

1. BUDGET OVERVIEW

1.1 Executive summary: Driving a strong recovery for our State

In the eleven months since the 2019-20 Half Yearly Review, the people of New South Wales have endured one of the most challenging periods since the middle of the last century. The 2020-21 Budget offers the relief the people of New South Wales need at this difficult time, turning the State's focus to job creation and a strong steady recovery, and laying the foundations for long-term prosperity.

Throughout 2019-20, New South Wales was in the grip of a severe, prolonged drought covering 99.9 per cent of the State. Going into the summer of 2019, dry conditions erupted into catastrophic bushfires, scorching 5.5 million hectares over 240 consecutive days, destroying 2,476 homes and \$899 million in infrastructure, and tragically taking the lives of 26 people.

Before the fires stopped burning, and just as bushfire affected communities were taking the first steps towards rebuilding, the onset of the COVID-19 pandemic delivered the most significant economic shock in living memory.

Restrictions afforded the Government time to prepare and reinforce the health system, investing over \$3.0 billion in additional health capacity. This included quadrupling intensive care capacity in NSW hospitals to withstand a sudden surge in demand and resourcing highly effective testing and tracing capabilities.

Those efforts have been highly successful in New South Wales, which has, uniquely, limited the spread of the virus over a sustained period, provided exceptional care to those who need it, and kept the economy open to the greatest extent possible.

In conjunction with the Commonwealth, the Government also took immediate steps to cushion the economic impact of the pandemic, with the clear objective of keeping people in jobs and businesses in business.

Despite these efforts, the scale of the pandemic has made the resulting economic contraction the most severe in living memory. Over the second half of 2019-20, economic activity in New South Wales contracted by almost 10 per cent. The unemployment rate rose to its highest level since the late 1990s, household consumption fell by 15 per cent and business investment fell sharply. The impact on our citizens' mental health has been significant, with higher volumes of calls to Lifeline, Kids Helpline and Beyond Blue.

The successful reopening of the economy has helped many businesses to re-open their doors and many people get back to work. However, a return to pre-COVID-19 economic growth will take time. A sustained recovery will depend on restoring confidence in the private sector. In this Budget the NSW Government takes decisive action to kick-start the state's economy in the short term, while laying the foundations for an even stronger economy in the long term.

The Budget injects a further wave of temporary, targeted stimulus measures, to create jobs and get NSW businesses back on their feet in the immediate future. The Budget delivers the Government's economic recovery and reform strategy across six key areas:

- **Building a better New South Wales** – record infrastructure pipeline that ensures the delivery of vital projects across the state, and accelerates shovel-ready projects, to directly create jobs in the short-term.

- **Investing in our people and their future** – ensuring citizens of New South Wales are equipped to enter or re-enter the workforce and that the workforce has the skills needed for the modern economy.
- **Delivering quality services for everyone in New South Wales** – securing a world-class standard of frontline services across the State and pursuing digital reform so services are easier to access and fit for a fast-changing world.
- **Making it easier to run a business** – supporting businesses to invest, set down roots and create more local jobs, while also removing barriers to running a business in New South Wales.
- **Strong industry, big global outlook** – boosting economic growth by attracting new investors to New South Wales, securing our industrial infrastructure and lifting the State's profile as a regional and global leader for emerging industries.
- **Economic reform for lasting prosperity** – major tax and productivity reform (including education and skills, planning and digitisation) to expand our economic capacity and increase living standards for our people.

The stimulus measures in this Budget complement the Commonwealth Government's ongoing stimulus and support measures, and the Reserve Bank of Australia's monetary policy settings. As a result of the NSW Government's support, the unemployment rate is expected to be as much as 1.0 percentage point lower in June 2021 than without Government support.

While this Budget lays out a path to recovery by providing more stimulus, importantly, it also pursues economic and productivity reform. This will ensure that the recovery is long-lasting, and that New South Wales remains the best place to live and work.

The State's strong financial position is key to enabling the Government's response to the health crisis and the support measures in this Budget. Despite this, the pandemic has placed immense pressure on the State's finances, with significant reductions in State revenue, and increased expenditure to provide much needed health and economic support.

This has resulted in New South Wales recording a budget deficit for 2019-20 of \$6.9 billion, and a projected deficit of \$16.0 billion in 2020-21. This position reflects the Government's commitment – made early in the pandemic – to put people before the budget result. However, the Government remains committed to ensuring that the people of New South Wales have the security of a strong fiscal position to meet any future challenges that may arise.

That is why, in addition to delivering stimulus to create jobs and boost confidence in the short term, the Budget also charts a clear course to reinforce the State's fiscal position over the medium term. Based on current conditions, this Budget projects a return to surplus by 2024-25, with net debt to return to around 7 per cent of Gross State Product over the medium term.

This fiscal strategy will ensure the State maintains fiscal capacity to respond to future shocks. The State's dedicated debt retirement fund, the NSW Generations Fund, is projected to grow to more than \$70 billion by the end of the decade, ensuring that this Government will not leave future generations to bear the cost of the pandemic.

While this Budget lays out a path to recovery and prosperity, successful management of health risks is critical in keeping the economy moving.

