	5.5	1,206	0.2	16,623	2.7	(9,280)	(1.5)	625,400
2019-20	29,941	4.8	(3.5)	81,395	13.0	(0.3)	88,892	14.2	10.5	(7,495)	(1.2)	20,358	3.3	(22,026)	(3.5)	624,600
2020-21	34,407	5.4	14.9	87,965	13.7	8.1	95,038	14.8	6.9	(7,072)	(1.1)	18,818	2.9	(21,418)	(3.3)	643,100
2021-22[c]	39,007	5.6	13.4	103,486	14.8	17.6	118,815	17.0	25.0	(15,329)	(2.2)	20,600	3.0	(26,953)	(3.9)	697,400
2022-23[d]	39,861	5.2	2.2	106,171	13.8	2.6	116,275	15.1	(2.1)	(10,104)	(1.3)	21,746	2.8	(23,830)	(3.1)	767,900
2023-24[e]	44,862	5.6	12.5	112,379	14.2	5.8	120,227	15.1	3.4	(7,847)	(1.0)	22,227	2.8	(19,642)	(2.5)	794,100
2024-25[e]	46,474	5.7	3.6	117,307	14.3	4.4	116,463	14.2	(3.1)	844	0.1	22,973	2.8	(9,975)	(1.2)	822,400
2025-26[e]	47,737	5.6	2.7	118,706	13.8	1.2	117,124	13.6	0.6	1,582	0.2	20,456	2.4	(8,179)	(1.0)	859,300
2026-27[e]	49,297	5.5	3.3	121,571	13.5	2.4	120,063	13.3	2.5	1,508	0.2	19,919	2.2	(7,239)	(0.8)	901,000

(a) Gross State Product (current prices).
(b) Information prior to 1996-97 is not available due to a difference in accounting standards and presentation of financial statements.
(c) Actual.
(d) Estimated actual.
(e) Forecast estimate.

Table D.2: General government sector balance sheet and financing indicators

	Borrowings[a]		Interest Expense		Net Debt[b]		Net Financial Liabilities[c]	
	$m	% of GSP	$m	% of Revenue	$m	% of GSP	$m	% of GSP
1996-97[d]	13,604	6.7	1,551	5.9	11,478	5.6	29,860	14.7
1997-98	14,795	6.9	1,490	5.5	10,823	5.0	29,441	13.7
1998-99	17,680	7.8	1,362	4.7	10,392	4.6	28,377	12.5
1999-00	15,857	6.6	1,348	4.4	9,771	4.0	24,590	10.2
2000-01	12,432	4.9	1,021	3.2	6,893	2.7	23,651	9.3
2001-02	11,211	4.2	868	2.6	5,422	2.0	24,502	9.3
2002-03	10,570	3.8	803	2.2	3,638	1.3	25,418	9.1
2003-04	11,189	3.7	789	2.1	2,970	1.0	25,072	8.4
2004-05	11,872	3.8	1,190	3.0	2,826	0.9	31,363	9.9
2005-06	12,404	3.7	1,209	2.8	1,483	0.4	32,066	9.6
2006-07	13,060	3.7	1,289	2.9	3,645	1.0	28,820	8.2
2007-08	13,874	3.7	1,320	2.8	5,663	1.5	34,079	9.0
2008-09	16,662	4.2	1,488	3.0	8,170	2.1	53,212	13.5
2009-10	19,075	4.6	1,674	3.0	9,161	2.2	57,716	14.0
2010-11	22,530	5.1	1,877	3.3	7,960	1.8	55,932	12.6
2011-12	26,885	5.8	2,082	3.5	14,127	3.0	80,497	17.3
2012-13	29,060	6.1	2,220	3.7	11,907	2.5	70,437	14.7
2013-14	31,040	6.3	2,249	3.4	6,869	1.4	70,715	14.3
2014-15	31,511	6.1	2,243	3.2	5,461	1.1	74,371	14.5
2015-16	31,847	5.9	2,209	3.0	(57)	(0.0)	87,611	16.3
2016-17	32,814	5.7	2,149	2.8	(9,344)	(1.6)	65,690	11.4
2017-18	32,446	5.4	1,812	2.2	(11,195)	(1.9)	69,068	11.4
2018-19	37,863	6.1	1,812	2.2	(10,401)	(1.7)	81,194	13.0
2019-20	71,597	11.5	2,076	2.6	22,732	3.6	129,587	20.7
2020-21	90,345	14.0	2,199	2.5	37,076	5.8	137,076	21.3
2021-22[e]	107,454	15.4	2,527	2.4	55,781	8.0	147,340	21.1
2022-23[f]	132,096	17.2	4,230	4.0	74,873	9.8	165,465	21.5
2023-24[g]	145,016	18.3	5,501	4.9	92,624	11.7	186,841	23.5
2024-25[g]	158,787	19.3	5,900	5.0	100,974	12.3	194,909	23.7
2025-26[g]	172,690	20.1	6,309	5.3	107,815	12.5	201,372	23.4
2026-27[g]	186,046	20.6	6,978	5.7	113,571	12.6	206,852	23.0

(a) Borrowings are the sum of borrowings and derivatives at fair value, and borrowings at amortised cost.
(b) Net debt is the sum of deposits held, advances received, and borrowings less the sum of cash, advances paid, financial assets at fair value and other financial assets.
(c) Net financial liabilities are total liabilities less financial assets, excluding equity in other public sector entities.
(d) Information prior to 1996-97 is not available due to a difference in accounting standards and presentation of financial statements.
(e) Actual.
(f) Estimated actual.
(g) Forecast estimate.