Box 1.1: Supporting jobs in New South Wales

This Budget reaffirms the New South Wales Government's commitment to support the State through the COVID-19 pandemic and set up the economy for a strong recovery with the creation of jobs a top priority.

The commitments included in this Budget bring the Government's total COVID-19 response to \$29.0 billion in economic stimulus and support measures. The Government's comprehensive stimulus and recovery plan will boost economic activity, promote public confidence and create jobs.

Combined with its record infrastructure pipeline of \$107.1 billion, the Government's stimulus plan will support the forecast unemployment rate to trend back to 5 ¼ per cent, with up to 270,000 people back in work by June 2024.

The Government's \$29.0 billion commitment is unprecedented for any state or territory and represents more than 11 per cent of own-source state revenue. As a percentage of own-source revenue, this is more than any other state or territory and the Commonwealth Government.

1.2 Economic outlook: the road to recovery

The economic impact of bushfires and COVID-19 has been felt across the state. A full recovery from these successive crises will take time, although the road to recovery has been made shorter by the decisive response from all levels of government.

Bushfires led to a loss of lives, property, assets and community infrastructure. Regional communities and businesses were hit particularly hard, not only by the destruction of assets but also the impact it had on service-based businesses. In many regional communities, bushfires raged over the peak tourism season of Christmas and New Year, taking away critical income. The impact was also felt in our cities with domestic activity and international tourism affected by the deterioration in air quality and worldwide coverage of the bushfires.

The economic impact of COVID-19 has been even worse than the global financial crisis. In 2020 the state witnessed its sharpest contraction in economic activity in living memory.

The closure of international and state borders has led to a loss of international students, tourists and inward migration. It has hampered the productive capacity of the economy and weakened demand. Social distancing, school closures and other restrictions on movement have negatively impacted consumer spending. There was a sharp drop in confidence early on in the pandemic, although there are signs this confidence is starting to return to pre-COVID-19 levels as the economy reopens and the number of new infections remains low.

The impacts of COVID-19 have been reflected in all major State economic indicators.

Economic activity, as measured by State Final Demand (SFD), contracted by almost 10 per cent over the second half of 2019-20. Household consumption (almost 60 per cent of the economy) was the biggest driver, falling 14.8 per cent over the same period. Timely data suggest consumer spending has partially rebounded as containment measures are lifted. Government support, including an acceleration of Commonwealth income tax cuts, will assist the ongoing recovery.

Dwelling and business investment have both fallen sharply. Commonwealth and State stimulus measures are expected to trigger an improvement in business investment (especially equipment investment) in 2020-21, but dwelling investment is set to remain sluggish so long as border closures inhibit migration.

Public demand has helped to fill the void for the economy, recognising the major expenditure in health and pandemic support plus a record infrastructure building effort. The public sector was the only segment of the NSW economy to see positive growth, contributing 1.8 percentage points to SFD growth through the year to June 2020.

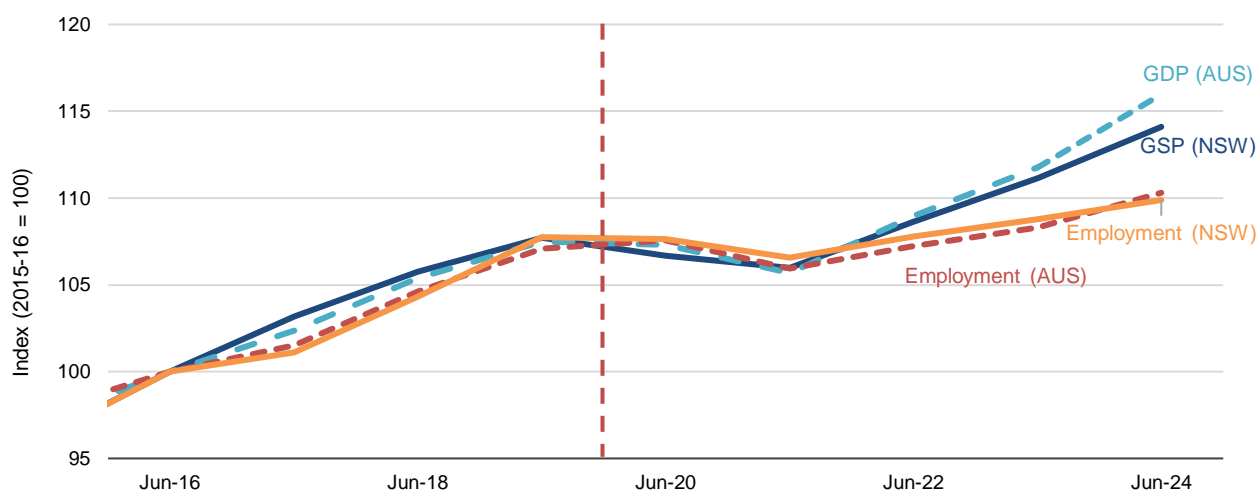
In the first half of 2020-21, the unemployment rate rose to its highest level since the late 1990s, at 7.2 per cent. While the removal of Commonwealth job support measures is expected to see the unemployment rate move higher in the near term, an anticipated lift in economic activity should see the unemployment rate ease back to around 6½ per cent by June 2021.