Table D.3: Non-financial public sector operating statement aggregates

	Revenue	Expenses	Net Operating Balance		Capital Expenditure		Net Lending/ (Borrowing)		GSP[(a)]
	$m	$m	$m	% of GSP	$m	% of GSP	$m	% of GSP	$m
1996-97[(b)]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	203,428
1997-98	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	214,695
1998-99	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	226,441
1999-00	40,271	37,763	2,508	1.0	5,460	2.3	523	0.2	241,679
2000-01	43,960	41,731	2,229	0.9	5,365	2.1	1,081	0.4	255,166
2001-02	43,666	41,320	2,346	0.9	6,080	2.3	16	0.0	264,592
2002-03	45,865	44,209	1,656	0.6	6,697	2.4	(747)	(0.3)	279,119
2003-04	47,875	46,681	1,194	0.4	6,706	2.2	(1,048)	(0.3)	300,102
2004-05	48,130	47,841	289	0.1	6,937	2.2	(2,178)	(0.7)	315,881
2005-06	51,524	49,071	2,453	0.7	8,318	2.5	(1,217)	(0.4)	332,374
2006-07	54,348	51,489	2,859	0.8	9,706	2.7	(2,121)	(0.6)	352,995
2007-08	57,709	55,592	2,117	0.6	11,138	3.0	(3,757)	(1.0)	376,630
2008-09	61,021	60,400	621	0.2	13,268	3.4	(7,104)	(1.8)	394,513
2009-10	64,699	62,002	3,734	0.9	16,340	4.0	(6,089)	(1.5)	413,303
2010-11	67,492	66,754	1,143	0.3	14,855	3.3	(6,475)	(1.5)	444,477
2011-12	70,226	68,917	1,301	0.3	13,067	2.8	(5,532)	(1.2)	464,772
2012-13	70,349	68,869	1,699	0.4	14,143	2.9	(5,070)	(1.1)	479,854
2013-14	75,181	72,836	2,367	0.5	13,869	2.8	(3,527)	(0.7)	495,303
2014-15	78,244	74,052	4,204	0.8	13,408	2.6	(1,202)	(0.2)	513,529
2015-16	81,086	77,261	3,634	0.7	16,175	3.0	(3,971)	(0.7)	538,513
2016-17	82,096	78,047	5,058	0.9	18,198	3.2	(2,721)	(0.5)	576,716
2017-18	85,482	82,766	2,716	0.4	17,884	3.0	(6,730)	(1.1)	604,400
2018-19	84,969	86,059	(1,050)	(0.2)	21,825	3.5	(13,843)	(2.2)	625,400
2019-20	84,631	94,684	(10,052)	(1.6)	24,817	4.0	(26,010)	(4.2)	624,600
2020-21	90,181	98,905	(8,724)	(1.4)	24,462	3.8	(25,122)	(3.9)	643,100
2021-22[(c)]	106,197	120,531	(14,334)	(2.1)	25,820	3.7	(29,206)	(4.2)	697,400
2022-23[(d)]	110,348	117,860	(7,513)	(1.0)	27,341	3.6	(24,087)	(3.1)	767,900
2023-24[(e)]	116,381	123,528	(7,146)	(0.9)	29,865	3.8	(24,112)	(3.0)	794,100
2024-25[(e)]	122,639	121,090	1,550	0.2	31,284	3.8	(14,278)	(1.7)	822,400
2025-26[(e)]	125,272	123,372	1,900	0.2	28,342	3.3	(12,767)	(1.5)	859,300
2026-27[(e)]	128,765	126,621	2,144	0.2	27,043	3.0	(10,364)	(1.2)	901,000

(a) Gross State Product (current prices).
(b) Information prior to 1996-97 is not available due to a difference in accounting standards and presentation of financial statements.
(c) Actual.
(d) Estimated actual.
(e) Forecast estimate.

Table D.4: Non-financial public sector balance sheet and financing indicators

	Borrowings[a]		Interest Expense		Net Debt[b]		Net Financial Liabilities[c]	
	$m	% of GSP	$m	% of Revenue	$m	% of GSP	$m	% of GSP
1996-97[a]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1997-98	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1998-99	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1999-00	23,686	9.8	1,971	4.9	19,102	7.9	36,809	15.2
2000-01	23,334	9.1	1,778	4.0	18,273	7.2	37,676	14.8
2001-02	22,337	8.4	1,627	3.7	15,627	5.9	39,300	14.9
2002-03	22,218	8.0	1,574	3.4	13,127	4.7	42,104	15.1
2003-04	23,362	7.8	1,523	3.2	11,834	3.9	42,370	14.1
2004-05	25,731	8.1	1,995	4.1	12,012	3.8	54,127	17.1
2005-06	27,673	8.3	2,014	3.9	9,801	2.9	50,723	15.3
2006-07	32,125	9.1	2,179	4.0	20,481	5.8	51,627	14.6
2007-08	33,048	8.8	2,326	4.0	22,605	6.0	58,142	15.4
2008-09	39,687	10.1	2,763	4.5	28,943	7.3	80,446	20.4
2009-10	45,497	11.0	3,127	4.8	32,666	7.9	88,276	21.4
2010-11	50,911	11.5	3,534	5.2	32,389	7.3	86,236	19.4
2011-12	55,364	11.9	3,897	5.5	39,641	8.5	112,127	24.1
2012-13	59,313	12.4	3,909	5.6	40,093	8.4	105,318	21.9
2013-14	63,630	12.8	4,019	5.3	37,733	7.6	133,452	26.9
2014-15	63,870	12.4	3,977	5.1	36,442	7.1	117,411	22.9
2015-16	64,135	11.9	3,698	4.6	29,403	5.5	128,739	23.9
2016-17	54,684	9.5	3,113	3.8	9,048	1.6	92,075	16.0
2017-18	58,152	9.6	3,189	3.7	9,871	1.6	98,568	16.3
2018-19	62,423	10.0	2,789	3.3	11,263	1.8	111,624	17.8
2019-20	99,186	15.9	3,024	3.6	48,389	7.7	164,068	26.3
2020-21	119,220	18.5	3,050	3.4	63,490	9.9	171,594	26.7
2021-22[e]	137,238	19.7	3,398	3.2	82,213	11.8	181,411	26.0
2022-23[f]	163,356	21.3	5,110	4.6	101,526	13.2	200,214	26.1
2023-24[g]	181,205	22.8	6,628	5.7	125,978	15.9	227,853	28.7
2024-25[g]	198,274	24.1	7,204	5.9	138,691	16.9	240,556	29.3
2025-26[g]	215,677	25.1	7,772	6.2	150,356	17.5	252,138	29.3
2026-27[g]	232,707	25.8	8,618	6.7	159,546	17.7	260,985	29.0

(a) Borrowings are the sum of borrowings and derivatives at fair value, and borrowings at amortised cost.
(b) Net debt is the sum of deposits held, advances received, and borrowings less the sum of cash, advances paid, financial assets at fair value and other financial assets.
(c) Net financial liabilities are total liabilities less financial assets, excluding equity in other public sector entities.
(d) Information prior to 1996-97 is not available due to a difference in accounting standards and presentation of financial statements.
(e) Actual.
(f) Estimated actual.
(g) Forecast estimate.

E. PERFORMANCE AND REPORTING UNDER THE FISCAL RESPONSIBILITY ACT 2012

E.1 Performance Reporting under the *Fiscal Responsibility Act 2012*

Performance against FRA's object

The *Fiscal Responsibility Act 2012* (FRA) requires the Government to report on its performance against the Act's objects, targets, and principles.

The FRA sets a policy objective of maintaining the State's triple-A credit rating, supported by two fiscal targets and three principles of sound financial management.

As per section 8(c) of the FRA, the Government is required to outline the reasons for a departure from the FRA's object, targets and principles, and how the Government plans to achieve these targets by the end of the forward estimates (2026-27). Relevant actions are outlined in the following sections.

Table E.1: Performance against the FRA's object – Maintain the State's triple-A credit rating

	Moody's	Fitch	S&P Global
Latest credit ratings	Rated as triple-A (Aaa) in September 2022	Rated as triple-A (AAA) in November 2022	Rated as double-A plus (AA+) in October 2022 S&P Global in June 2022 outlined that it was unlikely that New South Wales would regain the triple-A credit rating until the second half of the decade and with the State required to reduce debt levels.

In support of achieving the object of the FRA, this Budget adopts two key fiscal principles to support the State's credit rating:

- returning to, and then maintaining, a sustainable operating position.
- stabilising and then maintaining a sustainable debt position.

The final assessment of the State's credit rating is determined by the independent credit rating agencies using their published methodology. The State is due to be rated again by all three credit rating agencies in late 2023.

Performance against FRA targets and principles – Target 1

The FRA limits annual expense growth to below the long-term average revenue growth rate (5.6 per cent). The budget forecasts expense growth to remain below the long-term average revenue growth as the Government implements its Comprehensive Expenditure Review outcomes (see Table E.2). For further information on expense measures in this budget see Chapter 5 Expenditure.

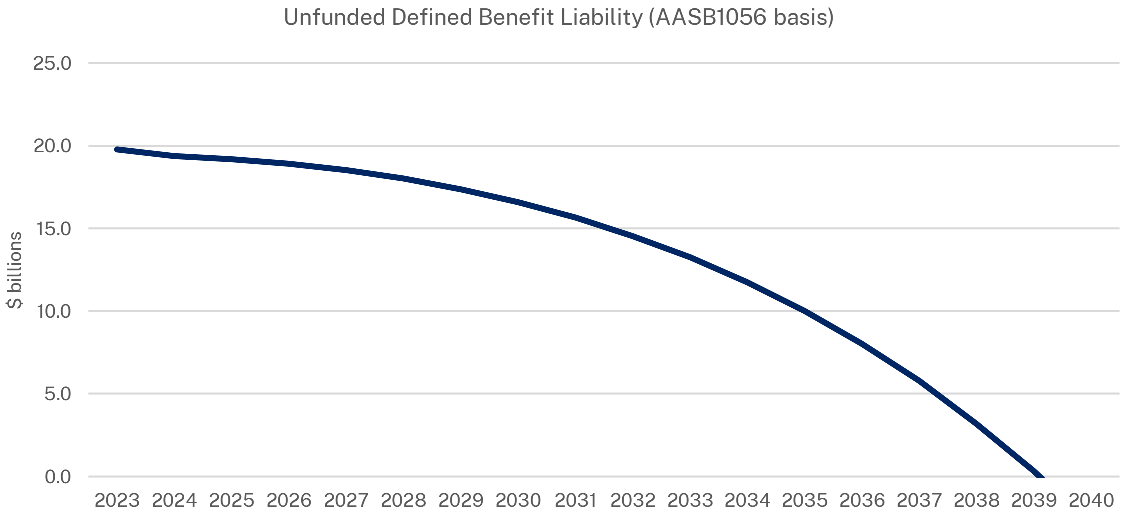
Table E.2: Target 1 – General government expense growth