The stimulus measures rolled out in 2020 have made a meaningful difference. Without the significant level of State Government assistance (combined with Commonwealth Government stimulus), the unemployment rate could have been as much as 1 per cent higher in June 2021.

While the NSW economy will make solid inroads towards recovery, a full recovery will take time. The economy is forecast to surpass its pre-COVID-19 level in 2021-22 and will continue to see solid rates of growth in the following years.

With positive signs of recovery, but the virus still active around the world, there is a higher degree of uncertainty to the forecasts than normal. In particular, there is significant uncertainty around progress of the virus globally, and the timing and availability of an effective vaccine. See Appendix B Fiscal Risks for analysis on the assumptions underpinning the central scenario forecast.

Chart 1.1: Economic activity and employment take time to rebound from pre-COVID-19 low



Source: ABS 5220.0, 6202.0 and NSW Treasury

1.3 Supporting the economy now, with fiscal reinforcement over the medium-term

Table 1.1: Key Budget aggregates for the general government sector

	2019-20 Actual	2020-21 Budget	2021-22 Forward Estimates	2022-23 Forward Estimates	2023-24 Forward Estimates
Budget Result (\$m)	-6,916	-15,984	-6,830	-2,091	-460
Per cent of GSP	-1.1	-2.5	-1.0	-0.3	-0.1
Capital expenditure (\$m)	20,985	22,644	22,930	20,131	18,523
Per cent of GSP	3.4	3.6	3.5	3.0	2.6
Net debt (\$m)	19,261	53,187	75,433	91,771	104,347
Per cent of GSP	3.1	8.4	11.5	13.5	14.7
Net worth (\$m)	238,688	228,999	228,321	236,398	258,698
Per cent of GSP	38.4	36.3	34.8	34.8	36.6

The significant stimulus and support measures announced in this Budget are only possible because the State came into the crisis in a strong financial position. At the time of the 2019-20 Half-Yearly Review, the Government had the lowest net debt of any jurisdiction in the nation and was on track to deliver its seventh consecutive surplus. New South Wales was only one of five comparable sub-national jurisdictions being rated triple-A by Moody's and S&P Global.

The Government's fiscal strategy is to provide targeted and temporary fiscal stimulus in the short-term to support jobs, the economy and productivity growth. Government spending has done much of the heavy lifting in supporting the economy since the 2019-20 Half-Yearly Review. Including the support measures announced in this Budget, general government expenditure over the four years to 2023-24 is \$21.3 billion higher than projected at the time of the 2019-20 Half-Yearly Review.

The COVID-19 recession has heavily impacted State revenue. The Government has also used revenue policy measures to cushion the economic impact of COVID-19, by deferring collections for some taxes and reducing or waiving others. This has generated a much needed cashflow boost for businesses while reducing 2019-20 collections and forecast revenue for 2020-21.

General government revenue is expected to be \$14.8 billion lower over the four years to 2023-24 compared to 2019-20 Half-Yearly Review. While the bulk of this write-down was initially expected to be in the early years, current forecasts will see the revenue impacts of COVID-19 linger across the forward estimates.

The 2020-21 Budget projects a budget deficit of \$16.0 billion in 2020-21. This is expected to taper back to a deficit of \$460 million in 2023-24 as the economy recovers and fiscal repair measures ramp up. Based on current economic and fiscal projections, the Government is anticipating a return to surplus by 2024-25.

To compliment the stimulus measures, this Budget both augments and accelerates the Government's capital and maintenance program. It sees a record infrastructure program of \$107.1 billion to 2023-24.

In the short-term, the Government is stimulating the economy through ‘shovel-ready’ and targeted infrastructure, including \$812.0 million for measures to maintain and upgrade social and community housing, \$180.0 million in upgrades to facilities in regional schools, \$104.5 million in critical maintenance and upgrades to NSW cultural institutions and \$97.7 million in upgrades to NSW Police facilities, including the Goulburn Police Academy.