Fiscal Targets	2022-23 %	2023-24 %	2024-25 %	2025-26 %	2026-27 %	Relevant actions to achieve fiscal targets of the FRA by 2026-27
Annual expense growth kept below long-term average revenue growth (5.6 per cent) **(General government expense growth)**	(2.1)	3.4	(3.1)	0.6	2.5	From 2022-23, the Government is forecasting annual expense growth to remain below the long-term revenue growth rate. Budget repair has been conducted through the Comprehensive Expenditure Review which has identified $13 billion worth of savings, revenue and reprioritisation. Savings allow the Government to redirect funding towards priority election commitments, including energy bill relief to households and small businesses, without placing undue pressure on the State's finances.

Performance against FRA targets and principles – Target 2

The FRA commits the State to eliminating unfunded superannuation liabilities by 2030. As part of this Budget the State is contributing an additional $1.7 billion over the next four years to 2026-27. This will ensure the target continues to be fully funded by 2040, in line with the approach taken by the previous Government in the 2022-23 Budget (see Chart E.1). Following the onset of COVID, New South Wales re-anchored its superannuation liability target to be fully funded by 2040 which freed up fiscal capacity to support the State's response to COVID.

Chart E.1: Target 2 – General government net superannuation liabilities



Performance against FRA targets and principles – Principles of sound financial management

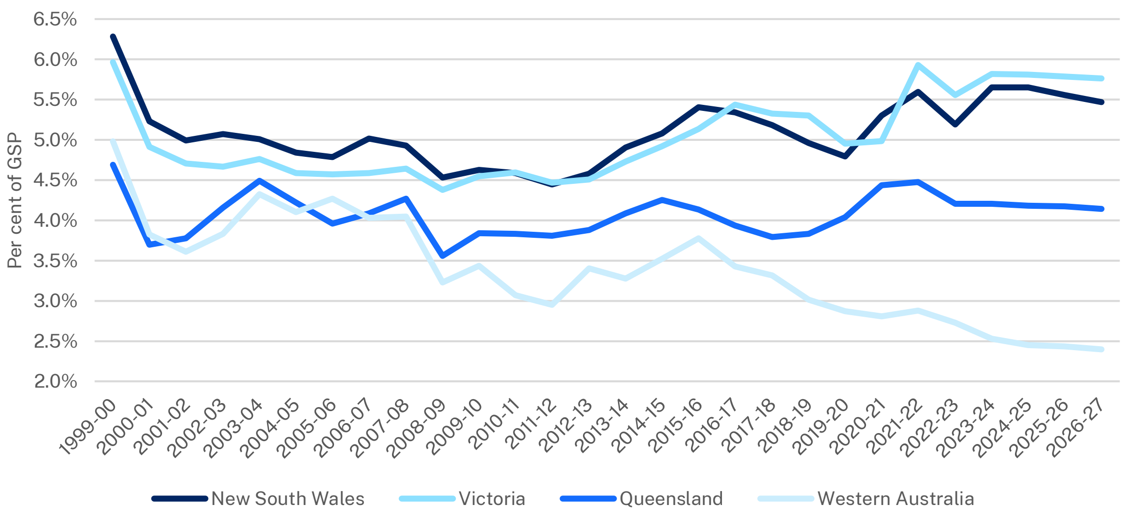
Table E.3: Fiscal Responsibility Act 2012 – Principle 1

FRA principles of sound financial management
Principle No 1 is responsible and sustainable spending, taxation and infrastructure investment, including: (a) aligning general government revenue and expense growth (b) stable and predictable taxation policies (c) investment in infrastructure that has the highest benefit for the community.

Reporting for general government revenue and expense growth is covered under Target 1.

State taxation policies have been broadly stable over the past two decades, averaging around 5 per cent of revenues (Chart E.2). This Budget forecasts expense growth to remain below the long-term average revenue growth as the Government implements its Comprehensive Expenditure Review outcomes (Table E.2).

Chart E.2: Principle 1 – General government taxation revenue to GSP[1]



Up until 2018-19, the State maintained spending on infrastructure broadly in line with economic growth at around 2 per cent of gross state product (GSP) (Chart E.3). Since 2018-19, the State's infrastructure program has increased significantly. This Budget will see infrastructure expenditure start to trend back towards more sustainable levels of growth by 2026-27 (see Box 3.2 in Chapter 3 Fiscal Strategy and Outlook).

[1] General government taxation revenue does not consider mining royalties which are a significant proportion of Queensland's and Western Australia's overall revenues.

Chart E.3: Principle 1 – General government and public non-financial corporations' capital expenditure

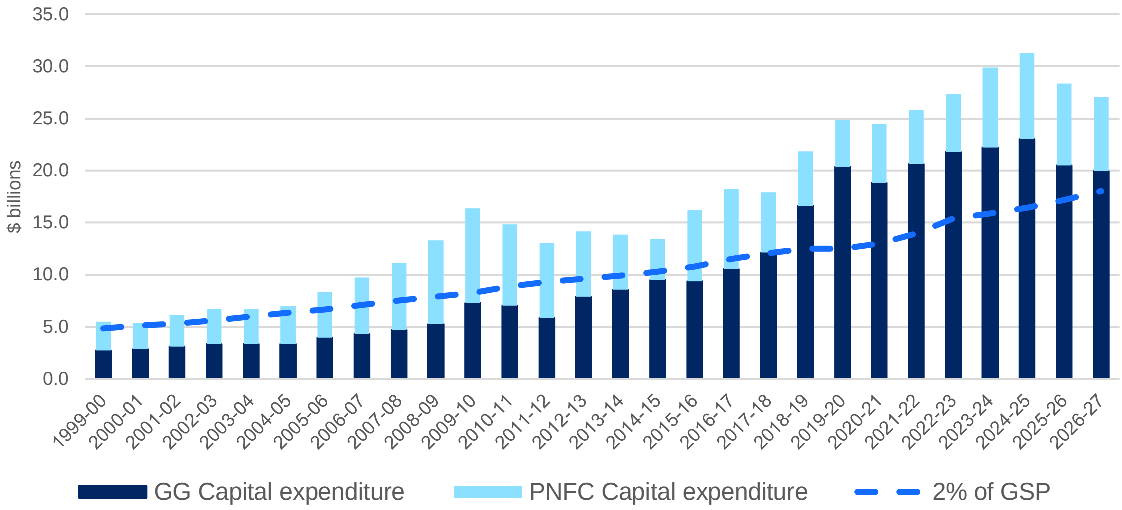


Table E.4: Fiscal Responsibility Act 2012 – Principle 2

FRA principles of sound financial management
Principle No 2 is effective financial and asset management, including sound policies and processes for: (a) performance management and reporting (b) asset maintenance and enhancement (c) funding decisions (d) risk management practices.

The Government has continued to actively manage the State's balance sheet, investment decisions and risk management supported by advice from the Treasury-chaired Asset and Liability Committee.

Following an inquiry by the NSW Parliament's Standing Committee on State Development, the Government will temporarily suspend contributions in 2023-24 to the NSW Generations Fund (NGF), reducing NSW gross debt by $7.7 billion in the interim. Contributions are budgeted to recommence from 2024-25 to 2026-27.

The NGF balance is now projected to be around $55 billion by June 2032, compared to the $94 billion projected in the 2022-23 Budget. This financially responsible approach to managing the NGF will significantly reduce the potential impact to the State's finances from investing a larger balance in volatile financial markets over the longer-term.

Additionally, the Government will investigate alternative approaches to managing the State's investment funds more efficiently, including the potential consolidation of separate government funds totalling $43 billion into a more cost-effective structure.

The Government is aiming to maintain a responsible gross debt trajectory to ensure interest expenses continue to remain manageable (see Chart E.4). Gross debt is projected to be $145.8 billion in 2023-24, $8.9 billion lower than projected at the 2023 Pre-election Budget Update.

Chart E.4: Principle 2 – General government gross debt and interest expenses as a per cent of revenue

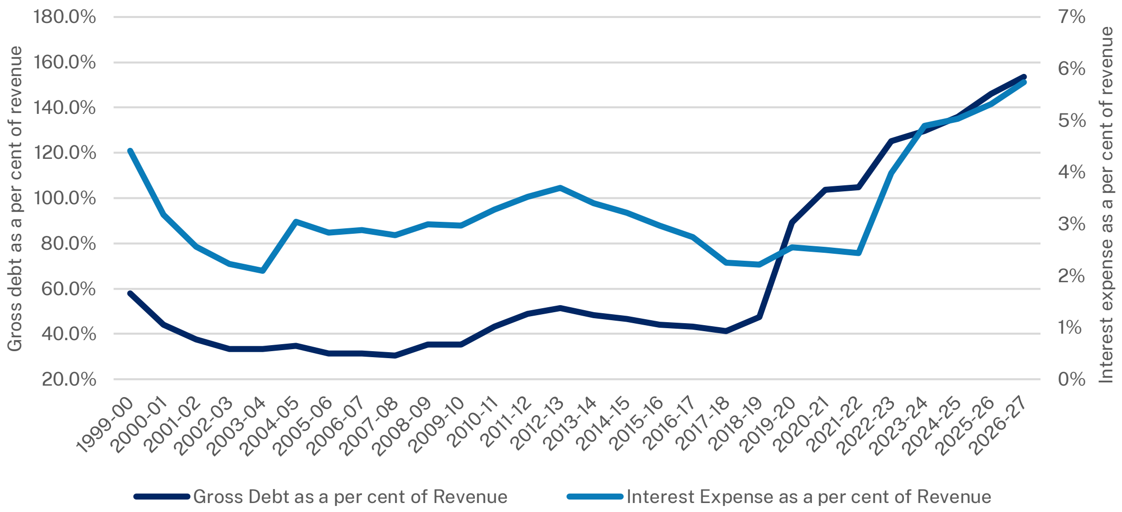


Table E.5: Fiscal Responsibility Act 2012 – Principle 3

FRA principles of sound financial management
Principle No 3 is achieving intergenerational equity, including ensuring that: (a) policy decisions are made having regard to their financial effects on future generations (b) the current generation funds the cost of its services.

Managing debt in the long term is key to supporting intergenerational equity. The 2023 Pre-Election Budget Update forecast borrowings to reach $188.2 billion in June 2026.

Measures announces in this Budget are projected to reduce borrowings levels by $14.8 billion, to $173.4 billion in June 2026. As a result, interest payments are forecast to reduce by $1.6 billion between 2022-23 to 2025-26.