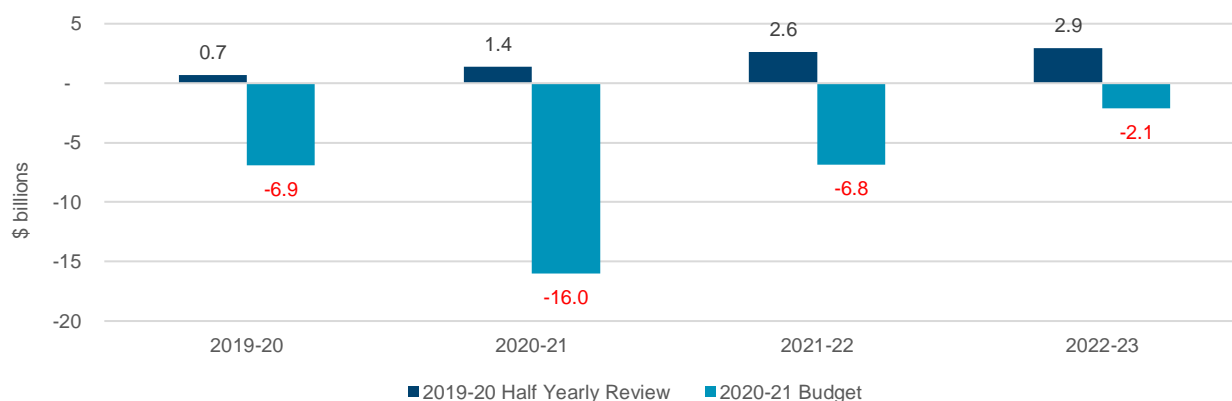
The best economic evidence indicates that, dollar for dollar, one of the most powerful ways the Government can stimulate the economy quickly and effectively is through infrastructure and capital investment. This record infrastructure program will generate a short-term boost to employment, along with ongoing productivity benefits for decades. Additional stimulus measures in the Budget, from tax cuts to investment incentives, are designed to have an immediate stimulatory impact.

Further supporting the economy during COVID-19 and helping lay the groundwork for longer term economic growth, this Budget is delivering tax relief to NSW businesses, including a temporary two-year reduction in the payroll tax rate from 5.45 per cent to 4.85 per cent from 1 July 2020 to 30 June 2022; and a permanent increase in the payroll tax threshold to \$1.2 million from 1 July 2020. This will see 3,500 NSW businesses no longer having to pay payroll tax, freeing up much needed capital for businesses to reinvest.

Tax relief is complemented by a variety of measures to spur job creation, including \$300.0 million for the Regional Growth Fund 2.0 to support economic growth in the regions, \$250.0 million for the Jobs Plus Program to drive job creation and \$175.0 million for Made in NSW program to invest in new film and TV projects made in New South Wales.

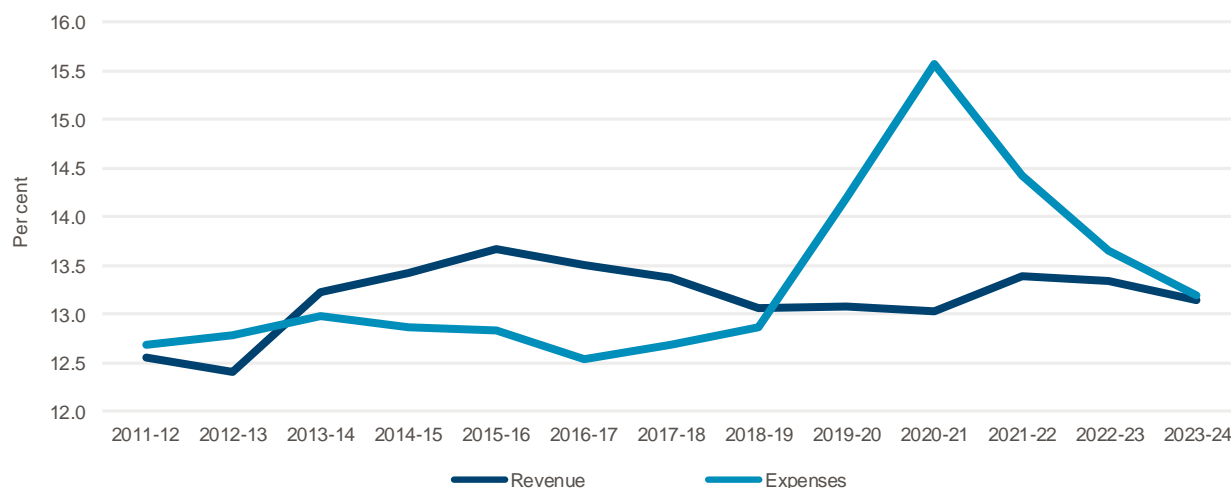
Through the Out and About program, this Budget will also deliver up to \$500.0 million to NSW residents to stimulate the economy, through digital vouchers to encourage residents to support local cafes, restaurants and cultural attractions.

Chart 1.2: Budget result: 2020-21 Budget compared to the 2019-20 Half Yearly Review



As a proportion of GSP, general government expenditure has lifted off the back of drought, bushfires and COVID-19 response measures. As Chart 1.3 shows, after peaking at \$98.1 billion, or 15.6 per cent of GSP, expenses are projected to revert back to more business-as-usual levels. Tight control on expense growth is expected to return by the end of the forward estimates, reflecting the Government’s commitment to fiscal discipline.

Chart 1.3: General government revenues and expenses as a share of GSP



The State entered the COVID-19 pandemic with exceptionally low debt and a triple-A credit rating. The Government has been able to borrow at historically low interest rates to support emergency health measures and stimulus measures to reinvigorate the economy. Net debt will increase from \$19.3 billion at June 2020 to \$104.3 billion at June 2024. This increase is being driven by COVID-19 revenue loss, fiscal stimulus and the Government's record infrastructure program which is contributing $\frac{1}{4}$ per cent to economic growth in 2020-21 alone. With historically low rates and prudent balance sheet management, the Government has been able to decrease interest expenses as a per cent of borrowings from 3.1 per cent at June 2020 to 2.0 per cent at June 2024.

Over the medium term, the Government's fiscal strategy is to rebuild balance sheet capacity by bringing net debt down towards 7 per cent of GSP over the medium term. This will help support the Government's commitment to the *Fiscal Responsibility Act 2012*. In order to achieve this, the Government will embark on a program of fiscal reinforcement, with the initial measures included in this budget (refer to Box 3.1 in Chapter 3).

Over the last decade, New South Wales has been leading the nation in balance sheet reform, including our successful asset recycling program. This Budget will continue the Government's program of asset recycling, with the sale of its residual 49 per cent share of WestConnex and a scoping study of Lotteries duties.

Asset recycling proceeds will be invested into the NSW Generations Fund, a debt offset fund, which supports the Government's fiscal repair program while giving it capacity to support ongoing infrastructure investment. This approach will ensure that the State's balance sheet remains protected despite the effects of the COVID-19 recession.

This asset recycling will help support the Government's record \$107.1 billion infrastructure program. Since the 2019-20 Budget, the Government has committed to city-shaping and innovative projects such as Sydney Metro West, Sydney Metro Western Sydney Airport, Western Harbour Tunnel and Warringah Freeway Upgrade and digital investments. This investment into productive infrastructure will create thousands of jobs.

1.4 The 2020-21 Budget sets the roadmap for a prosperous New South Wales

The Government has delivered unprecedented levels of support over the last 12 months. This has steered the State through the drought (with \$4.5 billion for drought and water security), the bushfire crisis (\$4.4 billion in relief and recovery initiatives in partnership with the Commonwealth) and the COVID-19 pandemic (\$16.0 billion in support).

Building on this initial crisis response, the Budget sets out the NSW Government's goal to ensure a prosperous post-pandemic recovery: a focus on new stimulus measures to kick-start the economy and create jobs, while laying the foundations for sustained growth with a concrete plan for reform.

Box 1.2: The New South Wales Government's COVID-19 response measures have made a real impact across the State

Since the beginning of the crisis, the NSW Government's COVID-19 support package has delivered for business and the community, including:

- over 6,500 businesses have already been supported through the NSW Government's Business Connect program, which provides practical and tailored advice to business owners to help adapt their small business
- over 52,347 small businesses have accessed a \$10,000 grant to assist them with urgent and unavoidable expenses during the New South Wales lockdown
- over 36,000 small businesses have accessed a \$3,000 grant to help them to adapt their business model to operate in a new COVID-safe environment
- over 1,450 new households and 1,750 existing households have been assisted to access secure housing with rental subsidies through Rent Choice packages
- over 4,176 rough sleepers and 22,208 people experiencing other forms of homelessness have been provided temporary accommodation
- over 15 million meals and over 3,500 food boxes have been distributed by OzHarvest and Foodbank to those in need
- over 34,000 energy relief vouchers applied to customer accounts providing energy relief to customers experiencing short-term financial distress.

Building a better New South Wales

The pipeline of infrastructure projects planned, and already underway, has placed New South Wales in a strong position to respond to the economic crisis. As part of the record \$107.1 billion pipeline, this Budget invests in additional targeted stimulus initiatives towards capital projects and maintenance. These initiatives will create jobs across the State and boost confidence more generally.

Underpinning this stimulus is the \$3.0 billion Jobs and Infrastructure Acceleration Fund, which will deliver projects across the State. Key projects to be delivered from this fund include:

- accelerating work on the \$385.0 million St George Hospital Integrated Ambulatory Care Precinct in Kogarah, and bringing forward \$60.0 million of the \$608.0 million Sydney Children's Hospital Network redevelopment in Randwick
- the roll-out of a \$157.8 million LED light replacement program in schools across the state to support a more energy efficient operating environment

- new public schools in Googong, Murrumbateman and Edmondson Park to meet the needs of growing communities and \$180.0 million to upgrade school facilities throughout regional New South Wales
- stage 1 of the Mamre Road upgrade between the M4 and Erskine Park Road with \$28.0 million to accelerate works as well as \$90.0 million for the Spring Farm Parkway Stage 1 upgrade, ensuring that road infrastructure is keeping pace with growing communities
- acceleration of the Fixing Country Bridges and Fixing Local Road programs
- the delivery of more than 80 infrastructure and local community projects in the regions to support the delivery of health, education and recreational activities.

This Budget also commits to new stimulus across the state for capital maintenance works and shovel-ready projects, including:

- \$812.0 million for new social housing and to undertake significant maintenance and upgrades of social and Aboriginal housing
- \$256.0 million for upgrades and maintenance works across National Parks, the Royal Botanic Gardens, Centennial Park, Sydney Olympic Park and the Crown Land portfolio
- \$194.4 million for wharf upgrades and maritime infrastructure investment across New South Wales, including upgrades and ongoing maintenance
- \$167.7 million for capital works and maintenance of courts, police stations and corrective services, as well as upgrade of the Goulburn Police Academy into a state-of-the-art training facility
- \$104.5 million for an Arts Maintenance and Upgrade Fund to improve accessibility, sustainability and functionality of cultural assets
- \$100.0 million for the Greater Cities and Regional Sports Facility Fund, which aims to create spaces that enable communities to participate in sport at all levels by investing in new and existing facilities.