The 2021-22 NSW Intergenerational Report (IGR) provided an update on the State's long-term fiscal gap. The report found there is an expected build-up of fiscal pressures over the long-term in the absence of no change in current government policy, no corrective measures taken, and economic and demographic trends persisting.

The 2021-22 IGR projects that as a result of the long-term structural imbalance between growth in Government revenues and expenditure, the fiscal gap will reach 2.6 per cent of GSP by 2060-61.

As per the requirements of s8 (d) of the *Fiscal Responsibility Act 2012*, the measures announced in this Budget are projected to lead to a 0.1 percentage point deterioration in the fiscal gap, to 3.0 per cent of GSP by 2060-61. This is compared to 2.9 per cent estimated in the 2022-23 Budget. Noting that as per the IGR this calculation does not include the impact of the NGF or any changes announced to the NGF as part of this Budget.

F. ECONOMIC SCENARIO ANALYSIS

The 2023-24 Budget relies on forecasts and judgements about the future of the economy, based on information available at the time of preparation. These forecasts are subject to inherent uncertainties, such as changes in behaviours, evolving relationships between variables and unexpected events or shocks.

This Appendix complements the central economic outlook presented in Chapter 2 The Economy by quantifying some of the key risks to the outlook. It explores the impact of variations in key economic parameters on the economic outlook and general government tax revenues.

These scenarios were selected to cover plausible economic events that could affect New South Wales over the forecast horizon. The modelling takes account of linkages between key international, Australian and New South Wales economic aggregates. By using scenario analysis of this kind, we capture interdependencies within our economy that a partial sensitivity analysis would not capture.

The summary of these results should be interpreted with care because economic events tend to be unique in nature. The scenarios presented in this Appendix are unlikely to completely reflect any future shock to the State economy. Any departures from the specified scenario would result in different impacts on the economic and revenue outlook.

F.1 Impact of variations in key forecast assumptions

The economic and revenue impact of the scenarios below was modelled using the Centre of Policy Studies (CoPS) Victoria University Regional Model Tax (VURMTAX)[1] and is presented as deviations from baseline forecasts.

Scenario 1: Faster than expected return of interest rates to the neutral rate

In its August 2023 Statement on Monetary Policy, the Reserve Bank of Australia (RBA) forecast both headline and trimmed mean inflation to be within their 2-3 per cent target band by the end of 2025. This forecast was conditioned on a path for the cash rate that was broadly in line with expectations derived from surveys of professional economists and financial market pricing. This has the cash rate peaking at around 4¼ per cent by the end of 2023, before declining to 3¼ per cent by the end of 2025.

In this scenario, we assess the potential (upside) implications for our forecast should inflation prove to be less persistent than expected. This would allow the RBA to return interest rates to more neutral settings earlier than anticipated, which provides stimulus to economic activity, without worsening the inflation outlook. In this scenario, the fall in inflation momentum is due to a foreign price shock, which may reflect the impact of improving global supply chains on manufacturing input costs or a decline in some key commodity prices (such as oil prices).

1 VURMTAX is a dynamic computable general equilibrium model of Australia's six states and two territories, with each region modelled as an economy in its own right. See Adams, Philip, Dixon, Janine and Horridge, Mark (2015), 'The Victoria University Regional Model (VURM): Technical Documentation, Version 1.0', CoPS/IMPACT Working Paper Number G-254 for more detail on the model.

This scenario sees the cash rate fall in each quarter from early 2024. Most of the decline in the cash rate relative to the baseline forecast occurs in 2024-25, which is on average around 1 percentage point below baseline for the year. This leads to the cash rate reaching its neutral rate, which NSW Treasury estimates to be around 2¾ per cent, around a year earlier than assumed in our central forecast. This lower interest rate environment is expected to stimulate investment activity, labour demand, and consumption relative to baseline.

Macroeconomic impact on the Budget and over the forward estimates

The positive stimulus from the earlier fall in interest rates boosts state final demand (SFD) relative to the baseline forecast over the forecast horizon. The biggest impact occurs in 2024-25, which corresponds to the largest reduction in the cash rate relative to the central forecast. In 2024-25, SFD is 1.1 per cent above baseline (see Table F.1). This positive effect diminishes over time as the temporary stimulus subsides, and the cash rate moves back into line with its baseline trajectory.

The earlier than expected reduction in interest rates stimulates real dwelling and non-mining business investment. This has flow-on effects to the labour market, as the demand for labour rises initially. There is an immediate fall in the unemployment rate of 0.1 percentage points in the year the RBA commences cutting the cash rate. The unemployment rate falls below baseline by 0.3 percentage points in 2024-25.

The positive uptake in employment generates gains for households, through higher real wages of around 0.3 per cent in 2025-26 and 2026-27. This, along with a reduction in mortgage rates, helps lift disposable income and stimulate consumption. While there is an immediate positive lift in household consumption in the year the RBA reduces interest rates, the largest gains in household consumption occur in 2024-25 and 2025-26. This reflects the lagged impact of lower interest rates.

Domestic activity in aggregate contributes around 1.1 and 0.5 percentage points to the uplift in real gross state product (GSP) in 2024-25 and 2025-26 respectively (see Chart F.1). However, the overall impact on GSP in the scenario is muted somewhat by weaker net exports, which fall every year over the forecast horizon. This is due to a real appreciation of the exchange rate, as global inflation is assumed to soften relative to domestic inflation, boosting imports and dampening exports relative to baseline.