This additional maintenance is on top of the existing record infrastructure pipeline. The \$107.1 billion pipeline of works will deliver vital projects across the state including in the health, education and transport sectors. This record investment includes:

- \$10.4 billion over the next four years for Sydney Metro West: once completed this project will double the rail capacity between the Sydney and Parramatta CBDs, linking new communities to rail services and supporting both employment growth and housing supply. Sydney Metro West will have a travel time target of around 20 minutes between the two cities and is expected to create about 10,000 direct and 70,000 indirect jobs during construction
- \$9.2 billion over the next four years for Sydney Metro – Western Sydney Airport: the new metro rail will become the transport spine for Greater Western Sydney, connecting communities and travellers with the new Western Sydney International (Nancy-Bird Walton) Airport and the growing region. This city-shaping project will provide a major economic stimulus for western Sydney, creating more than 14,000 jobs during construction
- \$2.2 billion over the next four years for the Sydney Gateway project: once completed this project will provide a new high capacity road connection from Sydney Airport and Port Botany to the new WestConnex St Peters Interchange, creating over 1,000 direct jobs during construction
- a record \$10.7 billion investment in Health infrastructure over the next four years, including completion of the \$673.3 million Tweed Hospital Redevelopment and the \$632.0 million Campbelltown Hospital Stage 2 Redevelopment

- a record \$7.7 billion invested in Education and Skills infrastructure, with over \$1.4 billion in new schools infrastructure funding for new and upgraded schools, and \$100.0 million for asset replacement and maintenance for TAFE NSW to deliver quality training services.

Investing in our people and their future

The 2020-21 Budget builds on existing response measures to protect jobs by investing in initiatives to ensure that New South Wales citizens are equipped to enter or re-enter the workforce. This includes additional investment to create immediate skilling opportunities, and initiatives that ensure the labour market has the right skills to meet the adapting needs of the economy:

- a \$159.3 million commitment for the Skilling for Recovery initiative, a key component of the State's COVID-19 Recovery Plan to help job seekers retrain or upskill, and support school leavers to enter the workforce for the first time. The NSW Government commitment will match the Commonwealth's JobTrainer funding (total joint investment of \$318.6 million) and offer more than 100,000 training places
- \$80.0 million to create 300 new housing sector pre-apprenticeships and cadetships to provide career pathways for young people and social housing tenants
- \$57.4 million for the creation of a Trades Skills Pathways Centre to address skills shortages in the New South Wales economy by recognising trades skills, establishing new trades pathways and improving skilled employment opportunities for women
- an additional \$17.0 million for targeted investment into the care economy to support jobs growth and improved worker quality. The care economy comprises early childhood, community services, social housing, aged care, disability care and personal support
- \$10.0 million for grants and Return to Work coordinators to support women who have lost their job due to the COVID-19 pandemic or have been out of the workforce for an extended period to return to work.

To ensure that children are not falling behind and have the educational foundations for a successful future, this Budget provides additional support with:

- \$337.0 million for intensive tutoring in New South Wales schools. This program will assist students recover lost learning time as a result of COVID-19 disruptions and shutdowns in early 2020, and ensure that educational outcomes are not falling behind
- \$120.0 million to extend the free preschool program for community and mobile preschools through to the end of 2021, providing fee relief for families.

This Budget further supports increased participation and retention of women in the workforce, with a new parental leave policy for New South Wales public sector workers – offering 14 weeks leave to a new child's primary carer, regardless of gender.

Delivering quality services for everyone in New South Wales

The Government is committed to the delivery of quality services across the State.

Building on significant investment in health system capacity in response to the onset of COVID-19, the budget maintains this commitment with additional investment to boost health services including:

- \$169.4 million in mental health support measures including additional community health workers, virtual mental health support, 100 additional wellbeing and in-reach nurses, and to establish 12 mental health and wellbeing community collaboratives

- \$55.9 million for palliative care measures, to provide an additional 5,000 End of Life home support packages, specialist allied health professionals, education and training, and improved bereavement support
- digital health measures to build on key successes during COVID-19 and to further modernise the health system with:
 - \$50.4 million to provide technology-enabled workforce support options, including remote video conferencing and expanding telehealth services and related infrastructure to enable more access to mental health support for people in immediate crisis
 - \$10.2 million to Tresillian and Karitane to extend access to virtual residential parenting services and evaluate service delivery outcomes and experiences
 - an integrated State-wide Laboratory Information Management System to provide seamless ordering, processing and reporting of over 70 million tests per year across NSW Health
 - a Real Time Prescription Monitoring system to track prescribed medicines associated with a high risk of causing harm, dependence or misuse.

This Budget further supports the delivery of quality services with additional investments to support the vulnerable and ensure that our emergency services are equipped for the future. Initiatives include:

- \$29.0 million to extend the Together Home program delivering housing and wraparound support to break the cycle of homelessness for hundreds of people sleeping rough
- \$20.0 million over four years for Closing the Gap in accordance with the National Agreement, and support for the equal participation of Aboriginal Communities in priority reforms
- investment into our emergency services to implement key recommendations from the NSW Bushfire Inquiry, and boost resources for the bushfire season, including:
 - \$51.4 million to upgrade the New South Wales Rural Fire Service (RFS), Fire and Rescue New South Wales (FRNSW) and National Parks and Wildlife Services fleet, which will deliver more than 120 new and 70 refurbished vehicles for the RFS
 - \$36.0 million for a new first responder mental health strategy for emergency services staff
 - \$23.0 million for additional Personal Protective Clothing and \$5.4 million towards enhancing the RFS aerial fleet – this is in addition to \$9.5 million provided for initial priority works for the fire trail network.

Key to delivering quality Government services is ensuring that those services are fit-for-purpose and meet the needs of the community. In this Budget, the Government is pursuing an ambitious transformation agenda driven by digitisation.

Underpinning this transformation is the \$1.6 billion Digital Restart Fund (DRF). The fund promotes a whole-of-sector approach to digitisation and service transformation. The 2020-21 Budget confirms allocations from the DRF, including:

- \$365.8 million over two years to close the digital gap between regional and metropolitan schools through better integration of digital technology into the school curriculum and infrastructure
- \$54.5 million for a major digital courts and tribunals reform project to digitise services, improve productivity in the legal system, enhance processes and improve customer experience

- \$45.8 million to implement the next phase of an end-to-end digital planning service through the ePlanning program, to improve customer experience by streamlining services within the New South Wales planning system
- \$17.5 million to improve the online customer experience for key Revenue NSW online services, to ensure integration with Service NSW for taxes and fines.

Making it easier to run a business

The Government recognises that businesses in New South Wales have been doing it tough since the onset of the pandemic. The 2020-21 Budget builds on support already provided to sustain businesses through the immediate response phase of the pandemic, with the next phase including targeted initiatives to assist businesses to invest and employ in the short term. These measures include:

- \$2.8 billion in revenue foregone to provide a temporary two-year reduction in the payroll tax rate from 5.45 per cent to 4.85 per cent, from 1 July 2020 to 30 June 2022, and a permanent increase in the payroll tax-free threshold to \$1.2 million
- up to \$500.0 million in the Out and About program to stimulate spending in the local economy, including restaurants, visitor sites and cultural attractions. Every adult resident will be eligible to claim up to \$100 in digital vouchers to spend on eating out and entertainment.
- \$472.0 million to provide small and medium-sized businesses which do not pay payroll tax with access to a \$1,500 digital voucher, to be used towards the cost of any government fees and charges before 30 June 2022, and available from April 2021 (further detail in Box 1.3)
- additional support for small businesses, including \$39.3 million to extend the Business Connect program and funding for the Office of the Small Business Commissioner to support businesses to tender for New South Wales Government procurement contracts.

Building on initiatives that have been successful during the pandemic, the Government is also committed to removing barriers to running a business in New South Wales – ensuring that there are no restrictions on businesses being able to grow as the economy reopens. This will be undertaken through new reform measures (refer to the Economic Reform section below) and by exploring which temporary relaxations in regulation due to COVID-19 should remain.

Box 1.3: Supporting small business as the economy reopens

The NSW Government is committed to helping small business through these challenging times.

Since the onset of the pandemic, the Government has been committed to providing relief for small businesses, with a focus on assisting through the health containment measures. This included the \$750 million Small Business Support Fund, which provided eligible small businesses with \$10,000 grants for immediate relief, and \$3,000 recovery grants to support safe reopening.

To reduce the cost of doing business and to support these small businesses to invest and employ as the economy re-opens, this Budget provides further fee relief by introducing a \$1,500 digital voucher. This voucher will:

- be available for small to medium-sized businesses in New South Wales which do not pay payroll tax
- capped at a cost of \$1,500 per business, and be used towards the cost of any government fees and charges
- accessible through the MyService NSW portal and operate as a rebate, where a claim can be made after fees and charges have been paid
- be available for use from April 2021 to 30 June 2022.

This Budget also provides further support to ensure that small businesses are prosperous in the longer-term, and that New South Wales remains the best State for businesses to be located. Key initiatives include:

- an extension of the Business Connect program, which subsidises professional business advice for small businesses in New South Wales
- funding for the Office of the Small Business Commissioner to support businesses to tender for New South Wales Government procurement contracts.

Strong local industry, big global outlooks

For a sustained economic recovery, the Government is committed to boosting economic growth by attracting investors to our State and making sure our local industries are thriving.

As countries around the world go back into lockdown, the pandemic offers an opportunity – to showcase the advantages of living and working in New South Wales, attract investment and develop global partnerships which strengthen the State's economy and create jobs for the future.

To ensure the competitive positioning of New South Wales in the global economy this Budget includes:

- \$250.0 million for the Jobs Plus Program, which will drive job creation by supporting businesses and industries seeking to scale up and grow in New South Wales. This includes initiatives such as payroll tax relief and access to free or subsidised spaces, and will be available for companies if they create at least net 30 new jobs
- \$179.8 million to support the implementation of the Global NSW Strategy. This investment will grow the Trade and Investment network offshore to support New South Wales businesses in key international markets as well as attracting investment from around the world to support business growth and jobs.