Real GSP is higher relative to the baseline by 0.2 per cent in 2023-24 and 0.5 per cent in 2024-25. This positive initial effect gradually winds back over the forecast horizon as spare capacity in the economy is diminished (the output gap closes).

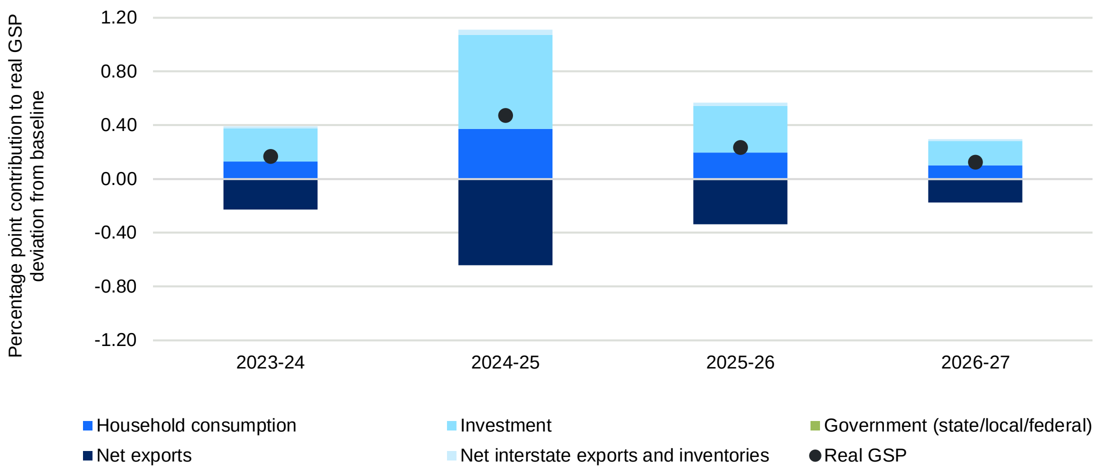
Table F.1: Effect on major economic parameters from a faster than expected return of interest rates to the neutral rate[(a)]

Financial year estimate[(a)]	2023-24	2024-25	2025-26	2026-27
State final demand	0.4	1.1	0.5	0.3
Gross state product	0.2	0.5	0.2	0.1
Employment	0.1	0.3	0.1	0.0
Unemployment rate	(0.1)	(0.3)	(0.1)	0.0
Consumer price index	0.0	0.1	0.0	0.0
Nominal wages	0.1	0.2	0.3	0.3
Terms of trade	0.2	0.6	0.3	0.2

(a) Figures reported are the per cent change in the level of each parameter relative to the baseline. The unemployment rate is in percentage points deviation.

Source: CoPS, Victoria University and NSW Treasury

Chart F.1: Higher household consumption and investment lift domestic activity



Source: CoPS, Victoria University and NSW Treasury

Revenue impact on the Budget and over the forward estimates

Stronger domestic economic activity flows through to higher tax collections across most categories of government revenue, particularly in 2024-25 when the impact of the interest rate decline peaks. Both commercial and residential transfer duty revenues rise significantly, with transfer volumes and housing prices elevated relative to the baseline. The State's GST revenue also increases, bolstered by robust consumer spending and dwelling investment. However, a decrease in royalty revenue, stemming from reduced export volumes and falls in world prices, slightly offsets these tax collection gains.

Table F.2: Effect on major revenue parameters from a faster than expected return of interest rates to the neutral rate[(a)]

Financial year estimate[(a)] ($, million)	2023-24 $m	2024-25 $m	2025-26 $m	2026-27 $m
Payroll tax	25	78	54	40
Transfer duty	391	1106	354	151
Land tax	0	7	28	40
Royalties	(6)	(19)	(9)	(4)
GST revenue	100	292	114	58
Other revenue	12	35	12	(2)
Total revenue	**522**	**1500**	**553**	**284**

(a) Figures reported are the change in the level of each parameter relative to the baseline.

Source: CoPS, Victoria University and NSW Treasury

Scenario 2: Larger than expected impact of interest rates in slowing the economy

Since May 2022, the RBA has increased the cash rate by a cumulative 400 basis points to 4.10 per cent to combat high inflation in Australia.

The impact of higher interest rates is working its way through the economy, with consumer spending growth and inflation both slowing in 2023. The forecast assumes a relatively soft landing for the State economy, with only a gradual increase in unemployment from the December quarter 2023. However, there is still considerable uncertainty on the total impact of the RBA's tight monetary policy stance. This is particularly since a large number of fixed-rate mortgages are still set to roll-over to higher variable mortgage rates over coming months.

In this scenario, we assess the potential (downside) implications for our forecast should the economy slow more than expected, but the RBA remains constrained by high inflation. Despite weaker economic growth, this scenario assumes that inflation remains elevated in the near-term — in line with the baseline forecast — due to either persistence in global commodity prices or domestically generated services inflation. This prevents the RBA from responding to the weaker economic activity initially via faster interest rate reductions.

The NSW economy experiences a recession in 2023-24 under this scenario. This is assumed to be caused by simultaneous increases in risk aversion for both businesses and households, which reduces the incentive to invest and consume. For households, this would involve spending falling to levels more consistent with consumer sentiment which has been at a depressed level for some time.

A more severe slowdown in economic activity than forecast also leads to a larger than expected increase in the unemployment rate.