Further investment is also provided to make sure our existing local industries are thriving, including:

- \$300.0 million to the Regional Growth Fund 2.0 to deliver an extra round of economic development and job creation programs such as the Stronger Country Communities program
- \$175.0 million for the Made in NSW program, focusing on investment in new film and television projects
- \$100.0 million in grants to the Regional Job Creation Fund to incentivise businesses in regional New South Wales to invest, expand their operations, get new customers through the door and create new jobs
- An additional \$75.0 million for Destination NSW to promote tourism and ensure the industry is thriving once international and domestic borders reopen.

Economic Reform

Swift and unprecedented government action has mitigated the worst economic and health impacts of the COVID-19 pandemic in New South Wales. While this assistance is critical to shielding business and the broader community from this extraordinary event, the longer-term health of our economy requires a steady return to robust competition and a business-led recovery.

Reform is the most powerful tool we have for promoting strong and sustained economic growth. Productivity-driven growth enables higher wages for workers and supports revenue growth to provide essential services and minimise public debt.

To build upon the success of changes introduced during COVID-19, this Budget includes an ambitious reform agenda to ensure prosperity for future generations.

Leveraging the NSW Productivity Commission's Green Paper and the Thodey review of Federal Financial Relations, this Budget provides additional investment for a suite of reforms. These reforms are designed to take the first steps in reforming inefficient taxes, deliver a more streamlined and timely planning system to accommodate new businesses, improve student outcomes and ensure workforce flexibility and usher in regulatory changes to support innovation, competition and economic growth.

To tackle an inefficient property tax system, over the coming months the Government will seek feedback from the public on a possible transition away from the current transfer duty and land tax system. The consultation will seek feedback on a model to reduce barriers to home ownership and boost long-term economic growth (Box 1.4).

To deliver a more streamlined and timely planning system, reform initiatives include:

- **Cutting assessment times** – reducing red tape and complexity in the planning system to reduce New South Wales approval assessment times
- **Optimising industrial land use** – the Government will review the retain-and-manage category of industrial and urban services lands to enable greater flexibility of land use to generate greater economic value and employment
- **Reforming infrastructure contributions** – to increase certainty and simplicity across the contributions system, drawing on the recommendations of the Review of Infrastructure Contributions
- **Consolidating employment zones** – the Government will increase flexibility within employment zones to allow a broader range of activities to allow land to adapt as the economy evolves, reducing constraints on businesses that do not fit neatly into current definitions.

To improve student outcomes and ensure long-term labour force flexibility, reform policies include:

- **Teach for Australia program** – supporting new accelerated pathways to teaching for mature aged workers from non-teaching backgrounds through the Teach for Australia program. This program will help fill critical teacher shortages in disadvantaged and remote schools, work towards reducing the ‘learning gap’ exacerbated by COVID-19 and improve educational outcomes
- **Skills** – the Government is pursuing ambitious reforms to ensure longer-term labour force efficiency and flexibility. This includes establishing the Trades Skills Pathways Centre to introduce new pathways into trades, particularly for mature workers and women; and investing in growing jobs in the care sector (refer to the *Investing in our people and their future* section above).

Key reforms to reduce regulation, support innovation and business growth include:

- **Automatic mutual recognition of occupational licences** – together with the Commonwealth, New South Wales is leading work on a new national automatic mutual recognition scheme, enabling occupational licensees to work in other jurisdictions without having to apply, or pay fees, promoting freer flow of labour between jurisdictions. Licence holders will be able to undertake the activities they are licensed for in their home jurisdiction, and regulators will be able to take any necessary enforcement action under local laws
- **Improving the regulatory experience** – the Treasurer will lead a whole-of-government evaluation of targeted regulatory relaxations implemented at the height of the pandemic to assess their costs and benefits. By retaining the best of these reforms, the Government will promote a stronger recovery.

Box 1.4: Pursuing reform in the taxation system

Transfer duty is a long-standing part of the New South Wales tax system. It was introduced to New South Wales in 1865 and has been broadly unchanged for at least a generation.

The current tax system is not fit for a modern society. It impedes home ownership and makes it harder for people to move to where they want to live. Rather than moving to a more suitable home, people may stay in a home that is too big or too small for their needs or endure longer commutes than necessary. The tax also acts as a brake on the economy.

A number of reviews, including the recent NSW Review of Federal Financial Relations, recommended that New South Wales should replace transfer duty with a broad-based land tax. The NSW Government is now seeking to progress the conversation beyond the theory by proposing a model for reform, where transfer duty and existing land tax could be replaced by a single property tax.

The proposed changes could inject \$11.0 billion over four years into the economy, providing much needed stimulus in the current downturn. It could also deliver the most significant economic reform available right now to strengthen our state’s economy and increase our prosperity over the long term.

Further information can be found at the NSW Government ‘Have Your Say’ page.