Macroeconomic impact on the Budget and over the forward estimates

Businesses reduce their investments and households increase their precautionary savings as their appetite for risk lowers, with both household consumption and real investment falling more than 4 per cent below baseline in 2023-24. This has a large immediate negative impact on SFD, which falls to 3.3 per cent below baseline in 2023-24, the recession year (see Table F.3).

The economy partially rebounds in the following year, although the level of real investment and household consumption both remain more than 2.0 per cent below baseline. By 2026-27, these effects diminish as the level of output returns to baseline.

The drag on domestic economic activity reduces capital utilisation and the demand for labour, driving an increase in the unemployment rate. This increase in unemployment further constrains consumer spending. Weaker labour market conditions lead to a reduction in real wages of more than 0.3 per cent below baseline from 2024-25 onwards. The persistent impact here stems from the slow adjustment in wages, which reflects institutional factors such as the proportion of workers on award wages and the lagged pass through of inflation to changes in the minimum wage.

Weaker wages growth improves the competitiveness of domestic firms compared to their international counterparts. This causes exports to rise, and imports to shrink. The improvement in net exports negates some of the impact on GSP from a downturn in SFD, adding 2.4 percentage points to the per cent deviation in real GSP in 2023-24 (see Chart F.2).

Overall, real GSP immediately declines below baseline by 1.0 per cent in 2023-24. As the economy recovers and the output gap closes, real GSP is 0.6 per cent and then 0.3 per cent below baseline in 2024-25 and 2025-26 respectively.

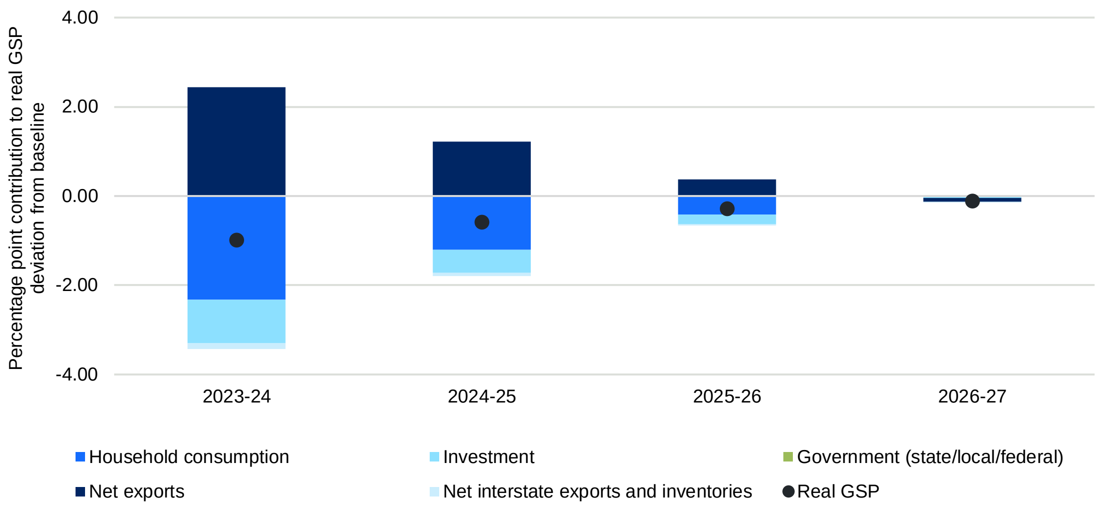
Table F.3: Effect on major economic parameters from a larger than expected impact of interest rates in slowing the economy[(a)]

Financial year estimate[(a)]	2023-24	2024-25	2025-26	2026-27
State final demand	(3.3)	(1.7)	(0.6)	(0.0)
Gross state product	(1.0)	(0.6)	(0.3)	(0.1)
Employment	(0.3)	(0.2)	(0.1)	(0.0)
Unemployment rate	0.4	0.2	0.0	(0.0)
Consumer price index	(0.3)	(0.2)	(0.1)	(0.0)
Nominal wages	(0.5)	(0.5)	(0.4)	(0.4)
Terms of trade	(0.5)	(0.3)	(0.2)	(0.1)

(a) Figures reported are the per cent change in the level of each parameter relative to the baseline. The unemployment rate is in percentage points deviation.

Source: CoPS, Victoria University and NSW Treasury

Chart F.2: Trade sector improves to mitigate some of the downturn in domestic economic activity



Source: CoPS, Victoria University and NSW Treasury

Revenue impact on the Budget and over the forward estimates

The economic downturn results in decreased tax collections across most categories of government revenue. The decline in household consumption reduces the national GST pool, leading to a decrease in NSW GST revenue. Lower employment and wages over the forecast horizon also lead to lower payroll tax collection. Residential and commercial transfer duty collections are particularly impacted, as housing prices fall and transaction volumes contract. Coal royalties rise in contrast, due to the real depreciation of the exchange rate and the expansion of export volumes.

Table F.4: Effect on major revenue parameters from a larger than expected impact of interest rates in slowing the economy[(a)]

Financial year estimate[(a)] ($, million)	2023-24 $m	2024-25 $m	2025-26 $m	2026-27 $m
Payroll tax	(92)	(83)	(66)	(51)
Transfer duty	(720)	(489)	(321)	(234)
Land tax	0	(90)	(141)	(164)
Royalties	117	58	12	(14)
GST revenue	(498)	(288)	(126)	(34)
Other revenue	(363)	(157)	(12)	63
Total revenue	**(1555)**	**(1049)**	**(654)**	**(434)**

(a) Figures reported are the change in the level of each parameter relative to the baseline.

Source: CoPS, Victoria University and NSW Treasury